

Q&A DOCUMENT | 4 October 2021

Q&A on Agency Agreements

Part 1: Introduction

Council Directive 86/653 (EEC) on the coordination of the laws of the Member States relating to self-employed commercial agents (the “Directive”) harmonizes the laws, regulations and administrative provisions of Member States governing the relations between the parties to commercial agency agreements.

As the Directive constitutes a minimum harmonization, the Member States are free to set higher standards applicable to agency agreements. In addition, on various aspects the Directive leaves room for further elaboration in national law.

In order to facilitate the use of this Q&A, for each relevant issue the position under the Directive is compared with the position under the relevant implementing rules of Croatian law (“Croatian Agency Law”). The starting point is always the minimum harmonisation reflected in the Directive. The Q&A then aims to identify any deviations or additions from the regime reflected in the Directive.

Part 2: Legislative framework

Q1. Which rules constitute the transposition of the Directive into Croatian Agency Law (a)? Where available, please also include a link to the official publication of the applicable rules (e.g., relevant link to the Official Gazette) (b) and to the English translation of the regulatory framework (c).

a. Legislative framework:

Croatian Obligations Act

(Official Gazette number 35/05, 41/08, 125/11, 78/15, 29/18)

b. Link(s) to official publication:

The Croatian version of the Croatian Obligations Act is available under these links: [link 1](#), [link 2](#), [link 3](#) and [link 4](#).

c. Link(s) to English translation:

There is no official English translation available.

Part 3: Scope

Q2. The Directive (Art. 1(2)) defines a commercial agent as a self-employed intermediary who has continuing authority to negotiate the sale or the purchase of goods on behalf of another party (the “principal”), or to negotiate and conclude such transactions on behalf of and in the name of that principal. Is the definition in the Croatian Agency Law the same?

No. An agency agreement is defined as an agreement obliging the agent to negotiate with third parties, for the duration of the agreement, on concluding agreements on behalf and for the account of the principal, and, if so agreed, conclude those agreements. Hence, negotiating and concluding agreements is not only reserved for the sale or purchase of goods as in the Directive. Also, the national agency law does not embrace the difference between self-employed agents and agents which work in agencies (i.e. that are employees of agents in the form of a legal entity), so the definition is broader also in that sense.

Q3. Do other intermediaries fall within the scope of the Croatian Agency Law?

No.

Q4. The Directive (Art. 2(2)) entitles the Member States to exclude from the scope of application parties whose activities as commercial agents are considered secondary in nature. Has Croatia made use of this possibility?

No.

Part 4: Agreemental phase

A. Form of agency agreements

Q5. The Directive (Art. 13) provides that, as a minimum, each party shall be entitled to receive from the other on request a signed written document setting out the terms of the agency agreement including any terms subsequently agreed. Does the Croatian Agency Law provide for such obligation?

Yes.

Q6. Are there any (other) requirements under the Croatian Agency Law as to the form of the agency agreement in order for it to be valid and enforceable?

No.

B. Content of agency agreements

B.1 - RIGHTS AND OBLIGATIONS OF PRINCIPAL AND COMMERCIAL AGENT

Q7. The Directive (Art. 3) provides that a commercial agent has the following minimum obligations:

- to look after his principal's interests and to act dutifully and in good faith;
- to make proper efforts to negotiate and, where appropriate, conclude the transactions he is instructed to take care of;
- to communicate to his principal all the necessary information available to him;
- to comply with reasonable instructions.

Are these minimum obligations provided for in the Croatian Agency Law?

Yes.

Q8. Does the Croatian Agency Law explicitly impose any other obligations on the commercial agent that go beyond the aforesaid minimum?

Yes. After the termination of the agency agreement, there is an obligation to return the items which were given to the commercial agent for use during the term of the agreement, as well as a confidentiality obligation in regard to business, professional and official secrets of the principal.

Q9. Does the Croatian Agency Law provide that a commercial agent may appoint sub-agents?

No.

Q10. The Directive (Art. 4) provides that a principal has the following minimum obligations:

- to act dutifully and in good faith;
- to provide his commercial agent with the necessary documentation relating to the goods concerned;
- to obtain the information necessary for the performance of the agency agreement;
- to notify the commercial agent within a reasonable period once he anticipates that the volume of commercial transactions will be significantly lower than that which the commercial agent could normally have expected;
- to inform the commercial agent within a reasonable period of his acceptance, refusal, and of any non-execution of a commercial transaction which the commercial agent has procured for the principal.

Are these minimum obligations provided for in the Croatian Agency Law?

Yes.

Q11. Does the Croatian Agency Law explicitly impose any other obligations on the principal that go beyond the aforesaid minimum?

Yes. There is also a general obligation to pay the commission: the principal is obliged to do so for all agreements that have been concluded through agency services or that the agent concluded in the name and on behalf of the principal (if authorized to do so) or that the principal concluded directly with the clients that were brought in by the agent.

B.2 - LEVEL AND CALCULATION BASIS OF REMUNERATION

Q12. Are there mandatory rules under the Croatian Agency Law that limit the freedom of the parties to fix the level of the remuneration of the commercial agent?

No.

Q13. The Directive (Art. 6(1)) provides that, in the absence of an agreement on the level of the remuneration, the commercial agent is entitled to the remuneration that is customarily allowed in the place where he carries on his activities and, in the absence of such customary practice, to a reasonable remuneration taking into account all the aspects of the transaction. Do these principles also represent the default regime under the Croatian Agency Law?

Yes.

Q14. The Directive (Art. 6(2)) provides that any part of the remuneration which varies with the number or value of business transactions shall be deemed to be commission. Does this principle also represent the regime under the Croatian Agency Law?

Yes.

Q15. Does the Croatian Agency Law impose any criteria with regard to the type of the agent's remuneration (i.e. fixed amount or commission)?

No.

Q16. Does the Croatian Agency Law impose any criteria with regard to the calculation of the agent's remuneration?

No.

B.3 - REMUNERATION BY MEANS OF A COMMISSION (DURING)

Q17. According to the Directive (Art. 7(1)) a commercial agent is entitled to a commission during the period covered by the agency agreement:

- where the transaction has been concluded as a result of his action; or
- where the transaction is concluded with a third party whom he has previously acquired as a customer for transactions of the same kind.

Are both cases reflected in the Croatian Agency Law?

Yes.

Q18. The Directive (Art. 7(2)) provides for an additional case of entitlement to a commission and has left it to the Member States to choose between two options:

- Option 1: the transaction is entered into with a customer belonging to a specific geographic area or group of customers entrusted to the commercial agent; or
- Option 2: the transaction is entered into with a customer belonging to a specific geographical area or group of customers in respect of which the commercial agent enjoys exclusive rights.

Which option has been retained in the Croatian Agency Law?

Option 2.

B.4 - REMUNERATION BY MEANS OF COMMISSION (AFTER TERMINATION)

Q19. According to the Directive (Art. 8) a commercial agent is entitled to a commission after the agency agreement has terminated if:

- the transaction is mainly attributable to the commercial agent's efforts during the period covered by the agency agreement and if the transaction was entered into within a reasonable period after that agreement terminated; or
- the order of the third party reached the principal or the commercial agent before the agency terminated and the conditions applicable to entitlement during the term of the agency are met.

Are both cases reflected in the Croatian Agency Law?

Yes.

Q20. Are there any additional cases provided for in the Croatian Agency Law?

No.

Q21. According to the Directive (Art. 9) a commercial agent is not entitled to the commission, if that commission is payable, to the previous commercial agent, unless it is equitable because of the circumstances for the commission to be shared between the commercial agents. Do these principles also represent the regime under the Croatian Agency Law?

Yes.

Q22. According to the Directive (Art. 10(1)) the commission shall become due as soon as and to the extent that one of the following circumstances obtains:

- the principal has executed the transaction; or
- the principal should, according to his agreement with the third party, have executed the transaction; or
- the third party has executed the transaction.

Are these circumstances reflected in the Croatian Agency Law?

Yes.

Q23. Are there any additional circumstances provided for in the Croatian Agency Law?

No.

Q24. The Directive (Art. 10(2)) provides that the commission shall be due at the latest when the third party has executed his part of the transaction or should have done so if the principal had executed his part of the transaction, as he should have. Does the Croatian Agency Law apply the same deadline?

No. There is no such “final” deadline provided. However there is some similarity between the Directive’s Art 10(2) and the transposed Art 10(1)(c), which in Croatian agency law reads: if the third party was to execute its consideration first, the third party has executed the consideration or it was supposed to execute the consideration, even when it did not do so for the reasons for which the principal is responsible.

Q25. The Directive (Art. 10(3)) provides that the commission needs to be paid no later than on the last day of the month following the quarter in which it became due. Does the Croatian Agency Law apply the same deadline?

Yes.

Q26. The Directive (Art. 10(4)) stipulates that parties cannot by agreement derogate from the principles included in Art. 10(2) and 10(3) to the detriment of the commercial agent. Does the Croatian Agency Law impose the same restriction on the parties?

Yes.

Q27. According to the Directive (Art. 11(1)) the right to commission can be extinguished only if and to the extent that:

- it is established that the agreement between the third party and the principal will not be executed; and
- that fact is due to a reason for which the principal is not to blame.

Does the Croatian Agency Law impose these cumulative conditions?

Yes.

Q28. Does the Croatian Agency Law allow for other cases where the agent’s entitlement to commission is extinguished?

No.

Q29. According to the Directive (Art. 11(2)) any commission which the commercial agent has already received must be refunded in case the right to it is extinguished. Does the Croatian Agency Law also provide for such an obligation of restitution?

Yes.

Q30. The Directive (Art. 12(1)) provides that the principal must supply his commercial agent with a statement of the commission due. This statement must be supplied no later than the last day of the month following the quarter in which the commission has become due, and shall set out the main components used in calculating the amount of the commission. Do these principles also represent the default regime under the Croatian Agency Law?

Yes.

Q31. Does the Croatian Agency Law impose that the parties cannot by agreement derogate from the principles included in Art. 12(1) of the Directive to the detriment of the commercial agent?

Yes.

Q32. Does the Croatian Agency Law impose any additional requirements with regard to the statement of the commission due?

No.

Q33. The Directive (Art. 12(2)) entitles the commercial agent to demand to be provided with all the information, and in particular an extract from the books, which he needs to check the amount of the commission due to him. Does the Croatian Agency Law grant the commercial agent the same right?

Yes.

Q34. Does the Croatian Agency Law broaden this right to information of the commercial agent?

Yes. If the principal rejects the agent's request for information or if the agent doubts the accuracy of such information obtained from the business records extract, the agent is authorised to request that the certified auditor reviews principal's business records regarding the information on which the amount of commission depends and provides such information to agent.

Q35. Does the Croatian Agency Law impose any criteria with regard to the calculation of the commission?

No.

Q36. Do specific rules and/or restrictions apply to:

- non-solicitation clauses;
- minimum sales quota;

- specific sectors?

No specific rules apply.

B.5 - NON-COMPETE CLAUSE

Q37. The Directive (Art. 20(2)) provides that a non-compete clause shall only be valid if and to the extent that:

- it is concluded in writing; and
- it relates to the geographical area or the group of customers and the geographical area entrusted to the commercial agent and to the kind of goods covered by the agency agreement.

Does the Croatian Agency Law impose these cumulative criteria?

Yes.

Q38. Does the Croatian Agency Law impose any additional criteria in order for a non-compete clause to be valid?

No.

Q39. The Directive (Art. 20(3)) provides that a non-compete clause shall be valid for not more than 2 years after termination of the agency agreement. Does the same maximum period apply under the Croatian Agency Law?

Yes.

Q40. The Directive (Art. 20(4)) provides that national law may impose other restrictions:

- on the validity or enforceability of non-compete clauses, or
- which enable the courts to reduce the obligations on the principal or the commercial agent.

Does the Croatian Agency Law impose any such restrictions?

Yes. The Croatian Agency Law impose restrictions on the validity or enforceability of non-compete clauses.

If the agent terminates the agreement due to the principal's wrongful conduct, the agent is authorized to inform the principal in writing, within one month from the date of termination of the agreement, that he/she will not comply with the non-compete clause. Further, the parties may not derogate from the statutory provisions to the detriment of the commercial agent.

Q41. Does the Croatian Agency Law provide any criteria with regard to the calculation method of the indemnification in case of a violation of the non-compete clause?

Yes. When the agreement is terminated for reasons on principal's side, such contractual term binds the agent only if the principal pays a special fee upon termination of the agreement and an additional monthly fee for the period of prohibition or restriction of activity in the amount equal to the average monthly amount of commission to

which he was entitled in the last five years. If the agreement lasted less than five years, then the amount equals the average monthly commission to which the agent was entitled during the agreement.

B.6 - LIABILITY

Q42. Under the Croatian Agency Law, can the parties agree that the commercial agent shall be liable (in whole or in part) for the breach of third party-customers with whom he/she has negotiated and/or concluded an agreement on behalf of the principal, by including a so-called *del credere* clause?

Yes.

Q43. If yes, are such clauses subject to certain rules and/or restrictions?

No.

Q44. Are there liability-related clauses that must be mandatorily included in agency agreements?

No.

C. Term and termination

C.1 - TERM

Q45. According to the Directive (Art. 14) an agency agreement for a fixed period which continues to be performed by both parties after that period has expired shall be deemed to be converted into an agency agreement for an indefinite period. Does this principle also represent the default regime under the Croatian Agency Law?

Yes.

Q46. Does the Croatian Agency Law contain particular rules and/or restrictions in relation to the term (incl. renewal) of agency agreements?

No.

C.2 - TERMINATION BY NOTICE

Q47. According to the Directive (Art. 15(1)) an agency agreement that is concluded for an indefinite period may by either party be terminated by notice. Does this principle also represent the regime under the Croatian Agency Law?

Yes.

Q48. According to the Directive (Art. 15(2)) the notice period is 1 month for the first year, 2 months for the second year commenced, and 3 months for the third year commenced and subsequent years. Do these notice periods also represent the regime under the Croatian Agency Law?

Yes.

Q49. According to the Directive (Art. 15(3)) the notice period for the fourth, fifth and sixth year and subsequent years may be respectively 4, 5 and 6 months. Do these notice periods also represent the regime under the Croatian Agency Law?

Yes.

Q50. If yes, can the parties agree to a shorter notice period?

No.

Q51. According to the Croatian Agency Law, if no notice period has been agreed, is there a notice period that always applies irrespective of the duration of the agency agreement?

No.

Q52. According to the Directive (Art. 15(4)), if a principal and commercial agent agree on longer notice periods than those laid down in Art. 15(2) and (3) of the Directive, the notice period to be respected by the principal must not be shorter than that to be observed by the commercial agent. Does the same default regime apply under the Croatian Agency Law?

Yes.

Q53. According to the Directive (Art. 15(5)), unless otherwise agreed by the parties, the end of the notice period must coincide with the end of a calendar month. Does the same default regime apply under the Croatian Agency Law?

Yes.

Q54. Does the Croatian Agency Law provide how the termination notice must be notified to the other party?

No.

Q55. According to the Directive (Art. 15(6)), the answers to questions 47 to 53 also apply to agency agreements having a fixed term if they are converted to agency agreements having an indefinite term due to the continuation of the agreement beyond the fixed term, provided that the earlier fixed period must be taken into account in the calculation of the notice period. Does the same default regime apply to agency agreements having a fixed term under the Croatian Agency Law?

Yes.

C.3 - TERMINATION FOR CAUSE

Q56. According to the Directive (Art. 16) an agency agreement may immediately be terminated:

- because of the failure of one party to carry out all or part of his obligations; or
- where exceptional circumstances arise.

Are both termination grounds reflected in the Croatian Agency Law?

Yes.

Q57. Are there additional termination grounds provided in the Croatian Agency Law?

Yes. Each party may terminate the agreement due to "important reasons", which are not further specified in the law, but it is clear that the above two are not the only admissible grounds.

Q58. Does the Croatian Agency Law provide that the parties may not derogate from the regime on termination for cause to the detriment of the commercial agent before the agency agreement is terminated?

No. There is a general provision prohibiting the limitation of each party's right to terminate the agreement for important reasons, and in particular for failure of the other party to carry out his obligations or for exceptional circumstances.

Q59. Is it possible to terminate the agency agreement based on certain grounds for termination (breach or other) included in the agency agreement?

Yes. It is possible to terminate the agency agreement for important reasons which the terminating party must state. Therefore, it is possible to also stipulate certain specific grounds for termination in the agreement itself.

Q60. If yes, is prior judicial intervention required in order for the termination of the agreement to take effect?

No.

Q61. Are there any other particular rules and/or restrictions as regards the termination of the agency agreement (e.g. trial period, etc.)?

Yes. Termination without a serious reason entitles the other party to damages. Unfounded termination also entitles the other party to terminate the agreement, even without notice period (in indefinite term agreements) or prematurely (in fixed term agreements).

C.4 - INDEMNIFICATION

Q62. The Directive (Art 17(2)(a)) provides that the commercial agent is entitled to an indemnification if and to the extent that he has brought the principal new customers or has significantly increased the volume of business with existing customers and the principal continues to derive substantial benefits from the business with such customers. Does the Croatian Agency Law provide for this criterion?

Yes.

Q63. The Directive (Art. 17(2)(a)) also provides that the commercial agent is entitled to an indemnification if and to the extent that the payment of this indemnification is equitable having regard to all circumstances and, in particular, the commission lost by the commercial agent on the business transacted with such customers. Does

the Croatian Agency Law provide for this criterion?

Yes.

Q64. Is under the Croatian Agency Law the application of a non-compete clause a circumstance on the basis of which the commercial agent is presumed to be entitled to an indemnification (cfr. Art. 17(2)(a), second indent of the Directive)?

Yes.

Q65. Other than the criteria set forth in Art. 17(2)(a) of the Directive, are there any specific rules or precedents derived from the Croatian case law on the basis of which the indemnification is calculated?

No.

Q66. The Directive (Art. 17(2)(b)) provides that the amount of the indemnification may not exceed a figure equivalent to an indemnification for 1 year calculated from the commercial agent's average annual remuneration over the preceding 5 years, and if the agreement goes back less than 5 years the indemnification shall be calculated on the average for the period in question. Does the same regime apply under the Croatian Agency Law?

Yes.

Q67. According to the Directive (Art. 18), indemnification or compensation for damage is not payable where

- the principal has terminated the agency agreement because of default attributable to the commercial agent which would justify immediate termination of the agency agreement;
- the commercial agent has terminated the agency agreement, unless such termination is justified by circumstances attributable to the principal or on grounds of age, infirmity or illness of the commercial agent in consequence of which he/she cannot reasonably be required to continue his/her activities; and/or
- with the agreement of the principal, the commercial agent assigns his rights and obligations under the agency agreement to another parties.

Do these principles also represent the default regime under the Croatian Agency Law?

Yes.

Q68. According to the Directive (Art. 17(5)), a commercial agent may lose his/her entitlement to the indemnification or compensation for damage if within 1 year following termination of the agency agreement he/she has not notified the principal of his/her intention to pursue the entitlement. Does this principle also represent the default regime under the Croatian Agency Law?

Yes.

C.5 - ADDITIONAL COMPENSATION

Q69. The Directive (Art. 17(2)(c)) provides that the commercial agent, in addition to the indemnification, is entitled to seek damages for breach of agreement, failing to respect the notice period, etc. Does the same regime apply under the Croatian Agency Law?

Yes.

Q70. If yes, do specific rules and/or restrictions apply to the damage that can be compensated in addition to the indemnification under Art. 17(2) of the Directive?

Yes. The commercial agent may seek damages exceeding the additional compensation (but the commercial agent cannot request double compensation).

Q71. The Directive (Art. 17(3)) provides that the commercial agent is entitled to compensation for damage suffered as a result of the termination of the agency agreement. Does the same default regime apply under the Croatian Agency Law?

Yes.

Q72. According to the Directive (Art. 17(3)) such damages shall be deemed to occur particularly when the termination takes place in circumstances:

- depriving the commercial agent of the commission which proper performance of the agency agreement would have procured him whilst providing the principal with substantial benefits linked to the commercial agent's activities; and/or
- which have not enabled the commercial agent to amortize the costs and expenses that he had incurred for the performance of the agency agreement on the principal's advice.

Does the Croatian Agency Law take the same circumstances into account?

Yes

Q73. Are there any other specific rules or precedents, than the criteria set forth in Art. 17(3) of the Directive, derived from case law on the basis of which the compensation is calculated?

No.

Q74. The Directive (Art 17(4)) provides that a commercial agent is entitled to indemnification or compensation for damage where the agency agreement is terminated as a result of the commercial agent's death. Is this default entitlement available under the Croatian Agency Law?

Yes.

Q75. The Directive (Art. 19) stipulates that the parties may not derogate from Art. 17 and 18 to the detriment of

the commercial agent before the agency expires. Does the Croatian Agency Law impose the same restriction on the parties?

Yes.

Q76. Are the parties under the Croatian Agency Law free to opt for either indemnification or compensation?

No.

Q77. Must the commercial agent under the Croatian Agency Law claim the indemnification or compensation within a certain period of time after termination of the agency agreement?

Yes. Any damages claim for breach of performance of an agency agreement is limited to the limitation period set in the Obligations Act. The general limitation period is 5 years, and the limitation period for commercial agreements is 3 years. Considering that agency agreements are in general commercial agreements, the limitation period would be 3 years.

Q78. Are there other specific rules with respect to compensation or indemnification following the termination of the agency agreement?

The commercial agent loses the right for indemnification and compensation, if the agent does not inform the principal of his demand within one year from the termination of the agreement.

Part 5: Dispute resolution

Q79. Do any specific rules and/or restrictions apply as regards the choice of forum and/or jurisdiction under the Croatian Agency Law?

No.

Q80. Can the parties opt for arbitration?

Yes.

Q81. If yes, are there any rules and/or restrictions as regards the enforceability of arbitration clauses in agency agreements?

No.

Q82. Does the Croatian Agency Law provide for a statute of limitations that is applicable to claims regarding the performance of agency agreements?

Yes. Any damages claim for breach of performance of an agency agreement is limited to the limitation period set in the Obligations Act. The general limitation period is 5 years, and the limitation period for commercial agreements is 3 years. Considering that agency agreements are in general commercial agreements, the limitation



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period would be 3 years.