



International Distribution Institute

“Hot Issues” Regarding Termination Of Distribution And Franchising Agreements

Ronald K. Gardner, Dady & Gardner, Minneapolis

Itamar Anaby, S. Friedman, Abramson & Co., Haifa

Irene Grassi, Cocuzza & Associati, Bologna

Christophe Grison, Fidal, Paris

Kentaro Tanaka, TMI Associates, Tokyo

Can a court ignore the terms of an agreement if a party has acted in bad faith in terminating the other party?

Italy

- No. But...
 - If acting in bad faith, the termination creates “unjustified sacrifice”, the terminating party may be required to pay damages to the other party (including loss of profits for the longer period of expected duration of the contract and investments which could not be redeployed).
 - In addition, termination can be considered abusive and “arbitrary” when the unbalance between the parties is excessive and there is an intention to harm the other party (again courts can order to pay damages).



Can the court ignore the termination terms of the agreement if the terminating party follows them?

Israel

- No! Intervention in contractual termination clauses - only based on specific legal provisions (“Uniform Contracts Law”)
- Others?

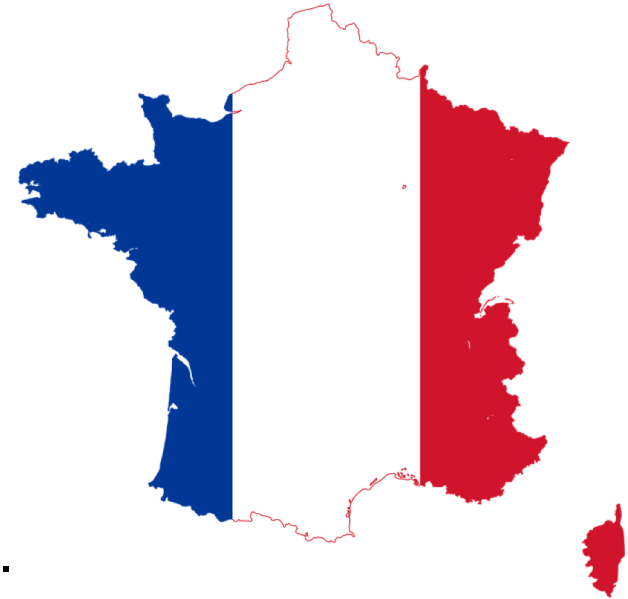


Can or should a supplier be able to terminate based on simply giving notice?

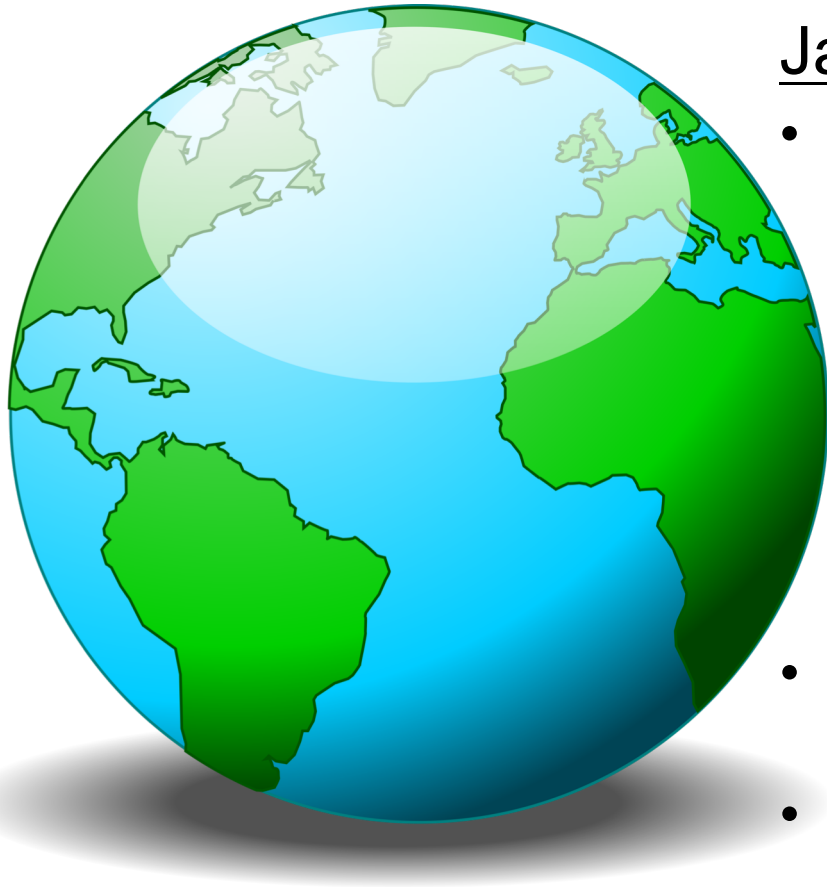


France

- Yes! But...
 - Written notice must be given and the notice period **MUST** meet certain criteria.
 - No liability for the supplier if notice period = 18 months and if no abuse in the termination can be demonstrated.
 - No notice period required in case of contractual breaches or force majeure



Can or should a supplier be able to terminate based on simply giving notice?



Japan

- **Sometimes.** Some courts restricted termination of continuous contracts such as franchise agreements (reasonable or unavoidable reason is required for the termination).
Otherwise, reasonable notice period is required under case law, but courts tend to defer to the agreed period.
- No notice period is required If there is a reasonable or unavoidable reason.
- Others?



QUESTIONS!!!

