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"INFORMAZIONE & FORMAZIONE 4.0" - CICLO DI DIGITAL MEETING

An aerial photograph of a modern architectural complex. The central feature is a large, circular plaza with a perforated, metallic-looking facade that allows light to filter through, creating a pattern of light and shadow. The plaza is surrounded by a walkway where many people are seen walking. In the background, there are palm trees and other buildings, suggesting a tropical or urban setting. The overall scene is brightly lit, likely during the day.

Agency / Distribution Contract

Sources:

**Commercial Agency Law N. 18 / 1981, as amended and
supplemented**

**Commercial Transaction Law N. 18/1993 – (Code of
Commerce)**

A.) COMMERCIAL AGENCY LAW

- The Commercial Agency Law N. 18/1981 regulates the appointment of commercial agents and representatives and distributors.
- The aforesaid law enables investors and foreign companies to appoint a commercial agent to represent them in the United Arab Emirates, instead of establishing one permanently in the Country.
- The Law defines as “Trade Agency” the agreement through which a foreign company is represented by a local agent «for distribution, sale, display or render of a commodity or service in the State against a commission or profit» (Art. 1 F.L. No. 18/1981, as amended by F.L. No. 14/1988).

AGENCY/DISTRIBUTION CONTRACT - CONTINUED

- The commercial agents shall be Emirati citizens or companies established in the United Arab Emirates and wholly owned by Emirati citizens (Art. 2 F.L. No. 18/1981, as amended by F.L. No. 14 /1988).**
- The commercial agent shall be registered with the Ministry of Economy and Commerce (Art. 3, Para. 1, F.L. No. 18/1981).**
- Any commercial agency not registered with the registry of the aforesaid Ministry shall not be considered as such and any legal dispute shall be considered inadmissible by the competent Judicial Authority (Art. 3, Para. 2, F.L. No. 18/1981).**
- The Trade Agency contract shall have to be registered, be laid down in writing and notarized (Art. 4 F.L. No. 18/1981).**

AGENCY/DISTRIBUTION CONTRACT – CONTINUED

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AGENCY/DISTRIBUTION CONTRACT – CONTINUED

- The Principal shall be allowed to have one agent in the State as one territory or one agent in each Emirate, or in a number of Emirates, provided that the distribution of the relevant goods and services shall be restricted to the agency area (Art. 5 F.L. No. 18/1981). The agent is essentially a sole agent in the designated territory.**

- The Agent shall be entitled to the commission for the deals made by the Principal himself or through others in the area of agency, even if the deals are not concluded through the efforts of the agent (Art. 7 L.F. N. 18/1981).**

- The Principal shall not be entitled to terminate the agency contract unless there is a valid reason for termination, regardless of whether the period of agency contract is fixed. The agency may not be re-registered in the Trade Agencies Register in the name of another agent, unless the first agency has been terminated by mutual agreement between the Principal and agent, or there are essential reasons accepted by the permanent committee formed under Article 27 of this Act (Art. 8 F.L. No. 18/1981, as amended by F. L. No. 13/2006).**



AGENCY/DISTRIBUTION CONTRACT – CONTINUED

- The Parties, by mutual consent, may renew the agency contract by no more than one year before the date of expiry thereof (Art. 8, Para. 2, as amended by F.L. No. 13/2006).**
- Commercial agents are entitled to a compensation from the Principal if the agency contract is terminated without a substantial justification (Art. 9 F.L. No. 18/1981, as amended by F.L. No. 13/2006).**
- Commercial agents are entitled to detain the importation into the Country of products considered under the agency contract, if performed in the name of another person or through channels other than those of the agent. At the request of the agent, the Customs Authority shall confiscate said goods and deposit them in a storage facility until the dispute is settled (Art. 23 F.L. No. 18/1981, as amended by F.L. No. 13/2006).**



B.)

COMMERCIAL

TRANSACTIONS LAW

- The general regulation is set forth in the articles from 197 through 216. It integrates the provisions contained in the aforesaid Law No. 18/1981 (Commercial Agency Law), laying down the specific regulation of the relationship between Principal and Agent.**
- Article 217 and the following articles regulate certain types of commercial agencies, including “Contract Proxies”.**
- According to said Law, the Contract Proxy consists of a contract through which a person continuously carries out promotion activities and finalizes deals on behalf of the Principal in a specific area.**

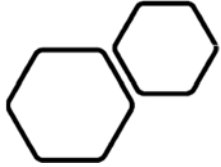
AGENCY/DISTRIBUTION CONTRACT – CONTINUED

- The legal provision considered defines this person as an «agent». The provision – differently from the provisions laid down in Art. 4 of Federal Law No. 18/1981 – does not require a written agreement or for it to be notarized.**
- The two provisions (Art. 4 of the *Commercial Agency Law* No. 18/1981 provides for the agreement to be in writing and notarized in order to appoint a commercial agent, while Art. 217 of the *Commercial Transactions Law* No. 18/1993, does not provide for any formal prerequisite) set forth a different regulation for what appears to be the same profile (namely a commercial agent), even if it is given a partially different definition.**
- Moreover, pursuant to Art. 227 of the *Commercial Transactions Law* No. 18/1993, the distribution contract is considered a *contract proxy*.**



AGENCY/DISTRIBUTION CONTRACT - CONTINUED

- The provisions made under the *Commercial Transactions Law No. 18/1993* do not require any formal prerequisite for agency or distribution contracts, unlike the provisions made under Art. 4 of the *Commercial Agency Law No. 18/1981*.**
- These conflicting norms have brought Emirati Courts to hand down contrasting decisions on similar cases, sometimes considering a legal claim inadmissible if the agency contract was not in writing and was not notarized and, at other times, accepting the agency or distribution contract even if it was not in writing.**
- The fact remains that if an agency/distribution contract is not in writing, there is the problem of producing evidence of the contractual agreements.**



Brief guide to

COMMERCIAL AGENCY CONTRACTS

in the United Arab Emirates

United Arab Emirates



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