Exclusive territorial and customer restrictions (ETCR) are often acceptable under the competition laws examined in this Paper where they do not have an adverse effect on competition. The U.S. Supreme Court, for example, has determined that ETCR should be judged under the rule of reason, rather than be regarded as *per se* illegal. Exclusive dealing (ED) practices in the U.S. normally are also tested by the rule of reason standard. Although U.S. jurisprudence on ED still retains an element akin to a *per se* illegality approach, an alternative based on the rule of reason has gathered considerable strength over the last few decades. In Japan, relevant ED cases are considered on a case-by-case basis, echoing similar treatment in the Canadian system. Finally, competition laws in most countries apply a flexible rule of reason treatment to TS. One important exception has been the U.S., where tying practices in some circumstances have been considered *per se* illegal. However, considerable market analysis is required and a number of conditions must be satisfied before the *per se* rule is applied.

Analysis of the jurisprudence related to vertical restraints is also affected by exemptions provided for in law. However, an assessment of exemptions for vertical arrangements in any one country is best done by considering all other significant competition-related practices that are also exempt from competition law. The annex to this Paper provides an inventory of such U.S., Japanese and Canadian exemptions.

In both Canada and the U.S., there is a defence available for activities that run afoul of competition laws but flow from compliance with government-imposed regulations. In both the U.S. and Japan, exemptions from the application of competition law are sometimes accorded to entire sectors. In contrast, such sectoral exemptions exist for only three situations in Canada. In Canada, exceptions are provided more usually for specified activities and appear to be based on preserving efficiency and competition enhancing considerations rather than outright carveouts. A comparison with the exemptions in the U.S. and Japan is striking. Exemptions in the U.S. are numerous, if not more numerous than in Japan.

In sum, after reviewing the economics and jurisprudence of vertical restraints, this Paper recommends that countries should adopt the rule of reason treatment for all vertical manufacturer-retailer practices, including resale price maintenance agreements and tied sales, and *without any sectoral or other exemptions*. This would require some adjustments in the approach taken by the three countries reviewed in this Paper, especially the U.S. and Japan.

In this context, it should be noted that the deregulation process (i.e., the elimination of exemptions to competition) does not imply that one or a few foreign firms should be