

Qatari court judgment- The liability of an agent for failure to give effect to the lawful cancellation of a commercial agency

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Introduction

It has been suggested that the provisions of Law 8 of 2002 (the “Commercial Agency Law”) are more favourable to the local commercial agent rather than the principal. However, the sensible, pragmatic interpretation and application of such provisions by the Qatari courts has shown that the protection granted to the local agent is not unlimited and is subject to very specific conditions.

In this article we review a recent judgment of the Qatar Court of Cassation (Judgment No. 600/2021 confirming Appeal No. 1709/2019), in which the court considered the refusal by the commercial agent to cancel the commercial agency registration and the continued use of the principal’s trademark and trade name, despite the non-renewal of a fixed term contact.

Background

In 1985, a foreign company appointed an exclusive local agent in Qatar based on a fixed term contract. The contract clearly stated that it was an indefinite contract automatically renewable for further terms unless a non-renewal notice was served by either party six months prior to the end of the term. The principal sent the agent a non-renewal notice a few years ago, confirming the non-renewal of the contract, and the end of its term.

The non-renewal notice was challenged by the agent before the court. As a result, the agent refused to cancel the agency on the basis that it was awaiting a court determination as to whether such non-renewal was lawful or not. The agent argued that renewing the contract automatically for subsequent terms over a period of 30 years had the effect of transforming the contract into an unlimited term contract which may not be terminated without the agreement of both parties or by a court order.

In this case, Al Tamimi & Company represented the principal who filed a claim requesting the cancellation of the unlawful agency and trade name registration, the prohibition of the agent’s unauthorised use of the principal’s trademark and trade name, and payment of compensation.

Court of First Instance Judgment

The Court of First Instance ruled in favour of the principal, confirming that a fixed term contract does not convert to an unlimited term contract merely based on the number of automatic renewals. Accordingly, the court concluded that the non-renewal was lawful and ordered the deregistration of the agent from the Commercial Agents Register, the cancellation of the principal's trading name from the agent's commercial registration, and a compensation to be paid by the agent to the principal amounting to QR 1,000,000.

The Court of Appeal and the Court of Cassation Judgments

The Court of Appeal upheld the decision issued by the Court of First Instance.

The Court of Cassation also dismissed the appeal filed by the agent in relation to the non-renewal and the compensation granted in favour of the principal, and confirmed the decision of the Court of First Instance (i.e., ordering the cancellation of the unlawful registration of the agent and awarding the principal compensation of QR 1,000,000 for the illegal use of the principal's trade name and trademark post termination of the agreement).

Conclusion

As demonstrated in this case, the protection provided to local agents according to the Commercial Agency Law, is not absolute, which is a common misconception amongst foreign companies in the Qatar market.

The court confirmed that an agency contract may be terminated at its agreed term notwithstanding the number of automatic renewals. Further, the court ruled that the refusal of the agent to deregister its name from the Commercial Agents Register after the termination of the Agreement, as well as the continued use of the principal's trade name and trademark, would have significant financial consequences for the agent in question. This judgment provides helpful and important clarification, which should be borne in mind by principals and agents in Qatar alike and by those advising them.

Al Tamimi & Company's litigation and Intellectual Property team regularly advise on commercial agency and trademark related disputes. For further information, please contact [Roy Georgiades](#) or [Diana Al Adel](#).