

AU-MADdis09

Distribution agreement: short version

Dated: [\[date\]](#)

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Date

Parties

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This agreement is dated: [date]

It is made between: [the Merchant name]

Of [address] (“the Merchant”)

and [Distributor’s name]

Of [address] (“the Distributor”).

These are the agreed terms:

1. Definitions

These definitions apply unless the context

“Confidential Information” means all information about the parties to this agreement, including any information which may give a commercially competitive advantage to any other person. It does not include information that it is reasonably necessary to disclose to a customer or other person

information about staff and their personal contact information,

data or information relating to product plans, marketing strategies, finance, operations, customer relationships, customer profiles, sales estimates, business plans, and internal performance

It includes information about the Intellectual Property and

“Customer” means a customer of the Distributor

“Intellectual Property” means intellectual property owned by the Merchant, of every sort, whether or not

registered or registrable in any country, including intellectual property of kinds coming into existence after today; and including, among others, patents, trade marks, unregistered marks, designs, copyrights,

- “Product” means any product offered for sale from time to time
- “Territory” means the country / state/ []
- “Price” / “Prices” means the prices at which the Merchant sells the Products to the Distributor, 1 .

2. Interpretation

In this agreement unless the context otherwise requires:

- 2.1 a reference to one gender shall include any or all genders and a reference to the singular may be interpreted
- 2.2 a reference to a person includes a human individual, a corporate entity and any organisation
- 2.3 in connection with any benefit given by this agreement, a reference to a party includes
- 2.4 a reference to a person includes reference to that person’s successors, legal representatives, permitted assigns and any person to whom rights and obligations are transferred or pass as a
- 2.5 a reference to a paragraph or schedule is to a paragraph or schedule to this agreement unless the context

- 2.6 the headings to the paragraphs and schedules (if any) to this agreement are inserted
- 2.7 any agreement by any party not to do or omit to do something includes an obligation not to allow some
- 2.8 [except where stated otherwise], any obligation of any person arising from this
- 2.9 the words “without limitation” shall be deemed to follow any use of the words “ ” “ ”
- 2.10 a reference to an act or regulation includes new law of substantially the same
- 2.11 all money sums mentioned in this agreement are calculated net of GST, which

3. Relationship of parties

- 3.1 Each of the parties warrants that it has the authority to enter into this agreement [].
- 3.2 Nothing in this agreement shall create a partnership, franchise or agency or other relationship between any of the parties,
- 3.3 Neither party shall have, nor represent that it has, any authority to make any commitment on the ,

4. Entire agreement

- 4.1 This agreement contains the entire agreement between the parties and supersedes all
- 4.2 Each party acknowledges that, in entering into this agreement, it does not rely on any representation, warranty, information

4.3 As an exception to the last previous sub paragraphs, the parties do rely

:

[Enter list of other docs and dates]

5. Appointment of Distributor

5.1 The Merchant now appoints the Distributor as its *[exclusive / non-exclusive]* distributor in the Territory for the sale of the Products, and the Distributor now

5.2 *[Subject to this agreement, the Distributor is free to promote and market the Products in any*

].

6. Obligations of the Distributor

The Distributor agrees that it will :

6.1 use all reasonable efforts to distribute the Products;

6.2 maintain full and accurate records of:

6.2.1 stock in hand;

6.2.2 sales to Customers over last previous [] ;

6.2.3 the personal name, corporate name, physical address and email address of every Customer and send the

6.2.4 if different, the location to which each

6.3 maintain systems and procedure whereby all used Products returned by Customers are not cleaned or refurbished and re-sold

-

;

6.4 use only advertising and promotional material for the Products which

;

6.5 comply with all relevant governmental rules and regulations relating to the sale ;

- 6.6 make no representations or warranties with respect to the Products other than those
;
- 6.7 attend, through its employees, training and sales meetings and events as required by the Merchant so as to
;
- 6.8 provide to the Merchant a monthly forecast of sales
;
- 6.9 buy at least the amount of
;
- 6.10 maintain a stock
.
- 6.11 not supply the Products to
;
- 6.12 not supply the Products
;
- 6.13 not appoint any other person as a
.

But the Distributor shall not be liable

7. Obligations of the Merchant

- 7.1 The Merchant warrants that:
 - 7.1.1 he has the unrestricted authority
;
 - 7.1.2 he has all the intellectual
.
- 7.2 The Merchant
:
 - 7.2.1 provide marketing direction and guidance to the Distributor;

7.2.2 maintain comprehensive general liability insurance, including product

7.2.3 provide to the Distributor

7.2.4 maintain warranty and post-warranty

8. Compliance and regulation

8.1 The Merchant agrees to assist and cooperate

8.2 For all purposes in connection with regulatory approval and display to potential Customers, the Merchant will

[10 %]

[25 %]

8.3 The Distributor shall obtain [\[at its own expense\]](#),

8.4 Each party

9. Products recall

9.1 Each of the parties has the right to recall products or contact buyers with a warning message

9.2 As far as possible a party suggesting a recall shall

9.3 The cost of the recall, including sales refunds

9.4 The Distributor shall send to the Merchant copies, in the language in which they were generated, of all reports, data and correspondence with

10. Minimum sale requirements

The Merchant shall be entitled to terminate this agreement if

Year	Total value
------	-------------

2016	
------	--

2017	
------	--

2018	
------	--

OR

Minimum sale requirements for

3.

11. Distributor's marketing obligations

11.1 The Distributor agrees

:

11.1.1 sell any other

;

11.1.2 be involved in any way in

;

11.1.3 sell the Products outside the Territory or

11.2 The Distributor is solely responsible for compliance with

11.3 The Distributor is solely responsible for payment of all costs

11.4 The Distributor will:

11.4.1 procure that its marketing team attend the offices of the Merchant from time to time

4];

11.4.2 spend not less than \$ [0000]

11.4.3 Provide an after sales service

5 ;

11.5 The Distributor will use its best endeavours to:

11.5.1 promote and sell the Products throughout the Territory;

11.5.2 maintain adequate stocks

11.5.3 comply were all legal requirements

12. Distributor's liaison and reports

The Distributor will provide to the Merchant:

- 12.1 monthly, a report in whatever ;
- 12.2 six monthly, an updated ;
- 12.3 whenever a change , ;
- 12.4 six monthly, a copy of all , ;
- 12.5 as often as may be appropriate, details of any , , , .

13. The Price

13.1 The Price of the Products shall be

OR

13.2 The Merchant will sell the 1 .

AND

13.3 Once agreed, the Price for the []

13.4 The Prices are exclusive of goods

13.5 The Merchant may increase the Prices at any time upon giving [12] weeks

13.6 The maximum amount of []

14. Orders and acceptance

14.1 The Merchant reserves the right to reject any order or to cancel any order

14.2 If it rejects an order, or cancels

14.3 Nothing said or done by the Merchant is an acceptance of an order

OR

14.4 Nothing said or done by the Merchant

15. Delivery

15.1 Prices are "ex works"

15.2 If the Distributor asks the Merchant to arrange transport and insurance and the Merchant does

[/]

15.3 The Merchant will use its best endeavours to supply the

[/]

15.4 The Merchant may from time to time change any

15.5 Each order from

15.6 Upon receipt of each order from the Distributor the Merchant will inform the Distributor

16. Payment terms

16.1 The Distributor shall pay for each batch of Products not less than [28]

OR

16.2 The Distributor shall pay 6 .

16.3 If the Distributor fails to pay for [56]
:

16.3.1 suspend all further ; /

16.3.2 sell any Products

OR

16.4 Payment of the Price shall 30

16.5 All sums due under this agreement:

16.5.1 shall be made in full, without any set-

16.5.2 shall be paid by the due date, failing which the Merchant may charge

5]%

[

;

16.5.3 Payments will be made by the Distributor in Australian dollars by direct

/ []
].

16.5.4 shall be paid in

[].

OR

16.5.5 [specify method of payment and due date]

16.6 On request, the Merchant will supply

16.7 If any applicable law requires any tax or charge to be deducted before payment,

[]

16.8 Any sum due under this agreement not expressed in Australian dollars shall be

16.9 Banking charges by the receiving bank on payments to the Merchant

16.10 The parties shall collaborate

16.11 Where credit has been agreed in writing between

30

16.12 No right of set off shall arise.

OR

17. Payment on running credit account

- 17.1 Payment is due to reach the Merchant's bank account before
- 17.2 On request, the Merchant will supply
- 17.3 The Merchant's accounting system will automatically charge interest
- [1]
- 17.4 If money remains overdue after one month, the rate charged will be [1.5]

18. Risk and retention of title

- 18.1 Ownership of the Products shall not pass to the Distributor until it has
- 18.2 In spite of delivery having
- 18.2.1 the Distributor ;
- 18.2.2 no other sums
- 18.3 Until property in the Products passes to ,
- 18.4 The Distributor must store the Products (at no cost to the)

- 18.5 Despite any of the Products being owned by the Merchant,
- 18.6 Any sale or dealing shall be a sale or use of
- 18.7 Until property in the Products passes from the Merchant the entire proceeds of sale of the
- 18.8 The Merchant is entitled to recover
- 18.9 If the Merchant asks the
- 18.10 If, when asked, the Distributor
- 18.11 The Distributor must not pledge or in any way charge by way of
- 18.12 The Distributor must keep the Products insured to
- 18.13 If, when the Merchant asks, the Distributor fails to deliver to
- 18.14 The Distributor will not move any Products

19. Products defective or not as ordered

19.1 The Merchant

:

19.1.1 the Products

;

19.1.2 are of satisfactory /

;

19.2 Immediately upon taking delivery of any Products, the Distributor shall

,

,

.

19.3 If the Distributor finds any defect in the quality or quantity of the Products, or a failure to comply with

,

.

[7]

,

19.4 If the Distributor claims that the Products were -

,

.

19.5 If the Merchant agrees with the shortage or defect, it will top

/

19.6 The Merchant will repair

:

19.6.1 the defect is reported

[12]

;

19.6.2 the defect results only from faulty design;

19.6.3 the Distributor has returned the

19.7 If the Merchant agrees that it is liable,

.

19.8 If the Merchant repairs or replaces Products, the Distributor

20. Warranty and Service Policy

The Merchant now warrants to the Distributor that:

20.1

;

20.2

20.3

]

[

20.4

,

20.5

,

,

,

21. Disclaimers and limitation of liability

21.1

21.2

21.3

21.3.1

21.3.2

21.3.3

21.4

21.4.1 indirect or consequential loss; or

21.4.2

21.5

21.6

\$ [10 , 000].

21.7

22. Mutual Indemnities

22.1

,
:
,

22.1.1

, , ;

22.1.2

;

22.1.3

;

22.1.4

22.2

.
(
) ,
, , , .

22.3

, : ,

22.3.1

, , ;

22.3.2

;

23. Assignment

23.1

23.2

24. Sale of business or change of Control

24.1

24.2

24.3

24.4 The Merchant agrees that this provision is fair.

25. Confidential Information

25.1

25.1.1

25.1.2

[. . . .];

25.1.3

25.1.4

25.2

26. Intellectual Property

26.1

26.2

26.3

26.4

;

26.5

;

26.6

;

26.7 [

]

,

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;

26.8

,

[

];

But that it will:

26.9

;

26.10

;

26.11

[

]

;

26.12

;

26.13

;

26.14

27. Duration and termination

27.1

27.2 This agreement shall continue until terminated:

27.2.1 on [date];

OR

27.2.2 [3] ;

AND

27.2.3 [28]

[28] ;

27.2.4

30 ;

27.2.5 ,

().

28. Upon termination

28.1

28.2

28.3

[12]

28.4

28

28.5

28.6

28.7

28.8

28.9

29. Miscellaneous matters

29.1

29.2

29.3

29.4

29.5

29.6

29.7

29.8

It shall be deemed to have been delivered:

;

:

72

;

:

24

;

:

-

-

:

24

-

. [

-

.

,

]

29.9

,

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29.10

.

29.11

, [

].

29.12

,

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29.13

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29.14

,

.

29.15

,

[

]

[].

Signed by / on behalf of the named parties by their representatives who personally accept liability for the proper authorisation by their respective employer or principal to enter into this agreement

For, and on behalf of [\[name\]](#)

[print name](#)

Witness to signature:

Name:

Address

For, and on behalf of [\[name\]](#)

[print name](#)

Witness to signature:

Name:

Address

Schedule 1 The Products and Prices

[]

Schedule 2 Description of after sales service required

Schedule 3 Minimum sale requirements

Schedule 4 The sales training scheme

:

Duration of training

Brief details of the programme

Number of people;

Who will train;

Responsibility for health and safety;

;

;

Who pays cost of travel and accommodation?

Schedule 5 After sales service

Schedule 6 Batch Payment

Explanatory notes:

Distribution agreement: short version

Drafting notes

Comments relating to specific numbered paragraphs

1. Definitions

We know nothing about your business, so we cannot provide you with defined terms which precisely describe what you sell. By all means use the search/replace function in your word processor to change them. The definitions of parties and products are a matter for your choice. The seller can be “Merchant”, “Manufacturer”, and so on; the Products can be “Products”, or can be

But if you do change the defined word, make sure it applies to every use

You should first decide on the contents of the document, then return to check what definitions are needed and whether they really

2. Interpretation

Leave these items in place unless there is a good reason to edit or remove. Each of these items has been carefully considered in the context of this agreement and has been included for a purpose.

3. Relationship of parties

Confirms authority of an organisation to make the deal. If you are dealing with a company and do not know who has authority to

4. Entire agreement

This paragraph prevents a party from later saying it was relying on some other document or web site or what was said. If other documents are to be relied on, let them be listed

This is a simple statement for the avoidance of doubt. Of course other documents may indeed create the relationships mentioned. For example, most directors will be employees. It is important

5. Appointment of Distributor

We have placed this important provision in a separate paragraph to

6. Obligations of the Distributor

A menu of possibilities. Add and delete

7. Obligations of the Merchant

These obligations are intentionally vague. Add and delete

8. Compliance and regulation

This provision is usually most important when selling abroad. We have no idea what compliance or registration and control

9. Products recall

Delete if not required.

10. Minimum sale requirements

Most distribution agreements provide for minimum sales. This can be expressed in different ways. To avoid conflict later, we

11. Distributor's marketing obligations

The essence of this paragraph is to make the distributor responsible for all of the cost of importation and for compliance with all local laws. If the distributor is in

12. Distributor's liaison and reports

This paragraph provides ideas for the ongoing liaison between the parties and the provision of sufficient reports to the merchant to inform him, first as to past activity by the distributor and secondly as to current and future market

conditions. It is particularly important that the merchant has access to all

We have provided a menu of possibilities.

13. The Price

The merchant's ability to change prices and specifications are likely to be one of the areas of greatest concern

Alternatively the distributor may feel it is appropriate to limit

14. Orders and acceptance

It is vital that the Merchant is able to refuse an order. If some provision is not made here, the position is that an order given to the Merchant will create a contract which of course it must

15. Delivery

If you are selling abroad, we recommend using an Incoterm because they will commit both sides to an accepted and firm set of rules. If you are selling only in the Commonwealth of Australia, of course delivery arrangements will be far more simple. If you use an Incoterm, make sure you check your obligations at <http://www.i-b-t.net/incoterms.html>

16. Payment terms

In this and the following [paragraphs we have provided

17. Payment on running credit account

This paragraph applies only if credit facilities have been granted to the Distributor. There is no need to write into your terms, your requirements for

giving credit. First, you need absolute flexibility and second, it is not a contractual matter but a concession by you. The only contractual part is the charging of interest. Most customers assume

The mention of “not a penalty” is necessary because a higher rate of

18. Risk and retention of title

Many books have been written on this subject so this note will do

:

18.1. The concept and use of a provision for retention of title is only of use when you are competing against some other party to establish ownership.

18.2. If your goods are far away, the chance of success in asserting

18.3. The only secure way to

18.4. Payment through an LC is universally acknowledged and

18.5. If you must give credit the terms we have proposed will give you the strongest protection

19. Products defective or not as ordered

Matters for your judgement.

20. Warranty and Service Policy

You are making promises here. As they are, they conflict to some extent with the paragraph on your disclaimers.

21. Disclaimers and limitation of liability

Matters for your judgement.

22. Mutual indemnities

We have provided far more protection

23. Assignment

Give careful thought to this. It is not an alternative to a “Change of ”

Consider the circumstances on both sides which may

We give you these options:

23.1. Neither party may assign the contract

Action: use first option and delete second

23.2. Both parties may assign.

Action: delete all

23.3. Both

Action: leave as is.

23.4. You may assign but not other party.

Action: edit

23.5. A party may

Action: use second alternative and delete first.

24. Sale of business or change of Control

The last paragraph on “assignment” does

In practice however, the personal element may be important to you or you may

Of course, it also

25. Confidential Information

Needs to

26. Intellectual Property

Every business has far more intellectual property than its managers generally assume. It

“ ” “ ”

Nonetheless, you could carefully to define those items of intellectual property which the distributor might need to use so as

27. Duration and termination

It is usual to terminate on notice, but if

28. Upon termination

This is the time when the parties may

29. Miscellaneous matters

A number of points which solicitors

!

End of notes