Case Comment:
Marzillier, Dr Meier & Dr Guntner Rechtsanwaltschaft MbH v AMT Futures Ltd [2015] EWCA Civ 143

MUKARRUM AHMED*

Abstract

This short article examines the recent significant ruling of the Court of Appeal on jurisdiction to adjudicate upon a claim for damages for the tort/delict of inducing breach of an English exclusive choice of court agreement against a claimant’s legal advisers. The determination of the issue of jurisdiction hinges on whether England is the place where the economic loss occurred pursuant to Article 5(3) of the Brussels I Regulation. It will be argued that the CJEU authorities on allocation of jurisdiction in tort/delict claims lend support to the conclusion that Germany was the place where the ‘harmful event’ occurred and the damage was also suffered in Germany. A more pragmatic approach to the jurisdictional issue premised on the private law rights and obligations of the parties to the choice of court agreement may end up compromising these principles by according dubious jurisdictional precedence to the place where the indirect consequences of the economic loss occur.

Keywords: Brussels I Regulation, Private International Law, European Union Law, Choice of Court Agreements, Tort/Delict, Pure Economic Loss, Inducing Breach of Contract, Rome II Regulation

In Marzillier, Dr Meier & Dr Guntner Rechtsanwaltschaft MbH v AMT Futures Ltd, the Court of Appeal adjudicated upon whether England is the place where the economic loss occurred under Article 5(3) of the Brussels I Regulation in an action for recovering damages for the tort of inducing breach of an English exclusive choice of court agreement against a claimant’s legal advisers. There is established judicial authority in English law for a claim for contractual damages for breach of an English

* LLB (Hons) (University of London), LLM (City University London), Barrister (Lincoln’s Inn) and Doctoral Researcher in Law at the Centre for Private International Law, School of Law, University of Aberdeen. This article is dedicated to my family for their unflinching support and encouragement during my doctoral studies at Aberdeen.


exclusive choice of court agreement against the counter party. However, it has been argued that in some instances, it may make commercial sense to extend the scope of the recovery beyond the parties privy to the jurisdiction agreement. Potential third parties may include the directors and senior management of the company, the legal advisers of the company, another company within the group of companies or even a competitor company. However, in order to sue a third party, the English courts must have jurisdiction over the matter and a specific cause of action must lie against the third party under the applicable law of the particular legal relationship.

Where an exclusive choice of court agreement is binding between A and B and a third party, C, who is in practical control of B, has directed B to breach the agreement, the English courts have accepted that anti-suit injunctions or claims for damages, could be founded on the tort of inducing breach of contract. In *Kallang Shipping SA v Axa Assurances Senegal* ("The Kallang") (No2), where Axa Senegal had induced their insureds to breach an arbitration clause by orchestrating proceedings before the courts of Senegal, Jonathan Hirst QC, sitting as a deputy High Court judge, awarded damages against Axa Senegal for procuring a breach of contract. However, as Jonathan Hirst QC stressed, both parties agreed that this issue was to be determined in accordance with English law and no case on Senegalese law was pleaded.

In the context of the Brussels I Regulation, the English High Court held that, in principle, a claim in damages may lie against a claimant’s lawyers (a German law firm) for the tort of inducing breach of contract where it can be established that the claimant was advised by them to bring pre-emptive proceedings in breach of a choice of court agreement. In such cases, the immediate potential impediment is not

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4 See *Union Discount Co Ltd v Zoller and Others* [2001] EWCA Civ 1755, [2002] 1 WLR 1517 (Schiemann LJ); *Donohue v Armo Inc* [2001] UKHL 64, [2002] 1 All ER 749 [36] (Lord Bingham of Cornhill) and [48] (Lord Hobhouse of Woodborough); *Starlight Shipping Co v Allianz Marine & Aviation Versicherungs AG (The Alexandros T)* [2014] EWCA Civ 1010, [2014] 2 Lloyd’s Rep 544 (Longmore LJ); a significant recent Court of Appeal decision endorsing the damages remedy in the context of the Brussels I Regulation. 5 Briggs accepts that the claim for compensation may be characterized as ‘tortious or non-contractual’ and that such a cause of action may fit more easily into the ‘public law’ rubric of the Brussels I Regulation, but does not explore the issue any further: A Briggs, *Agreements on Jurisdiction and Choice of Law* (OUP 2008) 326-327, 337. Cf: T Raphael, *The Anti-Suit Injunction* (OUP 2010) 69.


9 *AMT Futures Ltd v Marzillier, Dr Meier & Dr Guntner Rechtsanwaltsgesellschaft MbH* [2014] EWHC 1085 (Comm), [2015] 2 WLR 187 (Popplewell J).
the existence of the cause of action or legal basis, but satisfying an English court that it has jurisdiction under Article 5(3) of the Brussels I Regulation. The High Court has held that such jurisdiction exists, pursuant to Article 5(3) of the Brussels I Regulation, because to induce breach of an English choice of court agreement is to deprive the claimant of the benefit of a clause conferring exclusive jurisdiction on the English courts, which constitutes harm suffered in England.

The German law firm responsible for inducing the breach of the choice of court agreement appealed the High Court decision on the issue of whether or not the English courts have jurisdiction to entertain the action under the Brussels I Regulation. Overturning the first instance decision, the Court of Appeal held that the English court had no jurisdiction over the claim. Both the event giving rise to the damage and the damage itself occurred in Germany, not in England. That was the place of the ‘harmful event’ for the purposes of Article 5(3) of the Brussels I Regulation. The Court of Appeal relied on the leading CJEU authorities and reached the conclusion that the German law firm procured the former clients to start proceedings in Germany in consequence of which AMT Futures Ltd suffered loss predominantly in Germany. The court rejected an argument that the harm suffered was the loss of the benefit promised to the claimant – that they would only be sued in England. The harm was the commencement of proceedings in Germany and the damage suffered was the cost and expense caused by the litigation, which was suffered in Germany.

The localization of economic loss in Germany is in line with the principle that the victim’s domicile should be avoided when determining the location of the economic loss unless the direct and immediate loss occurred there. This principle of localizing economic loss was followed by the CJEU in its recent decision in Harald Kolassa v Barclays Bank plc where it ruled that the courts in the Member State of the investor’s domicile have jurisdiction in particular when the loss occurred itself directly in the applicant’s bank account held with a bank established in the area of

The provision equivalent to Article 5(3) of the Brussels I Regulation in the Recast Regulation is Article 7(2).

10 Liability for the tort of inducing breach of contract was established in English law by the famous case of Lumley v Gye (1853) 2 E & B 216 and the actionable wrong was recognized as part of Scots law in British Motor Trade Association v Gray 1951 SC 586, 1951 SLT 247 (Lord Russell). OBG Ltd v Allan [2007] UKHL 21, [2008] 1 AC 1 is the current leading authority on the tort of inducing breach of contract in English law and was followed by Lord Hodge in Global Resources Group v MacKay 2008 SLT 104, 106-107. Lord Hodge identified five characteristics which appear to be the essential elements of the delict: (1) Breach of contract (2) Knowledge on the part of the inducing party that this will occur (3) Breach which is either a means to an end for the inducing party or an end in itself (4) Inducement in the form of persuasion, encouragement or assistance (5) Absence of lawful justification. See J MacLeod, ‘Offside Goals and Induced Breaches of Contract’ (2009) 13 Edinburgh Law Review 278; J Thomson, Delictual Liability (Bloomsbury Professional 2014) 44-47.

11 The provision equivalent to Article 5(3) of the Brussels I Regulation in the Recast Regulation is Article 7(2).


15 Lehmann (n 3) 537-540.
jurisdiction of those courts’. In *Kronhofer*, the ECJ stated that in determining the place of loss, the fact the ultimate adverse effects of the damaging behaviour were felt in Austria, where the claimant lived and where his assets were concentrated, could not be taken into account. The court gave two reasons for this. First, to hold otherwise would run counter to the objectives of the Brussels Convention, which aims at enabling the claimant easily to identify the court in which he may sue and the defendant reasonably to foresee in which court he may be sued. Secondly, to take into account the location of the claimant’s assets would give jurisdiction to the courts of the claimant’s home, a solution that is generally not favoured by the Brussels Convention.

That said, Christopher Clark LJ stated that the first instance judge’s analysis is a powerful and attractive one as there is much to be said for the determination of what is in essence an ancillary claim in tort for inducement of breach of contract to be made in the court which the contract breaker agreed should have exclusive jurisdiction in respect of that contract, rather than in the courts of the country where the inducement and breach occurred. However, the former consideration is not a determining factor in the allocation of jurisdiction under the Brussels I Regulation. It is submitted that the arguments favouring the pragmatic and remedy driven quest of localizing the economic loss in England militate against a reasoned and systemic response to the issue of multilateral jurisdictional allocation within the Brussels I Regulation regime.

Counsel for the German law firm also obtained permission to advance an additional ground of appeal, which was not argued before the judge at first instance. Hugh Mercer QC argued that the High Court could not exercise jurisdiction over the German law firm in relation to the subject matter of the action because any such claim necessarily and unavoidably offended against EU law principles. Insofar as an injunction was claimed it would involve the court in being asked to grant an order restraining a party from commencing proceedings before a properly constituted court of a Member State. Insofar as damages were sought it involved the court being asked to determine issues which breached the principle of effectiveness of EU law (*effet utile*) and the principle of mutual trust and constituted a collateral attack on the assumption of jurisdiction by the German courts and of judgments or court settlements obtained by investors in Germany, when under the

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16 Case C-375/13 *Harald Kolassa v Barclays Bank plc* ECLI:EU:C:2015:37, [2015] WLR (D) 32; *Universal Music International Holding BV v Michael Tétreault Schilling and Others* (Case C-12/15) is a pending preliminary reference before the CJEU from the Hoge Raad der Nederlanden (Netherlands) on Article 5(3) of the Brussels I Regulation including the questions of how a court should establish whether an economic loss is an ‘initial loss’ or a ‘consequential loss’ and in which country does the economic loss occur.

17 Case C-168/02 *Kronhofer* [2004] ECR I-6009.

18 ibid [21].

19 ibid [20].

20 ibid.


22 ibid [57].

23 ibid [59].

Regulation any such attack was permitted only in the court where the substantive proceedings had been commenced.

However, Christopher Clarke LJ observed *obiter* that the additional ground of appeal was not well founded. In doing so he emphasized the divide between issues of jurisdiction which were a matter for the German courts and the private law rights and obligations of the parties in relation to the contractual choice of court agreement and ancillary claims in tort for inducing breach of the choice of court agreement. In support of his contention, Christopher Clarke LJ also endorsed and reiterated the recent landmark ruling of Longmore LJ in *Starlight Shipping Co v Allianz Marine & Aviation Versicherungs AG (The Alexandros T)*, that EU law was no obstacle to enforcing a cause of action for the award of damages for breach of an exclusive jurisdiction clause. However, it should be noted that Longmore LJ’s ruling on the compatibility of the damages remedy with EU law is itself not free from controversy. Moreover, it is highly unlikely that the CJEU would on a preliminary reference from the English courts declare that a unilateral private law remedy arising from the contractual right not to be sued in a non-elected forum is compatible with the Brussels I Regulation. It is submitted that the relative effect of jurisdiction

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agreements as subsisting, independent and enforceable contractual obligations will necessarily distort the international allocative or distributive function of such agreements within a multilateral jurisdiction and judgments order such as the Brussels I Regulation.\(^\text{29}\) In this regard, the private law enforcement of jurisdiction agreements has been pejoratively referred to as ‘the privatization of court access’ within a commercial dispute resolution focused English common law of conflict of laws.\(^\text{30}\)

Marzillier v AMT Futures Ltd is the first case in the English courts concerning Article 5(3) of the Brussels I Regulation in relation to the tort of inducing breach of a contract. The Court of Appeal’s localization of the economic loss in Germany may end up inhibiting future claims for damages for inducing breach of an English choice of court agreement in the English courts. The decision may also be significant for the English courts when approaching the localization of economic loss under Article 7(2) of the Brussels I Regulation (Recast) more generally. It is submitted that the approach of the Court of Appeal in localizing economic loss is firmly rooted in European Union private international law principles and the CJEU’s leading authorities which favour neither the place where the country in which the event giving rise to the damage occurred nor the country or countries in which the indirect consequences of that event occur. This mature and systemic approach to the localization of loss seeks to ensure that the rights of the claimant and the defendant are evenly balanced without unduly prejudicing either. The immediate pragmatic value of localizing the economic loss in England would have sacrificed the certainty and predictability of the European Union private international law regime and accorded dubious jurisdictional precedence to the place where the indirect consequences of the economic loss occur.

The Court of Appeal decision may also have significant implications for the applicable law of the cause of action under the Rome II Regulation.\(^\text{31}\) Article 4(1) of the Rome II Regulation uses the same criterion of the ‘place where the damage occurred’ that is the second prong of the tort jurisdiction under Art 5(3) of the Brussels I Regulation\(^\text{32}\) (now Art 7(2) Brussels I Regulation (Recast)) in order to determine the applicable law of the tort. As the parallel interpretation and coherence of the European instruments on private international law is an objective in its own

\(^{29}\) Briggs (n 5) 526, refers to the national private law enforcement function of a jurisdiction agreement as ‘the principle of relative effect’; See Penn v Lord Baltimore (1750) 1 Ves Sen 444, on the separation of an enforceable in personam obligation from the erga omnes right to property abroad over which the English courts have no jurisdiction. For the public international conception of private international law as a set of universal higher level secondary rules for the allocation of regulatory authority, see, Alex Mills, ‘Variable Geometry, Peer Governance, and the Public International Perspective on Private International Law’ in H Muir Watt and DP Fernandez Arroyo (eds), *Private International Law and Global Governance* (OUP 2014) 245.


\(^{32}\) In Case 21/76 Bier v Mines de Potasse d’Alsace [1976] ECR 1735, the European Court of Justice has interpreted the predecessor provision of Article 5(3) of the Brussels I Regulation as giving the claimant the option to sue at the place of the event giving rise to the damage or the place where the damage occurred.
right, the applicable law for the tort of inducing breach of contract may also localize in Germany. However, it may be argued that English law is the law governing the tort by virtue of the choice of law agreement being construed as extending its cover to cases of tortious liability under Article 14 of the Rome II Regulation. Secondly, it may also be argued that the applicable law under Article 4(1) can be displaced in favour of the manifestly closer relationship based on a contract that is closely connected with the tort in question. Arguably, the English dispute resolution agreement is closely connected with the tort of inducing breach of contract. However, as indicated by the use of the word ‘manifestly’, a high threshold of connection must be passed for Article 4(3) to apply. As a result, the escape clause can only be resorted to in exceptional circumstances.

The UK Supreme Court has recently granted permission to appeal to AMT Futures Ltd (the ‘Appellant’). From the foregoing, it is likely that the UK Supreme Court will prefer the principled stance of the CJEU case law in relation to the jurisdictional allocation of tort claims as opposed to a more pragmatic approach which would accord questionable jurisdictional precedence to the place where the indirect consequences of the economic loss occur. Moreover, if it is held that the English court does possess jurisdiction over the claim then a re-examination of the principal issue underlying Longmore LJ’s decision in Starlight Shipping Co v Allianz

36 Art 4(3) of the Rome II Regulation. For a discussion of the accessory connecting factor in Article 4(3) of the Rome II Regulation, see, M Czepelak, ‘Concurrent Causes of Action in the Rome I and II Regulations’ (2011) 7 Journal of Private International Law 393, 405-409; Plender and Wilderspin, The European Private International Law of Obligations (2015) (n 34) 68, and L Collins and others (eds), Dicey, Morris and Collins on the Conflict of Laws (Sweet & Maxwell 2006) 1568, argue that the better view is that a contractual obligation regulated by the Rome I Regulation does not preclude a concurrent cause of action in tort governed by the Rome II Regulation; cf A Briggs, ‘Choice of Choice of Law?’ [2003] Lloyd’s Maritime and Commercial Law Quarterly 12; for the English substantive private law position allowing claims for concurrent liability, see Henderson v Merrett Syndicates [1995] 2 AC 145 (HL) (Lord Goff of Chieveley); cf Lord Justice Jackson, ‘Concurrent Liability: Where Have Things Gone Wrong?’ (Lecture to the Technology and Construction Bar Association and the Society of Construction Law, 30 October 2014) examines the boundary between contract and tort in Roman, French, German and English common law and concludes that contracts should not, and generally do not, generate duties of care in tort which mirror the contractual obligations.
Marine & Aviation Versicherungs AG (The Alexandros T) may become necessary – whether the damages remedy is indeed compatible with the principle of effectiveness of EU law (effet utile) and the principle of mutual trust. The possibility of a preliminary reference to the CJEU under Article 267 TFEU cannot also be foreclosed.\textsuperscript{39}

\textsuperscript{39} The English courts, in the litigation that followed the CJEU’s \textit{West Tankers} ruling, appear to be very reluctant to refer matters to the CJEU for a preliminary ruling. It seems that the negative perception of the CJEU’s triumvirate of decisions in \textit{West Tankers}, \textit{Turner}, and \textit{Gasser} may have a part to play in this reluctance to refer matters for a preliminary reference. Moreover, the English courts may wish to continue to rely on alternatives to anti-suit injunctions regardless of their potential incompatibility with the CJEU’s interpretation of the Brussels I Regulation. See M Illmer, ‘English Court of Appeal Confirms Damages Award for Breach of a Jurisdiction Agreement’ (Conflictoflaws.net, 31 July 2014) <http://conflictoflaws.net/2014/english-court-of-appeal-confirms-damages-award-for-breach-of-a-jurisdiction-agreement/> accessed 31 July 2014; A Dickinson, ‘Once Bitten – Mutual Distrust in European Private International Law’ (2015) 131 Law Quarterly Review 186, 190-191.