Belgian Court to Rule on Enforceability of US Argentine Debt Injunction

On August 23rd, the US Court of Appeals for the Second Circuit affirmed an injunction ordering Argentina to make ratable payment to holders of initial defaulted bonds whenever it would make payments on its restructured debt.

Despite not being parties to the injunction, the US Court made clear that holders of the restructured debt might be found in contempt if they assisted Argentina in evading the injunction.

Several European holders of the restructured debt, including Knighthead Capital Management LLC, are seeking a declaration from a Belgian court that the injunction is unenforceable in Europe and that Belgian intermediaries may pass payments despite the injunction. Katia Porzecanski at Bloomberg reports that a hearing is scheduled today in Brussels.

I understand that the defense to the recognition of the injunction is a 2004 Belgian Law prohibiting any obstruction in cash payments made by settlement agents. This suggests that the argument should be framed in public policy terms.

In June, Knighthead Capital Management LLC and other third parties had sought an interim injunction ordering Belgium based intermediary Euroclear to pass payments to be made by Argentina to holders of the restructured debt. The Belgian Court held that the application was premature, as the issue of the impact of the injunction on Euroclear would only arise if Argentina actually made the relevant payments. At the time, however, the Court found that it had not been provided with evidence that Argentina would, in breach of the injunction. The Court suggested that, should Argentina want to pay holders of the restructured debt, plaintiffs would still have 30 days to apply for a declaration that Euroclear should pay notwithstanding the US injunction.

Fellowship Announcements

With thanks to Professor S.I. Strong for bringing these openings to our attention, there are serveral fellowships currently accepting applications that might be of interest to our readers.

The first position is the Brandon Research Fellowship at the Lauterpacht Centre for International Law at the University of Cambridge in the United Kingdom. The Brandon Fellowship supports research on various topics of international public and private law, including international arbitration. Further details are available at http://www.lcil.cam.ac.uk/news/content/brandon-research-fellowships-international-law-2014 . The closing date for applications is September 23, 2013.

The second position is also based at the Lauterpacht Centre. This fellowship is sponsored by the British Red Cross and involves research relating to the International Committee of the Red Cross Study on Customary International Humanitarian Law. More information can be found at http://www.redcross.org.uk/About-us/Jobs or by contacting Elizabeth Knight on EKnight@redcross.org.uk or 020 7877 7452 quoting ref number UKO 46734. The closing date is September 22, 2013.

The final position is the U.S. Supreme Court Fellowship in Washington, D.C. Four fellowships are awarded each year, and several of the positions provide the opportunity to consider matters relating to international and comparative law. Although the fellowships are affiliated with the U.S. Supreme Court, there does not appear to be a requirement that candidates be U.S. nationals, although applicants from outside the United States should check. The program has been significantly revamped this year and is now open to both junior and mid-career candidates. Further information is available at http://www.supremecourt.gov/fellows/default.aspx. Applications are due by November 15, 2013.

New Edition of Cachard's Private International Law

The second edition of Professor Olivier Cachard's manual on private international law was just released.

The book is a concise survey of French private international law. It essentially aims at being a manageable book for students, but should also be a useful introduction to French private international law for foreign scholars. Of course, many developments focus on European regulations.

The book also includes a number of materials (cases, articles' extracts).

More information can be found here.

Canadian Conferences with Conflicts Components

Two Canadian conferences upcoming this autumn have sessions devoted to the conflict of laws.

The University of Windsor is hosting "Justice Beyond the State: Transnationalism and Law" on September 20-21, 2013. One session is entitled "Private International Law, Comity, Judicial Co-ordination" and another is entitled "Private International Law, the Foreign within the Domestic". Additional information is available here.

McGill University is hosting the 43rd Annual Workshop on Commercial and Consumer Law on October 11-12, 2013. The closing session is entitled

"International Jurisdiction after *Club Resorts v. Van Breda*". Additional information is available here.

US Court Threatens European Holders of Argentinian Bonds

In October 2012, the U.S. Court of Appeals for the Second Circuit interpreted the *pari passu* clause contained in Argentinian bonds as meaning that all bondholders would be treated as least equally with any other external creditor. As a consequence, U.S. courts issued an injunction ordering Argentina to treat equally bondholders who had refused to participate in previous debt restructuring, and thus directing that whenever Argentina would pay on the bonds or other obligations that it issued when it restructured its debt, it would also have to make a "ratable payment" to plaintiffs who hold initial defaulted bonds.

Plaintiffs included NML Capital, a creditor which refused to participate in the debt restructuring and instead sued Argentina in U.S. Courts for defaulting on the bonds it holds. Readers will recall that NML won and has since then sought to enforce the U.S. judgments throughout the world, and that Argentina could sometimes resist enforcement on the ground of its sovereign immunity.

Assisting Argentina in Evading the Injunction

On August 23rd, 2013, the same U.S. Court of Appeals addressed another issue: whether bondholders who participated in the restructuring, and that Argentina is happy to pay, might be held in contempt of court if they actually accepted payment.

The injunction only directs Argentina to treat equally bondholders. Bondholders, therefore, are not parties to the injunction. However, as third parties, they might still be found to be in contempt of court if they assisted Argentina in evading the injunction, i.e. in accepting payment when Argentina would not pay NML.

Many of those third parties being based abroad, in particular in Europe, they challenged that they could be reached even indirectly by the injunction.

Due Process

The first argument that comes to mind was of course that the U.S. court might lack jurisdiction over these third parties. Put differently, the injunction could not have an extraterritorial effect. The Court postponed the resolution of the issue by ruling that it had not issued any injunction against the third parties, and that its jurisdiction over them was thus irrelevant. It would only become so when a third party would be brought to the court in contempt proceedings. It would then be a proper party to the contempt proceedings, and could raise any defense it would want, including of course lack of jurisdiction.

Remarkably, before getting into this discussion, the Court had denied third parties the right to intervene in the proceedings and to become parties. This was because, the Court ruled, their "interests were not plausibly affected by the injunction"… Third parties are, the Court held,

> *creditors, and, as such, their interests are not plausibly affected by the injunctions because a creditor's interest in getting paid is not cognizably affected by an order for a debtor to pay a different creditor. If Argentina defaults on its obligations to them, they retain their rights to sue.*

The foreign creditors were thus denied the right to appeal, but the Court deigned to admit them to offer comments as amici curiae.

Interestingly enough, while being denied the right to become parties to the proceedings, third parties were allowed to ask the court for clarification on the scope and meaning of the injunction, so that they could know whether any given action would be a breach.

The result is that third parties may participate in the US proceedings as long as they comply, but they may not if they are unpolite and intend to disagree.

An interesting question is whether this would be regarded as comporting with procedural fairness on the other side of the Atlantic, and whether a European court would find that the US jugdment finding a third party in contempt for any action taking place before it would have been given the right to be heard violates

procedural public policy.

New Edition of Loussouarn, Bourel and Vareilles-Sommieres´ Private International Law

The 10th edition of the French manual of Loussouarn, Bourel and Vareilles-Sommieres on private international law was published a few weeks ago.

The book was first published in 1928 by Lerebours-Pigeonniere. Yvon Loussouarn and Pierre Bourel, who both taught at Paris II University, took over in 1970 for the first, and 1977 for the second. Pascal de Vareilles-Sommieres, who is a professor at Paris I university, was associated to the 9th edition, and has updated alone the book for the 10th.

More information is available here.

Hague Academy, Summer Programme for 2014

Private International Law

Second Period: 28 July-15 August 2014

General Course

4-15 August

Arbitration and Private International Law: George A. BERMANN, Columbia University School of Law

Special Courses

28 July-1 August

* Renvoi *in Private International Law – The Technique of Dialogue between Legal Cultures:* Walid KASSIR, Université Saint-Joseph

Legal Certainty in International Civil Cases: Thalia KRUGER, University of Antwerp

* *Circulation of Cultural Property, Choice of Law and Methods of Dispute Resolution:* Manlio FRIGO, University of Milan

4-8 August

Maintenance in Private International Law, Recent Developments: Christoph BENICKE, University of Giessen

* *The International Adoption of Minors and Rights of the Child:* María Susana NAJURIETA, University of Buenos Aires

11-15 August

Limitations on Party Autonomy in International Commercial Arbitration: Giuditta CORDERO-MOSS, University of Oslo

* *International Air Passenger Transport:* Olivier CACHARD, University of Lorraine

*in French, with English translation.

Mariottini on U.S. Jurisdiction in Products-Liability in the Wake of McIntyre

Cristina M. Mariottini (MPI Luxembourg) has posted U.S. Jurisdiction in Products-Liability in the Wake of McIntyre: An Impending Dam on the Stream-of-Commerce Doctrine? on the Working paper series page of the Max Planck Institute Luxembourg.

By granting certiorari in McIntyre v. Nicastro (in which the New Jersey Supreme Court found personal jurisdiction over the manufacturer), the U.S. Supreme Court acknowledged the need to tackle the question of the stream-of-commerce doctrine, and particularly the issues left open by the lack of a majority opinion in Asahi. Nonetheless, on 27 June 2011, a – once again – deeply divided U.S. Supreme Court handed down its opinion in McIntyre, holding that, because a machinery manufacturer never engaged in activities in New Jersey with the intent to invoke or benefit from the protection of the State's laws, New Jersey lacked personal jurisdiction over the company under the Due Process Clause.

Drawing a parallelism with the European provisions and case-law on specific jurisdiction in products-liability and providing an overview of the first reactions of the lower U.S. courts to this judgment, this article illustrates how in McIntyre the U.S. Supreme Court marked a strong narrowing down of the stream-of-commerce doctrine, and failed to provide a comprehensible framework for practitioners and lower courts faced with specific in personam jurisdiction questions.

The paper is forthcoming in A. Lupone, C. Ricci, A. Santini (eds), *The right to safe food towards a global governance*, Giappichelli, Torino, 2013.

Schwartz on Aiding and Abetting Jurisdiction in the US

Julia Schwartz has posted ‘Super Contacts’: Invoking Aiding and Abetting Jurisdiction to Hold Foreign Nonparties in Contempt of Court on SSRN.

> *Under Federal Rule of Civil Procedure 65(d), district court injunctions are binding on nonparties who have notice of the order and are in active concert with the enjoined parties. Every court to address the issue has held that nonparties residing in other US jurisdictions can be held in contempt for aiding and abetting the violation of an injunction, even when they have no other contacts with the forum. Courts have held that a nonparty’s assistance in the violation of an injunction creates a “super contact” with the forum, which is sufficient to establish personal jurisdiction. Despite consensus regarding the nationwide scope of injunc-tions, whether a foreign nonparty who aids and abets the violation of an injunction can be held in contempt without any connection to the forum state remains unresolved.*
>
> *Because international law concerning the enforcement of US judgments abroad is un-settled, this Comment proposes an alternative approach to determining whether a foreign nonparty who aids and abets the violation of an injunction should be subject to the court’s contempt power. There are two justifications for asserting jurisdiction over foreign nonpar-ties who knowingly assist an enjoined party in violating an injunction. First, a court’s asser-tion of “aiding and abetting jurisdiction” over a nonparty would be similar to conspiracy ju-risdiction, which courts invoke to hold foreign defendants without connection to the forum liable for the in-forum actions of their coconspirators. This approach would allow courts to establish jurisdiction whenever the substantive elements of aiding and abetting liability are met. Second, there is precedent for the enforcement of court orders against foreign nonparty subsidiaries in the discovery context. Courts considering whether a foreign nonparty subsidi-ary is bound by a discovery order assess the burdens that would result from compliance with the order and whether the order was evaded in good faith*

based on a conflict between the countries' laws. These cases indicate that contempt sanctions should issue when a nonparty purposefully evades a district court injunction and there is no compelling burden justifying the evasion.

This student note is forthcoming in the *Chicago Law Review*.

Leibkuechler on the First Ruling of the Chinese Supreme Court on PIL

Peter Leibkuechler (Max Planck Institute Hamburg) has posted Erste Interpretation des Obersten Volksgerichts zum neuen Gesetz über das Internationale Privatrecht der VR China (The Supreme People's Court's Interpretation No. 1 on the Private International Law Act of the PRC) on SSRN.

In January 2013 the Supreme People's Court (SPC) published its first judicial interpretation on the 2010 Private International Law Act. The main aims of this Interpretation are to clarify the meaning of several rules, to facilitate judicial practice and to enhance legal security in private international law contexts. In order to achieve this, the Interpretation contains rather detailed provisions, often directly addressing certain issues that raised concerns among the courts when applying the Private International Law Act.

In addition, the SPC went beyond simple explanation and also created a number of rules that could not be found in the Act. These cases mostly concern issues that had been discussed by the legislator and among academia before the enactment of the Private International Law Act, but which were finally not included.

The article will show that despite several points of critique, the SPC has successfully engaged in finding solutions to existing deficiencies or potential

problems in the Private International Law Act.

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Note: Downloadable document is in German.