

# Is Chinese Judicial Mediation Settlement ‘Judgment’ in Private International Law?

Judicial mediation is a unique dispute resolution mechanism in Chinese civil procedure. Wherever civil disputes are brought to the court, the judge should, based on parties’ consent, mediate before adjudicating. Judicial mediation, therefore, is an ‘official’ mediation process led by the judge and if successful, the judge will make a document to record the plea, the fact and the settlement agreement. This document is called ‘judicial mediation settlement’ in this note.

On 7 June 2022, the Supreme Court of New South Wales recognized and enforced two Chinese judicial mediation settlement issued by the People’s Court of Qingdao, Shandong Province China in *Bank of China Limited v Chen*. It raises an interesting question: is Chinese judicial mediation settlement recognisable as a foreign ‘judgment’ and enforceable in the other country? Two commentators provide different views on this matter.

## **Judicial Mediation Settlement can be classified as ‘Judgment’**

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In Chinese civil trial practice, there are two types of legal document to merits issued by courts that has the *res judicata* effect, namely *Minshi Panjue Shu* (“MPS”) (civil judgment) and *Minshi Tiaojie Shu* (“MTS”). The MTS refers to the mediation settlement reached by the parties when a judge acts as a mediator and as part of the judicial process. It has been translated in various ways: civil mediation judgment, civil mediation statement, civil mediation, mediation certificate, mediation agreement, written mediation agreement, written mediation statement, conciliation statement and consent judgment, civil mediation statement, mediation agreement and paper of civil mediation. In order to distinguish it from private mediation settlement, the mediation settlement reached during the court mediation process is translated into the ‘judicial mediation settlement’.

No matter how the translation of MTS is manifested, the intrinsic nature of a judicial mediation settlement should be compared with the civil judgment, and

analysed independently in the context of recognition and enforcement of judgments (“REJ”). Take the HCCH 2019 Judgments Convention as an example in an international dimension, Article 4 Paragraph 3 of the Convention provides that “A judgment shall be recognised only if it has effect in the State of origin, and shall be enforced only if it is enforceable in the State of origin.” In terms of REJ, a foreign judgment shall be effective and enforceable. While the validity of a foreign judgment specifically means when the judgment is made by a court has competent jurisdiction, the parties’ rights in proceedings are not neglected or violated, and the judgment is conclusive and final; the enforceability is more associated with types of judgments, such as fixed sum required in monetary judgments.

### 1. What is a judicial mediation settlement

Firstly, judicial mediation settlement is granted effectiveness by Chinese court in accordance with Article 100 of Civil Procedure Law of China (revised in 2021), which stipulates that “When a mediation agreement is reached, the people’s court shall prepare a written mediation statement, stating the claims, the facts of the case and the result of the mediation. The written mediation statement shall be signed by the judicial officers and the court clerk, be affixed with the seal of the people’s court and shall be served on both parties. A written mediation statement shall come into force immediately upon signatures after receiving by both parties.” In the civil trial proceedings of China, judges are encouraged to carry out mediation on a voluntary and lawful basis, failing which, a judgment shall be rendered forthwith. Article 125 also affirms that for a civil dispute brought by the parties to the people’s court, if it is suitable for mediation, mediation shall be conducted first, unless the parties refuse mediation. According to Article 96 of Civil Procedure Law of China, in trying civil cases, a people’s court shall conduct mediation to the merits of case under the principle of voluntary participation of the parties and based on clear facts. Article 97 Paragraph 1 states that mediation conducted by a people’s court may be presided over by a single judge or by a collegiate bench. Thus, with the consent of parties, judges are entitled to make a judicial mediation settlement. Once a written mediation statement based on the mediation agreement reached by parties is made by the judges and served to litigant parties, the judicial mediation settlement shall come into effect.

Secondly, the effective judicial mediation settlement has the enforceability. As paragraph 3 of Article 52 of Civil Procedure Law represented, the parties must

exercise their litigation rights in accordance with the law, abide by the litigation order, and perform legally effective judgments, rulings and mediation decisions. Therefore, assumed China is the state of origin to make a judicial mediation settlement, which has effect, and it is enforceable in the state of origin.

## 2. Similarity between judicial mediation settlement and judgment

Although the mediation and judgment exist under different articles of the Chinese Civil Procedure Law (an MTS under art 97, an MPS under art 155), the judicial mediation settlement has more common points than difference compared with a civil judgment. First of all, in terms of adjudicative power, the judicial mediation settlement is not only a verification of the parties' agreement as the judges are involved in the whole of mediatory process and they exercise the power of adjudication. The consent of parties to mediation is a premise, but the judicial mediation settlement is not only to do with the parties' consent. For example, according to Article 201 of the Civil Procedure Law of China, where a mediation agreement is reached through mediation by a legally established mediation organization and an application for judicial confirmation is to be filed, both parties shall jointly submit the application to the prescribed court within 30 days from the date when the mediation agreement takes effect. After the people's court accepts the application and review it, if the application complies with the legal provisions, the mediation agreement will be ruled as valid, and if one party refuses to perform or fails to perform in full, the other party may apply to the people's court for enforcement; if the application does not comply with the legal provisions, the court will make a ruling to reject the application. Moreover, the written mediation statement shall be signed by the judicial officers and the court clerk, be affixed with the seal of the people's court, which also means the judges or courts are responsible for the mediation decision they have made.

Secondly, the judicial mediation settlement has the almost same enforceability with the civil judgment. On the one hand, the judicial mediation settlement and other legal documents that should be enforced by the people's court must be fulfilled by the parties. If one party refuses to perform, the other party may apply to the people's court for enforcement. On the other hand, a legally effective civil judgment or ruling must be performed by the parties. If one party refuses to perform, the other party may apply to the people's court for enforcement, or the judge may transfer the execution to the executioner.

Thirdly, the judicial mediation settlement has the legal effect of finality similar with a final civil judgment. According to article 102, if no agreement is reached through mediation or if one party repudiates the agreement prior to service of the mediation settlement, the people's court shall promptly make a judgment. Therefore, once a written mediation statement (MTS) served and signed by both parties, it has the same binding force as a legally effective judgment.

It is worth noting that mediation can take place in several different stages: if mediation is possible before the court session, the dispute shall be resolved in a timely manner by means of mediation; after the oral argument is over, a judgment shall be made in accordance with the law. If mediation is possible before the judgment, mediation may still be conducted; if mediation fails, a judgment shall be made in a timely manner. The people's court of second instance may conduct mediation in hearing appeal cases. When an agreement is reached through mediation, a mediation statement shall be prepared, signed by the judges and the clerk, and affixed with the seal of the people's court. After the judicial mediation settlement is served, the judgment of the first instance and original people's court shall be deemed to be revoked. Therefore, the mediation is a vital part of adjudication power of people's court has in China.

Additionally, under the common law, a "judgment" is an order of court which gives rise to *res judicata*. According to Article 127 (5) of Civil Procedure Law of China (2021): "if a party to a case in which the judgment, ruling or civil mediation has become legally effective files a new action for the same case, the plaintiff shall be notified that the case will be handled as a petition for a review..." , which represents that a legally effective civil mediation by the court establishes *res judicata* and embodies a judgment.

### 3. Conclusion

To conclude, Chinese civil mediation could be recognized and enforced by foreign countries as a judgment. For now, China and Australia have neither signed a bilateral judicial assistance treaty, nor have they jointly concluded any convention on the recognition and enforcement of foreign court judgments, but *de facto* reciprocity should have been established between China and Australia (or at least the states of Victoria and NSW). Although there was the precedent of *Bao v Qu; Tian (No 2)* [2020] NSWSC 588 judgment recognized and enforced by the Supreme Court of New South Wales, the civil mediation judgment marks the first

time that foreign courts of common law jurisdictions may recognize and enforce Chinese mediation judgments, which means important reference for other common law jurisdictions. Also, it has broadened the path for many domestic creditors who have obtained judicial claims through civil mediation, especially financial institutions, to recover and enforce the assets transferred by the debtor and hidden overseas.

## **Chinese Judicial Mediation Settlement should not be treated as 'judgment'**

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### 1. Applicable Law

Whether a foreign document that seeks recognition and enforcement is a 'judgment' is a question of law. Therefore, the first question one needs to consider is which law applies to decide the nature of the foreign document. In *Bank of China Limited v Chen, Harrison AsJ* held that this matter should be determined under the law of Australia, which is the country where recognition is sought.

Interestingly, the Singapore High Court gave a different answer to the same question. In *Shi Wen Yue v Shi Minjiu and another*, the Assistant Registrar held that it was indeed the law of the foreign country where an official act occurs that determines whether that official act constitutes a final and conclusive judgment. Therefore, he applied Chinese law to determine the nature of the judicial mediation settlement.

It is argued applying the law of the state of origin is more appropriate. When the parties seek recognition of a foreign judgment, they anticipate that the foreign judgment is viewed as having the effect it has in its state of origin. But by applying the law of the state of recognition, a document may have greater or less effect in the state of recognition than in the state of origin. In *Bank of China Limited v Chen*, the plaintiff advocated for applying the Australian Law, stating that applying the law of the state of origin may lead to absurd mistakes. For example, if a ticket were regarded as a judgment by a foreign state, the Australian would have to treat it as a judgment and enforce it. The argument can hardly be the case in reality. Firstly, it is suspicious that a civilized country in modern society may randomly entitle any document as "judgment". Secondly,

even if the state of origin and the state of recognition have different understandings of the notion of judgment, a state usually will not deny the effect of a foreign state's act in order to preserve international comity, unless such classification fundamentally infringes the public order of the state of recognition in some extreme occasions. Therefore, out of respect for the state of origin, the nature of the judicial mediation settlement shall be determined by Chinese law as a question of fact.

## 2. The Nature of Judicial mediation settlement

In *Bank of China Limited v Chen, Harrison AsJ* made an analogy to a consent judgment in common law jurisdiction when determining the nature of judicial mediation settlement. It was held that both were created by the parties' consent but nevertheless are judgments being mandatorily enforceable and having coercive authority. On the contrary, the Assistant Registrar in *Shi Wen Yue v Shi Minjiu* and another specifically pointed out that "a common law court must be conscious of the unexamined assumptions and biases of the common law". The common law and civil law view the notion of judicial power differently. The common law embodies an adversarial system of justice. Thus, the common law courts do not take issue with settlement agreements being given the imprimatur of consent judgments. However, in civil law countries, judges play an active inquisitorial role. They are "responsible for eliciting relevant evidence" while party-led discovery is anathema and seen as a usurpation of judicial power. Therefore, it is the proper and exclusive province of judges to judge and issue judgments. It would almost be a contradiction in terms for a party-negotiated settlement to be given the moniker of a consent judgment. For these reasons, judicial mediation settlements are not labelled as judgments.

Chinese law explicitly differentiates the judicial mediation settlement from judgment. Primarily, court judgments and judicial mediation settlements fall under different chapters in the Chinese Civil Procedure Law, while the former belongs to Part II "Adjudication Process". It is further evidenced by the principle that the parties reaching an agreement during judicial mediation cannot request the court to make a judgment based on such an agreement.

A judgment reflects the court's determination on the merits issue after adjudication. The judicial mediation settlement is a document issued by the court which records the settlement agreement reached between the parties during the

judicial mediation. The differences between them are as follows. Firstly, the judicial mediation settlement shall be signed by the judicial officers and the court clerk, be affixed with the seal of the people's court and shall be served on both parties. It comes into force once the parties sign after receiving. The parties are entitled to repudiate the agreement prior to service of the mediation agreement. Namely, the court's confirmation per se is insufficient to validate a judicial mediation settlement. The effectiveness of judicial mediation settlement depends on the parties' consent. Conversely, a judgment does not require the parties' approval to become effective.

Secondly, a judicial mediation settlement could be set aside if it violates the law or party autonomy, which are typical grounds for invalidating a contract. The grounds for nullifying a judgment include erroneous factual findings or application of law and procedural irregularities, which put more weight on the manner of judges.

Thirdly, the content of the judicial mediation settlement shall not be disclosed unless the court deems it necessary for protecting the national, social or third parties' interests. However, as required by the principle of "Public Trial" and protection for people's right to know, a judgment shall be pronounced publicly. Disclosing the judgment is important for the public to supervise the judicial process. Compared to court judgments, since a judicial mediation settlement is reached internally between the parties for disposing of their private rights and obligations, naturally, it is not subject to disclosure.

Fourthly, while the judicial mediation settlement is a document parallel to judgment in the sense of putting an end to the judicial proceedings, the effect of the judicial mediation settlement is more limited. An effective judicial mediation settlement settles the parties' rights and obligations on the merits and refrains them from filing another lawsuit based on the same facts and reasons. A judicial mediation settlement is enforceable against the debtor immediately without requiring further order or judgment from the Chinese court. However, unlike judgments, judicial mediation settlements lack the positive effect of *res judicata*. In other words, matters confirmed by judicial mediation settlements cannot be the basis of the lawsuits dealing with different claims afterwards.

It is fair to say that the judicial mediation settlement combines party autonomy and the court's confirmation. But it would be far-reaching to equate the court's

confirmation with exercising judicial power. Judges act as mediators to assist the parties in resolving the dispute instead of making decisions for them. The judicial mediation settlement is intrinsically an agreement but not barely a private agreement since it has undertaken the court's supervision.

### 3. Conclusion

It is understandable that the plaintiff sought to define judicial mediation settlements as judgments. The judgment enforcement channel is indeed more efficient than seeking enforcement of a private agreement. However, considering the nature of the judicial mediation settlement, it is doubtful to define it as court judgment. In the author's opinion, since the original court has confirmed the justification of the judicial mediation settlement, it shall be recognized by foreign states. At the same time, a different approach to recognition is worth exploring.