



International Distribution Institute

Termination agreements with commercial agents and distributors

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The most common situation:

Termination by the principal/supplier, followed by either:

- a settlement agreement; or
- a Court/arbitral litigation.



Possible reasons for preferring a termination agreement (1):

- Avoiding litigation;
- Not losing the clientele;
- No chances/difficulty to terminate the contract;
- Not possible to monetize the notice period;
- Agent/distributor's network;
- Post-contractual obligation non to compete;

Possible reasons for preferring a termination agreement (2):

- Ancillary activities provided by the agent/distributor in the territory;
- Stock of products;
- Pending orders;
- Trademarks and other IP rights;
- Distributor's financial difficulties.

Main object:

- Goodwill indemnity possibly due to the agent or to the distributor;
- Possible damages;
- Possible investments to be recovered.



Commercial agents

Goodwill indemnity and notice period

Article 19 of Directive 653/86:

The parties may not derogate from Articles 17 and 18 to the detriment of the commercial agent before the agency contract expires.

Article 15.2 of Directive 653/86:

The period of notice shall be one month for the first year of the contract, two months for the second year commenced, and three months for the third year commenced and subsequent years. The parties may not agree on shorter periods of notice.



Italy:

Termination agreements or settlements with agents-individuals or “partnerships” where the activity is mainly performed personally by an individual **can be challenged** by the agent **within 6 months**.

(Article 2113 civil code)

Such risk is avoided if those agreements are signed by the parties before either the Provincial Office of Employment (“direzione provinciale del lavoro”) or the Trade Unions.



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Thank you for your kind attention

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