

Glossary: UAE Commercial Agency Law Part 2

Regulations concerning commercial agents and distributors in the United Arab Emirates ("UAE") have several distinctive characteristics. The most significant aspect is whether the contractual relationship is registered with the UAE Ministry of Economy & Tourism and, consequently, whether Federal Law No. 3 of 2022 ("Commercial Agency Law"), which grants registered commercial agents and distributors a comparatively high level of protection, applies or not. With our glossary of UAE Commercial Agency Law, we explain frequently used terms relevant to registered commercial agencies and distributorships. Today, we provide you with an overview of protective regulations arising from the Commercial Agency Law. These stipulations are mandatory and cannot be contracted out or bypassed.

Exclusivity

Where a commercial agency or distributorship is registered in the Commercial Agency Register maintained by the Ministry of Economy & Tourism, the principal may appoint only one commercial agent or distributor per territory for a specific product or service. Accordingly, registration confers exclusivity on the commercial agent or distributor in relation to these products or services within the agreed territory.

Territory

The territory refers to the geographical area covered by the commercial agency or distributorship agreement. The territory may comprise of a single emirate, several emirates or the entire UAE.

Accordingly, the exclusivity granted to the commercial agent or distributor is limited to the agreed territory and does not necessarily extend to all seven emirates.

Commission Entitlement

Commission is the remuneration paid to the commercial agent for mediating business according to the commercial agency agreement.

Under the Commercial Agency Law, a registered commercial agent or distributor is entitled to commission for transactions concluded within the agreed territory in respect of the products or services covered by the agreement, irrespective of whether the

commercial agent or distributor was involved in concluding the transaction. The commission entitlement is a direct consequence of the commercial agent's or distributor's exclusivity.

The parties are free to agree on the terms governing the commission, including the method of its calculation.

Prevention of Parallel Imports

Parallel imports refer to goods imported into the territory by any third party other than the commercial agent or distributor, including the principal itself.

When becoming aware of such imports, the commercial agent or distributor may request the UAE customs authorities to seize the goods and prevent their import into the country.

In practice, this right gives the commercial agent or distributor a significant advantage over the principal. Until the commercial agency or distributorship is deleted from the Commercial Agency Register, the commercial agent or distributor may, in principle, prevent the import of the relevant goods and thereby bring the principal's business in the UAE to a standstill.

Do you have questions? – We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than 21 years. Our areas of expertise include corporate law (in particular business set-up), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!