



RESEARCH

## On the equity value of innovation

Do valor patrimonial da inovação

Del valor patrimonial de la innovación

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### ABSTRACT

The technological innovation, according to the present paper has an important role to promote economic development. The trademark establishes its titleholder to obtain an increase of the value of its intangible asset. The product or the service gains by either its value or how it is considered by the consumer. It enables the owner to license it, which means his allowance that other companies achieve in order to use a certain brand, without becoming its owner. It is therefore a certain way to rent the use of a trademark. Franchising is a broader way to fixing the trademark in a worldwide scale, because is not limited to its license, but also include a know-how transfer.

**Keywords:** Technology, Economic development, Franchising, Trademark's value, Business asset.

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## RESUMO

O presente artigo aborda a importância patrimonial da inovação tecnológica. Neste escopo, ressalta, em primeiro lugar, a relevância do fomento de políticas de pesquisa e desenvolvimento (P&D), como elemento motor do desenvolvimento econômico. Ultrapassadas as considerações iniciais, propõe o artigo uma análise do contrato de franquia. Este decorre de uma variedade de contratos, estabelecendo um valor maior para a marca do franqueador, estabelecendo uma nova forma de disseminação desta, ante ao mercado global. O franqueador, através da franquia, não possui mais o encargo do estabelecimento de filiais próprias, cabendo este risco ao franqueado.

**Palavras-chave:** Tecnologia, Desenvolvimento econômico, Franquia, Valor da marca, Ativo empresarial.

## RESUMEN

El presente artículo aborda la importancia patrimonial de la innovación tecnológica. En este ámbito, subraya, en primer lugar, la relevancia del fomento de políticas de investigación y desarrollo (I&D), como elemento motor del desarrollo económico. Sobrepasando las consideraciones iniciales, el estudio propone un análisis del contrato de franquicia. Este se deriva de una variedad de contratos, definiendo un valor mayor para la marca del franquiciador, estableciendo una nueva forma de diseminación de ésta, ante el mercado global. El franquiciador, a través de la franquicia, ya no tiene el encargo del establecimiento de sucursales propias, cabiendo este riesgo al franquiciado.

**Palabras clave:** Tecnología, Desarrollo económico, Franquia, Valor de la marca, Activo empresarial.

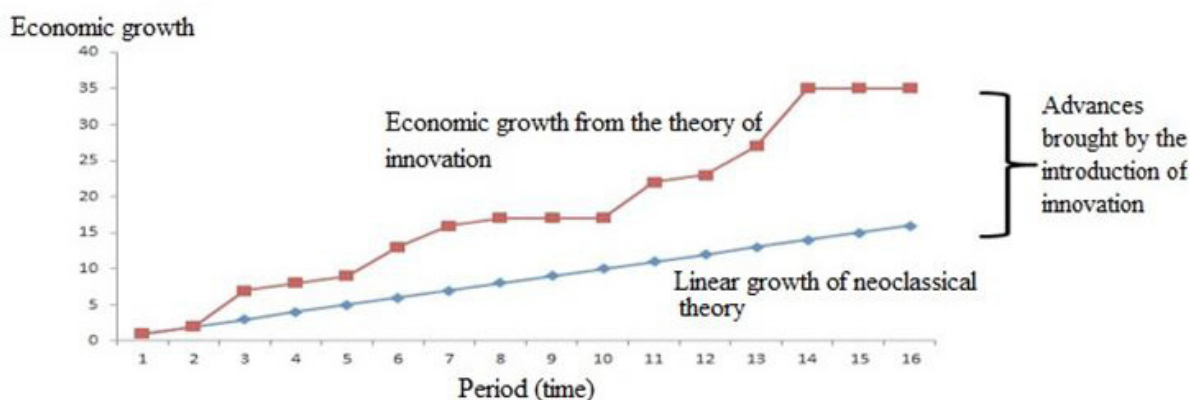
*tos dos Direitos de Propriedade Intelectual Relacionados ao Comércio* (TRIPS Agreement) [Agreement on Trade-Related Aspects of Intellectual Property Rights], in its explanatory memorandum, it recognizes that this branch is integrated in the field of private rights, there is no way to disregard the relevance productive sector.

A study presented by the *Organização para a Cooperação e Desenvolvimento Econômico* (OECD) [Organization for Economic Co-operation and Development], analyzing the Japanese structural problems, pointed the need for stimulus the entrepreneurial activity through mechanisms that promote its insertion in education, as well as the process of creation and innovation. (OCDE, 2015, page 5) On the other hand, the Central Bank of Japan, in a study published in 2016 (page 2), explains that innovation makes entrepreneurial society more profitable, especially when close to the border and guaranteed by the State reforms in the labor regime and producer market<sup>1</sup>. These reforms have the objective of implementing improvements in the degree of productivity, establishing higher levels of efficiency. The basis of this is in research and development companies. (Japan, 2016, page 8)

The innovative process, despite establishing a temporary monopoly, has the power to change the level of competition. This can be viewed by the following graphic (<http://www.revistaespacios.com/a16v37n21/16372101.html>, accessed on 08/15/2017):

## INICIAL CONSIDERATIONS

Technological innovation is a fundamental element in fostering economic development. It unlocks the creative process, opening up new possibilities, equating issues that were not solved before, endowing its connoisseur with an element of reasonable added value, which enhances the process of growth, having as scope and foundation the private sector. According to the *Acordo sobre Aspec-*



<sup>1</sup> As in Acemoglu *et al.* (2006), innovation becomes more profitable to firms than catch up only when the distance from the frontier is small enough. Importantly, firms' technology choice also depends on whether the government implements reforms in labour and product markets. The government's incentive to implement economic reforms in turn depends on the firms' technology choice because the benefits from reforms are sensitive to the size of the economy. In other words, the model is set up so that firms' decision to innovate and the government's decision to implement economic reforms are complements.

The synthesis of this thought lies in the competitive base. The legislation of abuse repression of economic power establishes the criteria used for the domain configuration of a certain relevant market. Nevertheless, it does not occur, if that results from the process of technological innovation that imports more efficiently<sup>2</sup>.

It should be noted that innovation mechanisms are not limited to local or national scale. It is a global phenomenon, where the guarantee of stability of the regulatory mark, together with the free movement of goods and services, is important. At this point, the reduction of market regulation appears to gain importance, which promotes the occurrence of private investments in innovation and the effective diffusion of knowledge internally and globally. (Japan, 2017, page 19). This is evidenced by the data referring to financing and results of research and development sector, for the year 2013. (Japan, 2017, page 21)

#### R&D Financing

Source	Total participation in R&D	Government	University	Private Sector	Total
Government	18.1	54.4	40.2	5.4	100.0
University	5.9	0.6	99.3	0.1	100.0
Private sector	75.5	0.6	0.5	98.9	100.0
Foreign sources	0.5	9.6	1.6	88.8	100.0

#### R&D Results

Source	Total participation in R&D	Government	University	Private sector	Total
Government	10.4	94.5	0.3	0.5	100.0
University	13.5	54.1	43.2	0.1	100.0
Private sector	1.3	0.0	98.1	98.9	100.0

Tables above highlight the importance of private sector and low insertion of universities research sector on it.

#### THE PATRIMONIAL VALUE OF TRADEMARK

The marking element constitutes an institute that allows its holder to act in the market, guaranteeing the increase of added value in its product or service. It is a product of commercialization, being subject to various contracts, such as license and franchise. The franchise can be defined based on the following concept, as Ekaterina Popova warns, in a dissertation, in 2016 at the University of Vienna (2016, page 15)<sup>3</sup>:

<sup>2</sup> Art. 36, paragraph 1<sup>st</sup> of the law No. 12529/2011.

<sup>3</sup> First of all, there is a difference between the concepts of "franchising organization" and "franchising". The first represents a network, which consists of the franchisor and its franchisees, while "franchising" is used to describe the contractual process between the franchisor and its franchisees, which develop the franchising organization. Franchising organizations are characterized by high degree of geographical dispersal of organizational units as they operate on several local markets. Furthermore, the business formal is very similar across the units and residual rights are shared between the franchisor and franchisee.

In the first place, one must differentiate the concept of “franchise organization” and “franchise”. The former represents the network, which is made up of the franchisor and the franchisees, while franchise is used to describe the contractual relationship between franchisor and franchisees that develop a franchise organization. Franchise organizations are characterized by a high degree of geographical dispersion of various facilities, as they act in several markets. In addition, the business format is very similar between facilities and residual rights, which are divided between franchisor and franchisees.

The franchise agreement can also be considered as a relational instrument, based on the relationship established between two parties, based on trust and the expectation of mutual concessions, according to Robert W. Emerson (2014, page 559). In this way, the institute based on this condition starts from the premise that has a notion of the quality expectation and also the opportunity for its realization. For the franchisor, the expansion of franchisee’s activities matters in multiplying its

brand users, business method, making the franchisee a multiplier agent.

Franchise agreements can still be differentiated, whether the object is the product or a service. According to Konigsberg, cited by Popova (2016, page 15), we have<sup>4</sup>:

The franchisor guarantees the franchisee the use of its brand and know-how, as well as the exploration of business method and system developed by franchisor. The franchisee, in turn, is required to execute business in accordance with established system.

It is added to the system, in its turn, that franchisor obtains financial compensation, either directly or indirectly. The granted license imposes on franchisee the subjection to control mechanisms of the way in which its franchise is exploited, since it is important for the franchisor to guarantee a uniformity of the franchisee, as the franchisee will be responsible for the direct relationship with the consumer. Regarding different franchise formats, notes Bianca Ribeiro (2009, page 109):

Franchise contractual format	Structure presentation
Conventional franchise	All initial investment is franchisee responsibility
Partial franchise	Both franchisor and franchisee bear the initial investments
Lease management	All initial investments are franchisor responsibility, franchisee is responsible only for the business administration
Hierarchy	Stores are started and managed by the franchisor, known as owned stores, usually strategic points on which the franchisor wants to have control

This division portrays the multiplicity of facets that surround franchise institute. This diversity, involving various forms of exploration of the business method, takes into account which market segment, how it develops and its relevance for competitive purposes. In its turn, the existing contractual instrument will end up delimiting the various fields of interest, serving as guiding element of the legal relation, with an important economic and managerial aspect of the enterprise involved.

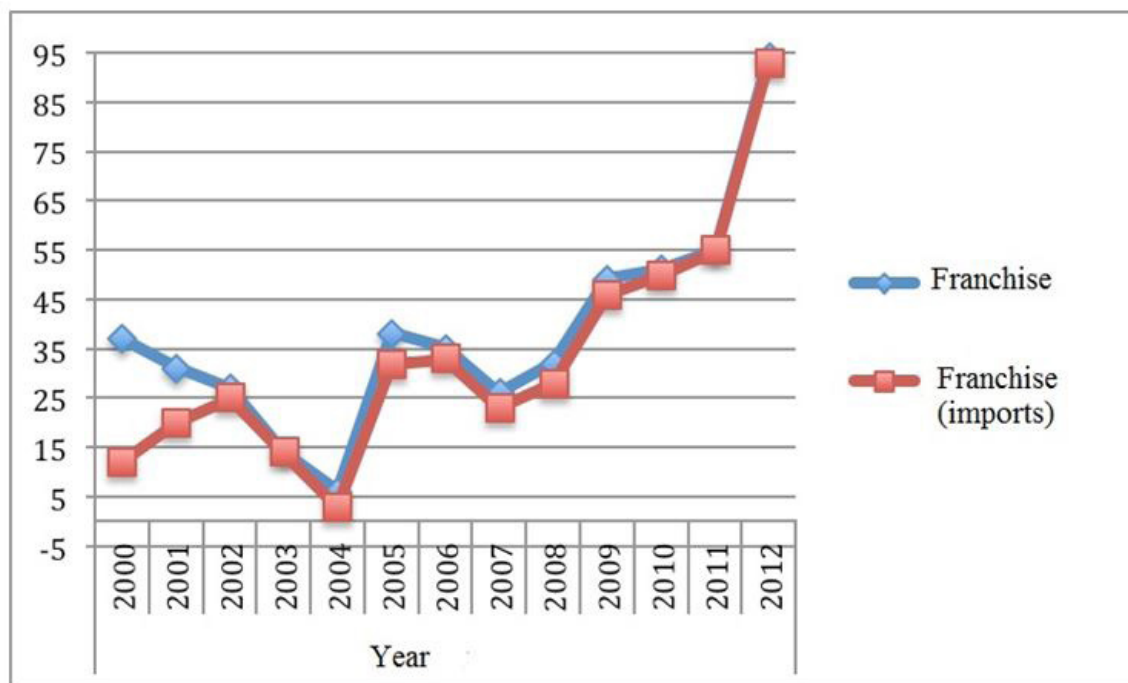
The evolution of franchise agreement is demonstrated by the statistics of the autarkic entity responsible, in this case the *Instituto Nacional da Propriedade Industrial* (INPI) [National Institute of Industrial Property], federal authority, as evidenced by the table below<sup>5</sup>:

Category	000	001	002	003	004	005	006	007	008	009	010	011	012
Franchise	7	1	7	4	6	8	5	6	2	9	1	5	4
Imported Franchise	2	0	5	4	3	2	3	3	8	6	0	5	3

<sup>4</sup> The franchisor grants to the franchisee the right to use the franchisor’s trademarks and know-how as well as the right to use the entire business format or system developed by the franchisor. The franchisee, in turn, is obliged to carry on the franchised business according to the business format or system

<sup>5</sup> Source: INPI – [www.inpi.gov.br](http://www.inpi.gov.br), accessed on 06/23/2017

Data from the framework above can be clearly understood from the following evolution chart, where the evolution of this contractual modality is obtained.



On the other hand, this modality of agreements seeks to indicate the amount of its importation, which is important in the probable existence of a clause authorizing the remittance of profits to the parent company. This situation can serve as an indicator for the degree of insertion of the Brazilian economy in the international market, due to the circulation in the domestic market of foreign brands, combined with its own conception in the field of service provision, the employment of specialized technicians and machinery, with a view to harmonizing these services on a global scale.

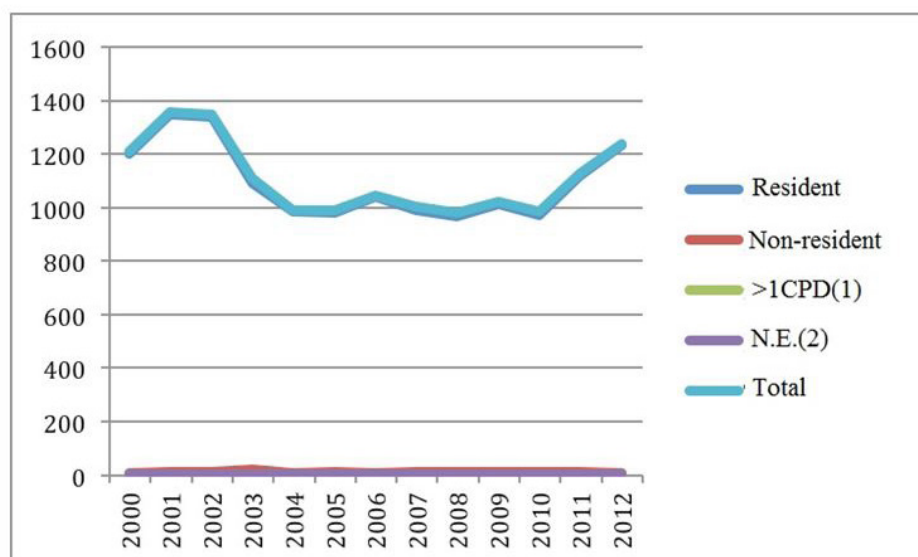
In the same way as in other institutes of immaterial property, susceptible to registration, such as transfers of technology, the quantity of imports exceeds those of exports, which reflects, in part, the stage of the Brazilian economy development. The expressiveness of these data is visualized through the following table<sup>6</sup>:

<sup>6</sup> Source: INPI – [www.inpi.gov.br](http://www.inpi.gov.br), accessed on 06/23/2017

Year	Resident	Non-resident	>1CPD <sup>(1)</sup>	N.E. <sup>(2)</sup>	Total
2000	78	1118	7	9	1212
2001	64	1289	4	2	1359
2002	57	1290	2	2	1351
2003	52	1049	7	4	1112
2004	48	942	1	1	992
2005	57	934	1	2	994
2006	77	967	3	2	1049
2007	63	940	1	1	1005
2008	85	887	2	5	979
2009	58	965	1	2	1026
2010	79	904	0	4	987
2011	100	1024	0	7	1131
2012	95	1137	1	5	1238

Note: N.E.: Non-evaluated.

This quantitative is especially evident in the degree of its evolution, when the evolutionary line is observed. It evidences a stability of the quantity of franchise contracts over a 12-year period, due in part to the fall observed in the period between 2004 and 2011. This is the general quantity of technology transfer agreements, where the franchise item forms an integral part of it.



It is, of course, a very competitive market, where the presence of several players on an international scale shows the value involved, since it is a way of fomenting the business asset, where the trademark plays a prominent role. Looking at the first twenty franchises, on a global scale, according to a report by Franchise Direct (<http://www.franchisedirect.com/top100globalfranchises/rankings/>), the following statistical framework is available:

Position	Franchisor	Nation	Industry
1	<a href="#">McDonald's</a>	USA	Food
2	<a href="#">KFC</a>	USA	Food
3	<a href="#">Burger King</a>	USA	Food
4	<a href="#">SUBWAY®</a>	USA	Food
5	<a href="#">7 Eleven</a>	USA	Convenience
6	<a href="#">Hertz</a>	USA	Vehicle rental
7	<a href="#">Pizza Hut</a>	USA	Pizza
8	<a href="#">Marriott International</a>	USA	Hotel
9	<a href="#">Wyndham Hotels and Resorts</a>	USA	Hotel
10	<a href="#">Hilton Hotels &amp; Resorts</a>	USA	Hotel
11	<a href="#">RE/MAX</a>	USA	Properties
12	<a href="#">InterContinental Hotels and Resorts</a>	Great Britain	Hotel
13	<a href="#">Domino's Pizza</a>	USA	Pizza
14	<a href="#">Carrefour</a>	France	Convenience
15	<a href="#">Groupe Casino</a>	France	Food
16	<a href="#">Kumon</a>	Japan	Childhood Education
17	<a href="#">Dunkin' Donuts</a>	USA	Food
18	<a href="#">Ace Hardware Corporation</a>	USA	Real estate
19	<a href="#">Chem-Dry Carpet Cleaning</a>	USA	Carpet Cleaning
20	<a href="#">DIA</a>	Spain	Convenience

From the framework above, the importance and relevance of this form of business in the United States of America is verified. This role stems from the direct relationship of this form of business with the employment generation, as well as establishments involved. The movement of values and the activation of economic sectors are important in the valuation of the intangible asset, which in turn feed the entire productive chain, as an element of stimulus to wealth generation. Regarding the evolution of franchised stores and job creation, in the US market, there is the period from 2010 to 2015, according to a second report from Franchise Direct (<http://www.franchisedirect.com/top100globalfranchises/rankings/>):

### Number of Franchisees Establishments in the USA

Year	Establishment
2010	740,095
2011	736,114
2012	747,359
2013	757,857
2014	769,782
2015	781,999

### Number of Employments in the USA

Year	Employments
2010	7,750,000
2011	7,940,000
2012	8,127,000
2013	8,334,000
2014	8,569,000
2015	8,615,000

The analysis of these statistical data refers to the financial movement in the same period, where it is necessary to observe the trend of the curve that constitutes an element that justifies the importance that comes to be conferred.

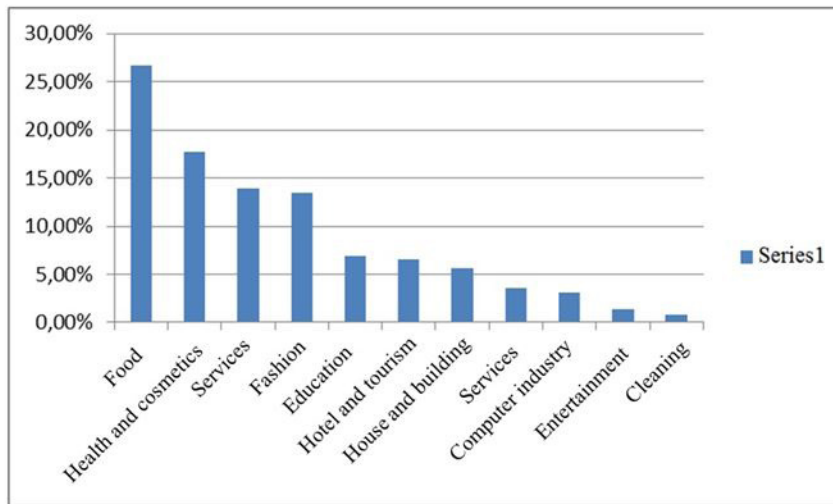
### USA Franchise Revenue

Year	Monetary values (billions of US\$)
2010	699
2011	734
2012	768
2013	804
2014	844
2015	889

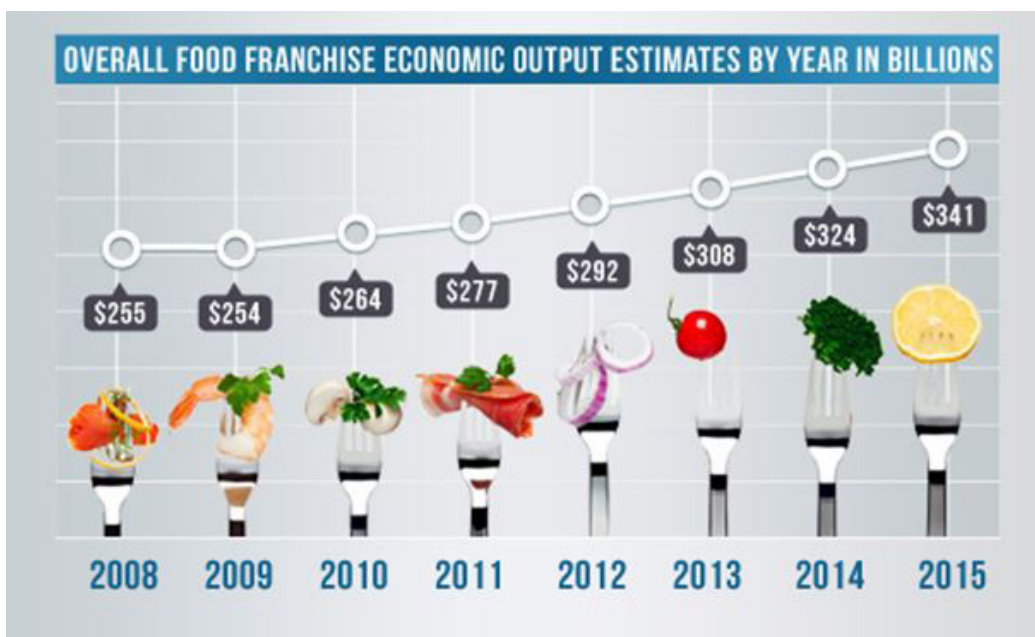
It is clearly observed from the data presented the importance of product diversity and services involved. The global system of franchises facilitates the entrepreneur's life, as far as it enables, through a bundle of agreements to disseminate its brand, distribution, without necessity and the burden of establishing branches. In turn, the franchisee obtains a package of services, where their identity loses importance, before the right to use the franchised brand, the technology transferred, the knowledge and training obtained, that allow access to a certain market segment.

Nowadays, Brazil ranks 4<sup>th</sup> in the global franchise market, according to data from the US Department of Commerce. In 2016, this sector grew 8.3%, with a US\$ 50 billion revenue. There are 3,039 franchised chains, which means a reduction of 1.1% compared to 2015, but a total of 142,600 franchised units, which in turn imported a growth of 3.1% compared to 2015. It should also be noted that 1.2 million employments were generated, a growth of 0.2%, compared to 2015. This is shown in the framework below, form a diversified segment, covering a range of services in the Brazilian territory, for the year 2015:

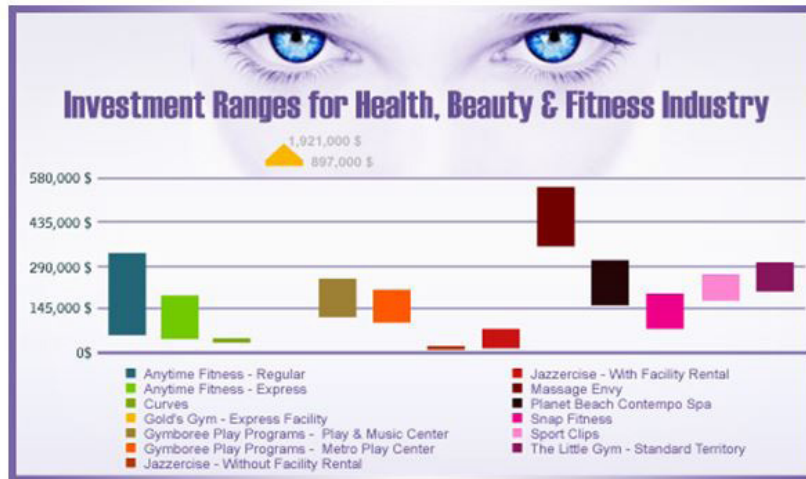




The evolution of this contract modality depends on factors that make possible its implementation, execution, which is based on a clear regulatory model. At this point, the contract approach, the parties involved, deserves a highlight. When food sector is observed, with the fast food industry, it presents the following framework related to the financial volume <http://www.franchisedirect.com/information/foodfranchiseindustryreport2015/?r=4927>, accessed on 14/07/2017):



In the cosmetics sector (<http://www.franchisedirect.com/information/markettrendsfactsaboutfranchising/franchiseindustrycomparison/8/1552/>, accessed on 07/14/2017):



What is observed is the complexity of the franchise market. Consumer relations, their breadth and often the lack of knowledge of the consumer himself, who believes that is in an establishment of the brand owner, but in fact is in a franchisee, which constitutes an autonomous third party, simply providing a service, under the supervision of the franchisor, within certain quality parameters. This business modality covers a wide range of activities, importing in a valuation of the most diverse intangible goods of being the holder, serving as an element of foment for its dissemination.

In the specific case of fashion industry, it reaches the market on a global scale through the entry of brands in a large number of countries, as shown in the table below.

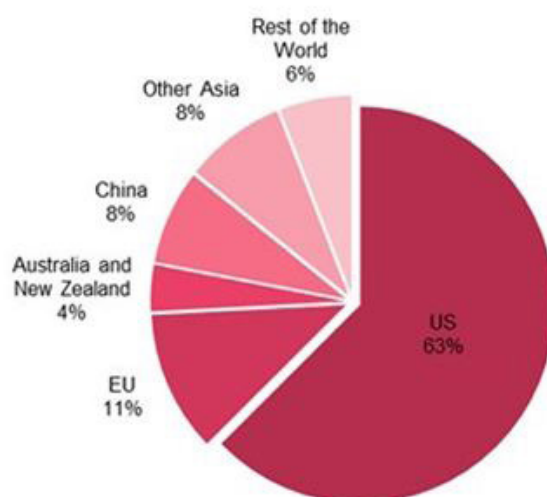


The presence of this segment, on a global scale, guarantees the consumer the search for a certain quality or standard price. The consumer, when faced by a particular product chain, knows the style of the product, its quality and in this way there is a certain sense of security. In fact, for the franchisor this system is a means of expanding, without the need, the risks and costs of opening a subsidiary.

Franchise regulations have been subject to examination by experts, and it should be noted that these are not limited to the national level, and the study promoted by the European Union in 2016, where the combination of economic and legal factors demonstrates the importance of the topic, deserves special mention.

The global division of franchise agreements in 2014 was US\$ 3,79 trillion, with the following distribution (HTDC, 2014, page 1):

**Franchising revenue by region in 2014**



Source: Actrium Solution's estimates from International Franchising Association, World Franchise Council, European Franchise Federation, Asia-Pacific Franchise Confederation, trade interviews and industry sources

What can be seen from the framework above is an expressive leadership of the United States of America, which concentrates more than half of franchise business. This concentration is largely due to the favorable environment for the business, as well as confidence in the stability and transparency of the regulatory framework. On the other hand, it is necessary to observe the role of the competent authorities in order to curb the abuse of economic power and justice in resolving the resulting conflicts. This combination of factors, in addition to the structure of the market itself, is reflected in the presented data.

## KEY FACTORS

The franchise agreement is a legal instrument, which links two parties and a spectrum of relation of multiple natures, not being similar to commercial agency or commercial distribution (EU, 2016, page 10). In this agreement, according to Eugenio Bitti, in a doctoral thesis under the title *Determining factors the franchise networks growth in Brazil* (2012, page 18) notes that:

In franchise arrangements, the owner of a service concept (principal/ franchisor) enters into an agreement with an independent party (agent/franchisee) in which the latter is licensed to use the business model for the sale of goods or services under the brand of the franchisor. Nonetheless, the principal does not invest its own funds in the service unit, and the franchisee assumes responsibility for the construction, maintenance and management of the local operation.

Thus, what is seen in this institute is much more than a licensing of brands, the provision of a technology or method of business; is the sum of these, where for the consumer, the figure of the franchisee, is of minor importance, passing, for many times unknown. This set of agreement is evidenced by Article 2<sup>nd</sup> of Law 8955/94, which states:

*Art. 2<sup>nd</sup> Business Franchise is the system by which a franchisor grants the franchisee the right to use a brand or patent, associated with the right of exclusive or semi-exclusive distribution of products or services and, also, the right to use technology of implementation and administration of a business or operating system developed or held by the franchisor, for direct or indirect remuneration, without, however, being characterized employment relationship.*

From the reading of the law it is considered as right that it is a commercial agreement, with impact on the competition system, besides importing in recognition of its managerial and economic relevance. This is an important mechanism for interaction between Law and Economics, as far as the establishment of legal provisions has an impact on costs, resulting in an element for the quantification of the value of products and services. At this point, Law, under the prism of a look of Economy, seeks efficiency. (Pimenta, 2010, page 106). Thus, the analysis of the right of property should not be considered without an examination of its repercussion. It reverberates in equity, it matters in the allocation of values and gains or loses relevance due to the expectation of generating wealth. Examination of this, from a macro perspective, does not ignore the law, but inserts as another factor in the weighing of costs and risks. In this sense, Eduardo Goulart Pimenta teaches about the *Análise Econômica do Direito (AED)* [Economic Analysis of Law] (2010, page 118):

As a rule, the AED justifies such questions under maximized efficiency. There is a need to create exclusivity over certain scarce goods, by determining the respective owners, so that they can invoke their rights before third parties, in order to

prevent the rampant battle in search of the good, eventually resulting in the destruction of the property as a whole.

In this approach, Richard Posner (2005, page 9):

*El segundo corolario del enfoque económico del Derecho que estoy exponiendo es que cuando, a pesar de los mejores esfuerzos del Derecho, los costos de transacción del mercado siguen siendo altos, el Derecho debería simular la asignación de recursos del mercado asignando a los derechos de propiedad a los usuarios que más los valoren.*

*[The second corollary of the Law economic approach that I am presenting is that when, despite the best efforts of Law, the transaction costs of market are still high, Law should simulate the allocation of market resources allocating property rights to users that most value them.]*

These transaction costs are the interest of competitive analysis. This is not limited to a price survey, just as this item, in isolation, does not matter in recognition of a possible violation of Economic Law norms. There is a need for a greater contextualization, taking into account the moment of its occurrence, the nature of the expense, its qualification as cost or initial investment, besides its effect on the competitive relations. On this point, notes David Kupfer (2002, page 254):

It is interesting to note, however, that the elements of competition are not limited to prices and quantities. There are other ways in which companies compete, such as product differentiation.

We must also emphasize that investment in capacity is only one among the various possibilities of realizing expenditures in stranded costs. Investment in R&D, labor training, branding are ways to realize unrecoverable costs, prevent potential rival firms from entering, and give consistency to strategic positions and threats.

Therefore, the insertion of goods in the market presents an element of transformation and exchange. The trademark, as one of the elements of the franchise agreement is not limited to a real right but it falls within the scope of the attribute of trade, importing to the parties involved a transforming and wealth-generating element. The purpose of exchanges involved and the disclosure obtained are important in the recognition of the valuation of an intangible asset, but their use can characterize an concentrating element. All the acts inserted do not take place gracefully, there are costs involved, as Maria Teresa Leopardi observes (<http://www.ie.ufrj.br/datacenterie/pdfs/seminarios/pesquisa/texto1111.pdf>, accessed on 07/13/2017):

The exchange of a good implies the transference of all its attributes, but costs are incurred to measure and determine what those attributes are and/or to establish rights over them (costs that will be both higher the greater the complexity of the supposedly good imperfect information). Since many of these attributes have value, the parties may be interested in defining them, despite the costs of the definition that will thus never be complete. In addition to the hypothesis of opportunistic

behavior, this difficulty of measuring the multiple attributes of the goods that places the need for enforcement, i.e., of some kind of external guarantee of compliance with contractual obligations, that detects breaches of promises and imposes penalties on violators; this, however, also has costs. Hence some rights will remain ill-defined (or totally indefinite).

At this point, it cannot be disregarded that any relationship between the parties in a legal transaction of this nature is realized by its economic significance. The jurist must have the understanding that the act does not exist on its own, but it is formalized before the expectation of generating wealth. The economic cost of a legal rule, in addition to the law, must also be considered. Observing the economic aspect, continues Maria Tereza Leopardi:

The economic meaning of property rights therefore covers elements that would not be called rights from a legal point of view. As an example: the location of a business - let's suppose a hotel near the beach - is an element that integrates the value of the enterprise, since it provides the owner with receiving income specifically from that location; while from the legal perspective it cannot say that there is a right to such location, from the economic perspective this location integrates a set of rights associated with the right to exploit the business. An economist would not hesitate to call it *the location of property right*. Not that this aspect has no legal significance but it has an integral part of an asset, which, in the example, is not detachable from the principal asset - the location of a business integrates and affects the value of a good, and can be considered a dimension of the property right over the property and/or the right over the company, and in this case, is transferable only with the property or with the business. Here, the Weberian view can help to understand this imbrication of legal and economic issues. Weber defines the concept of goods or services as a set of current or future application opportunities (Weber, 1964: 50), implying that economic action is driven by these opportunities. In Swedberg's analysis, "I can get an article in the hope that it will be useful to me (to generate profits or to satisfy my needs), but what I actually get is an opportunity to use it in a series of different forms. .... We can get the opportunity to use something to exclude others from these opportunities. Economic life... revolves largely around appropriation... of these opportunities..." (Swedberg, 2005: 54).

A good exists and is protected by its role in society. The lack advantage leads to disregard. It does not exist as an abstract entity in the world of conceptions of a doctrinal character, but because of its effectiveness in generating benefit for its owner, even if it does not have the right pecuniary value, but also for the possibility of avoiding the expenditure of values. In ideal models the actors involved have a complete understanding of the factors at play. As David Kupfer (2002, p. 455) observes:

*The models related to consumer and business theory in traditional microeconomics assume that agents have full*

*and perfect information about the characteristics of products and technologies.*

This ideal model serves as the basis for the construction of reality. It makes possible to discuss the level of tolerable distortion and from which point there is an imbalance that requires the intervention of the legal norm. The market, in the search for accommodation, regards the franchise agreement as an economic element, with legal effects. The verification of the legal, apart from the reality, creates a distortion that will end up being arcade by the whole of the society.

## CONCLUSIONS

The innovative process, of private nature, is a differentiating element in human society. Given the aforesaid, it is not possible to limit it to a certain segment, but rather to understand it as a sum of institutes, which are incorporated into the assets of the business society. This, in turn, by increasing the value added of goods and/or services marketed, ends up becoming an element of fostering economic development.

This economic development becomes a goal to be sought by representatives of State power, through mechanisms that ensure the stability and transparency of the regulatory framework, allowing its development through the basic principles of free initiative and competition. The State, even through its research institutions and academics, does not fit the role of generating knowledge, but rather acts as an incubator of this, propitiating its development through private initiative.

In this context, it is observed that the brand, as an institute, especially when incorporated into the franchise agreement, is highlighted. The franchise, in the form of a bundle of contracts, goes beyond national borders and plays a relevant role. This is an item of international trade, evidencing its participation as a generator of wealth, inasmuch as it seeks to guarantee to consumer the necessary tranquility and security in relation to the products and/or services purchased.

Ultimately, franchising, not only being limited to brands, but also having the scope of know-how, a way of performing or practicing a certain activity, in addition to the support and guarantee to which the franchisor is bound, establishes means for the franchisee to reach a market, which perhaps, in the absence of it, would not be possible. For this reason, its importance for the development of the innovative process must be considered in order to understand the insertion of the various actors in the market and in the process of economic development.

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