A short but interesting Australian case

Armacel Pty Ltd v Smurfit Stone Container Corporation [2008] FCA 592 is a recent case in which the judgment of Jacobson J in the Australian Federal Court, though short, raises a number of interesting issues.

The case arose out of a dispute between Armacel Pty Ltd, an Australian company, and Smurfit Stone Container Corporation, a US company, concerning an intellectual property licensing agreement governed by the law of New South Wales, Australia. Shortly before Armacel instituted the Australian proceedings, Smurfit instituted proceedings against Armacel in a US District Court concerning the same dispute. The US Court decided that, applying US principles of contractual interpretation as required by US principles of private international law, a New South Wales jurisdiction clause in the licensing agreement was not an exclusive jurisdiction clause. Accordingly, it dismissed Armacel's motion for dismissal of the US proceedings for want of jurisdiction. Smurfit then applied for a stay of the Australian proceedings on *forum non conveniens* grounds.

Jacobson J refused to allow Armacel to re-argue the question of whether the jurisdiction clause was an exclusive jurisdiction clause. Armacel was held to be estopped from raising that issue, since it had already been the subject of a decision in the US proceedings. This was so even though that decision was made by reference to US principles of contractual interpretation as the law of the forum, whereas Jacobson J suggested it ought to have been made by reference to New South Wales law as the governing law of the contract – the estoppel operated regardless of any such criticism.

This conclusion was important because, absent the estoppel,

Jacobson J would have construed the clause as an exclusive jurisdiction clause. The clause stated:

> *This Agreement must be read and construed according to the laws of the State of New South Wales, Australia and the parties submit to the jurisdiction of that State. If any dispute arises between the Licensor and the Licensee in connection with this Agreement or the Technology, the parties will attempt to mediate the dispute in Sydney, [New South Wales,] Australia.*

The parties also expressly agreed that New South Wales law would prevail in the event of a conflict between those laws and the laws of the jurisdiction in which the equipment the subject of the licensing agreement was located. Perhaps somewhat surprisingly, Jacobson J concluded that even though the jurisdiction clause was not exclusive on its face, it should be construed that way. This was because the parties negotiated at arm's length, must be presumed to have intended some certainty as to where their disputes would be litigated, had agreed to compulsory mediation in New South Wales, and had sought to avoid the circumstance that a New South Wales Court might have to apply the law of another jurisdiction because that was the location of the relevant equipment. Jacobson J further considered that the submission to 'the jurisdiction of [New South Wales]' also included the Federal Court exercising Australian federal jurisdiction in New South Wales.

In any event, because of the estoppel, Jacobson J proceeded on the basis that the clause was non-exclusive. In that light, having regard to the fact that the US proceedings were pending at the time the Australian proceedings were instituted and the closer factual connection with the US than Australia, Jacobson J stayed the Australian proceedings. However, he gave Armacel liberty to apply to have the stay lifted in case developments in the US proceedings made that appropriate. In particular, in the Australian proceedings, Armacel sought to make claims

under the Australian *Trade Practices Act 1974* (Cth) based on alleged misrepresentations by Smurfit during the negotiation of the licensing agreement. Expert evidence from Smurfit's US counsel, which Jacobson J accepted, was to the effect that such claims could be brought in the US proceedings. However, if the US Court ultimately declined to apply the *Trade Practices Act*, Jacobson J said it may be appropriate to lift the stay. Jacobson J also made the stay conditional on Smurfit filing an appearance in the Australian proceedings, and thereby submitting to the Federal Court's jurisdiction, and participating in a mediation in Sydney, both of which Smurfit had declined to do, as required by the licensing agreement.