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FOR IMMEDIATE RELEASE

**BLOCK EXEMPTION OF EXCLUSIVE DISTRIBUTORSHIP AGREEMENTS:
EEC COMMISSION CLARIFIES APPLICATION OF ANTITRUST PROVISIONS**

Washington, D.C., March 24 -- The EEC Commission has decided to simplify the application of the Common Market antitrust rules for exclusive distributorship agreements, so that many such agreements will no longer have to be submitted individually to the Commission for authorization under Article 85, paragraph 3.

The main rules prohibiting restrictive business arrangements are set out in Article 85 of the Rome Treaty. Exemptions from this prohibition may be given under the conditions enumerated in Article 85, paragraph 3. Under Council Regulation No. 19/65/EEC of March 2, 1965 the Commission is empowered to grant by means of a regulation blanket exemptions to bilateral exclusive distributorship agreements and licencing agreements meeting these requirements. The Commission had published a draft of an exemption regulation for bilateral exclusive dealing agreements in the Official Gazette of August 26, 1966. Following publication the Commission considered a great number of opinions received from interested circles, consulted the Cartels and Monopolies Committee and made some important amendments to the published draft. Besides a considerable simplification of the text the requirement that an agreement must promote "effective" competition has been dropped.

New Regulation Effective May 1, 1967

On March 14, 1967, the Commission adopted the definite text of this regulation on the block exemption of exclusive distributorship agreements. It will be published shortly in the Official Gazette and will become effective on May 1, 1967.

This new Regulation concerns a large number of bilateral agreements notified to the Commission, but will not apply to such agreements concluded between firms in only one member state, since these are liable to affect the trade between the member states only in exceptional circumstances.

Exclusive distributorship agreements conforming to the conditions laid down in the new regulation will no longer have to be notified.

The block exemption is based on the consideration that such arrangements allow the entrepreneur to concentrate his sales operations, overcome linguistic and legal difficulties, and help to intensify a steady flow of goods combined with a more rational distribution. They also offer small- and medium-sized enterprises an opportunity to compete on markets otherwise beyond their reach. Such exclusive distributorships as a rule also confer on consumers an equitable share in the resulting benefit, improving supply possibilities and implying advantages from more efficient distribution.

Other Restraints on Competition
Covered by New Regulation

In addition to the exclusive distributorship clause the following restraints on competition will be allowed in contracts qualifying for exemption:

1. The obligation neither to manufacture nor offer for sale goods competing with the products covered by the agreement during its life and up to one year after its lapse.
2. The obligation not to prospect for consumers in respect to the products covered by the agreement, not to set up establishments and not to maintain stock outside the area covered by the agreement.

Agreements containing other restraints on competition will not qualify for block exemption. In particular, a manufacturer may not conclude exclusive distributorship agreements with a manufacturer of a competing product, nor may the agreement make it more difficult to acquire these products through other outlets in the Common Market. Imports by others than the exclusive distributor must remain possible legally and in practice, and no industrial or other property rights may be used to hamper such imports.

Block Exemption Must Not Be Abused

The Commission may establish an ordinary cartel procedure and withdraw the advantages of block exemption for the future, if there is reason to believe that the products covered by the agreement are not competing with similar products in the area covered by the agreement,

that access to the sector of activity of the exclusive dealer is barred to other dealers, or if the exclusive dealer exploits the block exemption to prevent without good reasons groups of purchasers from obtaining supplies or to sell the goods covered by the agreement at prices higher than warranted.

The Commission expects that a large number of exclusive distributorship agreements will be adjusted in order to qualify for block exemption and that new agreements will in general include no restrictive clauses other than those permitted under the Regulation.

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