



Press and Information

Court of Justice of the European Union

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Judgment in Case C-12/15

Universal Music International Holding BV v Michael Tétéreault Schilling and
Others

The occurrence of purely financial damage in a Member State does not justify in itself the jurisdiction of the courts of that State

As a general rule, the courts of the Member State in which the defendant is domiciled have jurisdiction

Universal Music is a record company, established in the Netherlands, which forms part of Universal Music Group. In the course of 1998, it acquired the Czech record company B&M. The contracts provided for the sale and delivery of 70% of B&M's shares as well as the option to purchase the remaining 30% of the shares.

The share purchase option agreement was drawn up by a Czech law firm, in the Czech Republic. Several versions of that contract were exchanged between that firm, the legal department of Universal Music Group and B&M's shareholders. Against that background, an amendment suggested by the legal department of Universal Music Group was not fully reproduced by an associate at the law firm concerned. This led to a fivefold increase in the sale price compared with the price originally intended. That sale price then had to be multiplied by the number of shareholders.

The dispute between Universal Music and B&M's shareholders was brought before an arbitration board in the Czech Republic, the parties having agreed a settlement in 2005.

Universal Music brought proceedings against the Czech lawyers before the Dutch courts, claiming that it suffered the harm (the financial loss) in Baarn (Netherlands). In that context, it relies on a European regulation that determines jurisdiction in civil and commercial matters within the EU.¹

Hearing the dispute on appeal in cassation, the Hoge Raad der Nederlanden (Supreme Court of the Netherlands) seeks guidance from the Court of Justice on the interpretation of that European regulation. It is seeking to ascertain, in particular, whether, in the present case, the Netherlands can be treated as the 'place where the harmful event occurred' within the meaning of the Regulation, which would consequently lead to the conclusion that the courts of the Netherlands have jurisdiction.

In today's judgment, the Court states, first, that the regulation at issue attributes, as a general rule, jurisdiction to the courts of the Member State in which the defendant is domiciled. Thus, it is only by way of derogation that the regulation makes provision for certain special cases of conferral of jurisdiction, among which is the jurisdiction of the courts for the place where the harmful event occurred. That special rule of jurisdiction must be interpreted independently and strictly.

The Court notes that, in this case, the contract at issue was negotiated and signed in the Czech Republic. The rights and obligations of the parties were established in that Member State, including the obligation for Universal Music to pay a greater amount than originally provided for the remaining 30% of shares. That contractual obligation, which the parties to the contract did not intend to create, arose in the Czech Republic. The damage for Universal Music resulting from the

¹ Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ 2001 L 12, p. 1).

difference between the intended sale price and the price mentioned in that contract became certain in the course of the settlement agreed between the parties before the arbitration board, in the Czech Republic. Therefore, the obligation to pay placed an irreversible burden on Universal Music's assets.

The Court finds that the loss of some assets happened in the Czech Republic since the damage occurred there. The mere fact that Universal Music paid the financial settlement by a transfer from a bank account it held in the Netherlands is not such as to invalidate that finding.

The Court considers that purely financial damage which materialises directly in the applicant's bank account cannot, in itself, be qualified as a relevant connecting factor for the purpose of the Regulation.

In that regard, the Court notes also that a company such as Universal Music may have had the choice of several bank accounts from which to pay the settlement amount. Consequently, the place where that account is situated does not necessarily constitute a reliable connecting factor.

Therefore, it is only where the other circumstances specific to the case also contribute to attributing jurisdiction to the courts for the place where a purely financial damage occurred, that such damage could, justifiably, entitle the applicant to bring the proceedings before the courts for that place.

NOTE: A reference for a preliminary ruling allows the courts and tribunals of the Member States, in disputes which have been brought before them, to refer questions to the Court of Justice about the interpretation of European Union law or the validity of a European Union act. The Court of Justice does not decide the dispute itself. It is for the national court or tribunal to dispose of the case in accordance with the Court's decision, which is similarly binding on other national courts or tribunals before which a similar issue is raised.

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The [full text](#) of the judgment is published on the CURIA website on the day of delivery.

Press contact: Holly Gallagher 📞 (+352) 4303 3355