

# Unregistered agency agreements in Jordan

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## Facts of the case:

- The First Claimant and the Second Claimant are commercial companies registered in accordance with Jordanian Law as limited liability companies.
- The Second Claimant was also registered as a commercial agent with the Agents and Mediators Registrar in Jordan.
- The First Claimant and the Defendant signed an agency agreement by which the First Claimant was appointed as the official and only agent in charge of the importation, storage and sale of the Defendant's products in Jordan. Further, this agency agreement was registered with the Agents and Mediators Registrar in Jordan in accordance with Jordanian Law.
- In one of its General Assembly meetings, the General Assembly of First Claimant decided to assign all of its registered commercial agencies to the benefit of the shareholders of the company, or any party the shareholders believed to be competent to handle such agencies. As such, the agency agreement signed with the Defendant was transferred to the Second Claimant along with all of its relevant powers, authorities, and liabilities.
- The Second Claimant proceeded to act as the Defendant's agent in Jordan and abiding by all the tasks, responsibilities, and liabilities assigned by virtue of the Agency Agreement.
- After a number of years, the Defendant unlawfully terminated the Agency Agreement with the Second Claimant.
- By unlawfully terminating the Agency Agreement, and in the absence of a legitimate and legal reason, the termination of the said Agency Agreement caused the Second Claimant substantial damages including actual damages and other losses such as loss of profit.
- The Second Claimant gave notice to the Defendant requesting for compensation as a result of the termination of the Agency Agreement. The Defendant did not respond to the legal notice.

## The Jordanian Courts' decisions:

- The Court Of First Instance ruled in favour of the Defendant and issued a decision dismissing the case in accordance with Article 16(b) of the Commercial Agents and Mediators Law No 28 for 2001 which provides that "no case shall be heard in court if it relates to a dispute arising from an agency or agency contract three years after termination".
- When the Second Claimant appealed the decision, the Court of Appeal upheld the decision issued by the Court of First Instance and decided to dismiss the case in favour of the Defendant.
- The Second Defendant further appealed the Court of Appeal's decision and took the case to the Court of Cassation.
- When the Court of Cassation looked into the aforementioned, it decided that the Court of Appeal's decision to dismiss the case in accordance with the aforementioned Article 16(b) of the Commercial Agents and Mediators Law was incorrect for the following reasons:
  1. The contract (the subject of the case) was signed between the First Claimant and the Defendant and was registered with the Agents and Mediators Registrar in accordance with Article 5 of the Commercial Agents and Mediators Law; and that when the same contract was assigned to the benefit of the Second Claimant, the same was not re-registered with the Registrar under its name.
  2. In accordance with Article 10(a) of the Commercial Agents and Mediators Law, the parties to an

- unregistered agency or agency agreement shall not benefit from the advantages granted to parties of registered agreements;
3. Article 17(b) of the Commercial Agents and Mediators Law provides that the commercial agent who signs an agency agreement the Commercial Agents and Mediators Law before the Law was published, shall register the said agreement within 6 months of the law coming into force;
  4. In accordance with Article 18 of the Commercial Agents and Mediators Law, the non-registration of an agency agreement shall be deemed as an offence punishable by law;
  5. As such, and further to the above, the provisions of the Commercial Agents and Mediators Law applies to agency agreements registered with the Registrar in accordance with its provisions;
  6. Accordingly, Article 16(b) of the Commercial Agents and Mediators Law does not apply to the agreement subject of the case as it was not properly registered with the Registrar.

### **Significance of the Decision:**

Prior to the issuance of this decision, the applicability of the Commercial Agents and Mediators Law to unregistered agency agreements was unclear. However, the Court of Cassation's General Panel's decision resolved this uncertainty by issuing a binding judgment stating that the aforementioned Law shall not be applicable to unregistered agency agreements.