

# Bermann on Figueiredo Ferraz v. Republic of Peru

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The recent decision of the Second Circuit panel in *Figueiredo Ferraz e Engenharia de Projeto Ltda. v. Republic of Peru* is sadly misguided.

It is regrettable, but understandable, that the panel felt bound by the Second Circuit's 2002 decision in *In re Arbitration between Monegasque de reassurances S.A.M. v. NAK Naftogaz of Ukraine*, making forum non conveniens stays or dismissal available to defeat actions to enforce New York Convention awards. I say regrettable because, as is clear from the position taken by the ALI Restatement of the US Law of International Commercial Arbitration, exercising a purely discretionary ground like forum non conveniens to deny enforcement of a Convention award is essentially inconsistent with U.S. treaty obligations. The common argument, embraced by the panel majority, that doctrines like forum non conveniens are "saved" by Article III of the New York Convention, which provide that enforcement under the Convention shall be in accordance with the rules of the forum where enforcement is sought, is bogus. When the Convention drafters "saved" forum procedure, they undoubtedly contemplated purely procedural rules such as those governing pleadings, time limitations, evidentiary rules and the like. The drafters were not about to supplant all those rules by a Convention that is silent on the procedures applicable to actions to enforce Convention awards. That would result in a bizarre procedural vacuum. But forum non conveniens is not, in any event, a rule of that sort. It doesn't determine "how" an adjudication shall be conducted. It determines "whether" an adjudication shall be conducted." And it was precisely the purpose — indeed the *core* purpose — of the Convention to ensure that timely applications for the enforcement of Convention awards would be entertained as a matter of international treaty obligation, subject only to the defenses limitatively set out in the Convention.

The *Monegasque* decision of the Second Circuit may indeed have left the panel in

*Figueiredo Ferraz e Engenharia de Projeto Ltda. v. Republic of Peru* no choice but to entertain the forum non conveniens claim.

But there is still more to regret in this decision, and it is nothing that adherence to *Monagesque* required. In effect, the court used the forum non conveniens doctrine to give effect to a Peruvian ceiling on damages that the court had no business vindicating. The statute purported to limit to three percent of an agency's annual budget the amount of money that an agency of the Peruvian government could pay out annually to satisfy a judgment against it. The majority gave Peru's interest, as reflected in the statute, dispositive weight in the interest balancing that forum non conveniens entails, and it did so without the parties even having designated Peruvian law as the law governing their relationship.

To the extent that an arbitral award grants relief in excess of that allowed by Peruvian law means that the award was, at worst, legally erroneous if judged under Peruvian law. But legal error — even egregious legal error — is decidedly not a ground for denying enforcement of an award under the Convention. Quite frankly, what the decision does, without of course so saying, is to give effect to the public policy of Peru as a basis for denying enforcement of the award, despite the fact that the Convention by its own clear terms entitles a court to deny enforcement of an award on public policy ground only to the extent that enforcement would be “contrary to the public policy of the country where enforcement is sought,” viz. the United States, not the public policy of some other jurisdiction.

In so deciding, the majority also disrespected the clear holding of the U.S. Supreme Court in the foundational *Piper Aircraft Co. v. Reyno* decision to the effect that little if any weight should be given, in a forum non conveniens analysis, to whether resort to the doctrine would result in application of a different body of law, and even lead to a different substantive result, than the body of law that would have been applied and the result that would have obtained had the U.S. court retained jurisdiction.

But the decision is not to be entirely regretted, for the simple reason that it elicited a dissenting opinion by Judge Gerard Lynch that is nothing less than brilliant in its demonstration, not only that forum non conveniens is an unwelcome presence under the Conventions, but also that it was in any event folly to apply that doctrine in the circumstances of this case. As Judge Lynch observed

in dissent, the net effect of the judgment is perversely to send the parties for enforcement back to a Peruvian court when it is all but certain that they had selected arbitration as their dispute resolution mechanism precisely to avoid the Peruvian court's jurisdiction and when they had reason to believe that the resulting award would win enforcement in a U.S. court, unless one of the stated grounds for denying enforcement could be established.

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## **Second Circuit Denies Enforcement of Arbitral Award on Forum non Conveniens Grounds**

On December 14th, 2011, the United States Court of Appeals for the Second Circuit dismissed a suit seeking confirmation of an international arbitration award on the ground of *forum non conveniens* in *Figueiredo Ferraz e Engenharia de Projeto Ltda. v. Republic of Peru*.

By doing so, the Court followed its own 2002 precedent in *In re Arbitration between Monegasque de reassurances S.A.M. v. NAK Naftogaz of Ukraine*.

### **Facts**

In *Figueiredo*, the dispute had arisen out of a consulting agreement entered into by Figueiredo and a Peruvian public entity, pursuant to which Figueiredo was to prepare engineering studies on water and sewage services in Peru. After a fee dispute arose, arbitral proceedings were commenced in Peru, and eventually lead to a 2005 award ordering the Peruvian party to pay more than USD 21 million. Figueiredo had designated itself as a Peruvian domiciliary in the agreement, but later claimed that it was a Brazilian corporation.

Under Peruvian law, a statute prevents governmental entities to pay more than 3% of their budget each year to satisfy judgments. The Peruvian party began to pay the award, but at a slow pace, as it respected the statutory cap.

In 2008, Figueiredo decided to seek enforcement in the United States, as the Peruvian Republic held there substantial assets resulting from the sale of bonds.

## **Judgment**

The U.S. Court of Appeals dismissed the action on the ground that it was *forum non conveniens* in favor of the courts of Peru.

First, the court refused to consider that the fact that the assets located in the U.S. could only be attached by a U.S. court made the foreign court inadequate as, the court held, it would otherwise mean that the doctrine of forum non conveniens could never be used in enforcement proceedings.

Second, the Court found that the Peruvian cap statute was a highly significant public factor warranting dismissal.

*there is (...) a public interest in assuring respect for a sovereign nation's attempt to limit the rate at which its funds are spent to satisfy judgments.*

The court drew a parallel with its domestic case law on abstention in the U.S. federal system, insisting that deferring to litigation in another jurisdiction is appropriate where the litigation is intimately involved with sovereign prerogative.

Finally, the court insisted that the case was more closely connected to Peru, where the contract had been executed between two entities declaring to be domiciled in Peru, and performed.

Justice Lynch dissented.

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## **Another ATS Case Seeking Supreme Court Review**

As previously reported here, the United States Supreme Court recently granted certiorari in the case of *Kiobel v. Royal Dutch Petroleum* to consider the following

questions: (1) Whether the issue of corporate civil tort liability under the Alien Tort Statute, 28 U.S.C. § 1350, is a merits question or instead an issue of subject matter jurisdiction; and (2) whether corporations are immune from tort liability for violations of the law of nations such as torture, extrajudicial executions or genocide or may instead be sued in the same manner as any other private party defendant under the ATS for such egregious violations. In addition to *Kiobel*, the Court also granted cert. in *Mahamad v. Rajoub* to consider whether whether the Torture Victim Protection Act of 1991 permits actions against defendants that are not natural persons.

There is now another cert. petition pending that follows up on the Ninth Circuit's recent decision in *Sarei v. Rio Tinto*, discussed here. Among other things, the petitioners in *Sarei* ask the Supreme Court to grant the petition and to hear the case along with *Kiobel*. Unlike *Kiobel*, the *Sarei* petitioners raise arguments beyond the question of corporate liability under the ATS for human rights violations. Their questions presented are as follows: 1. Whether U.S. courts should recognize a federal common law claim under the ATS arising from conduct occurring entirely within the jurisdiction of a foreign sovereign, especially where the claim addresses the foreign sovereign's own conduct on its own soil toward its own citizens. 2. Whether U.S. courts should recognize a federal common law claim under the ATS based on aiding-and-abetting liability, even absent concrete factual allegations establishing that the purpose of the defendant's conduct was to advance the principal actor's violations of international law. 3. Whether a plaintiff asserting a federal common law claim under the ATS addressed to conduct occurring entirely within the jurisdiction of a foreign sovereign must seek to exhaust available remedies in the courts of that sovereign before filing suit in the United States, as international and domestic law require. 4. Whether federal common law claims asserted under the ATS for violations of international human rights law.

Interestingly, petitioners rely a great deal on former statements of interest filed by the United States filed in various ATS suits to buttress many of their arguments related to these questions presented. Given that the United State has not weighed in yet in *Kiobel*, it will be interesting to see how the Solicitor General deals with these arguments, either in *Kiobel* or in this case in the event it is granted.

It could be a very big Supreme Court Term indeed for the ATS and for

international law litigation generally before the Supreme Court.

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# Third Issue of 2011's Journal of Private International Law

The latest issue of the *Journal of Private International Law* has just been published. The contents:

## Arbitration and the Draft Revised Brussels I Regulation: Seeds of Home Country Control and of Harmonisation?

*Luca G Radicati di Brozolo*

*In this article I discuss the provisions on arbitration of the European Commission's December 2010 draft recast of Reg (EC) 41/2001 against the backdrop of the earlier proposals on the inclusion of arbitration within the scope of the Regulation. The analysis focuses principally on the functioning and implications of the lis pendens mechanism laid down by Article 29(4) of the draft, pointing out the analogy between the role conferred on the law and forum of the seat of the arbitration and the mechanism of home country control that is at the heart of European Union law. The article also analyses the reasons and positive consequences of the Commissions' restraint in not extending the scope of the Regulation to other arbitration-related issues, especially the circulation of judgments dealing with the validity of arbitration agreements and awards. The article's conclusion is that the Commission's proposal is well balanced. Whilst it does not solve all problems relating to conflicts between court proceedings and arbitration within the EU, it addresses the most pressing one, that of concurrent court and arbitration proceedings. Moreover, it does so in terms which, in contrast to the use of anti-suit injunctions in aid of arbitration, are reconcilable with the basic tenets of European Union law. Its approach is indisputably favourable to the development of arbitration and does not*

*jeopardise the *acquis* in terms of arbitration law of the more advanced member States.*

## **European Public Policy (with an Emphasis on Exequatur Proceedings)**

*Jerca Kramberger Škerl*

*After addressing the historical role of the public policy defence in private international law, the author defines European public policy and researches its protection in the case-law of the Court of Justice of the EU and the European Court of Human Rights.*

*The paper further discusses the possible differences and contradictions between the fundamental values of the European Convention on Human Rights and EU law in the context of giving effect to foreign judgments. Regulations already abolishing the exequatur are assessed from the human rights point of view. The relationship between European public policy and the fundamental values arising from public international law is also treated.*

*Finally, the author evaluates the impact of the adoption of the Lisbon treaty and the process of revision of the Brussels I Regulation on the protection of European public policy in the EU Member states.*

## **Reflections on the Mexico Convention in the Context of the Preparation of the Future Hague Instrument on International Contracts**

*José Antonio Moreno Rodriguez and María Mercedes Albornoz*

*The Hague Conference is creating a soft law instrument on international contracts, which is expected to promote a general admission of the principle of party autonomy. Even if it is nowadays accepted in developed countries, this principle still needs consolidation in other regions of the world, like Latin America. In this context, the importance of the modern solutions adopted by the Mexico Convention on the law applicable to international contracts is*

*outstanding. It is not only that the Mexico Convention clearly accepts party autonomy, but it is also well-known even outside the American continent, for its reception of lex mercatoria -an achievement that we do not find in the European Rome I Regulation. This article carries out an analysis of the main provisions of the Mexico Convention, in order to highlight some of the reflections it should provoke during the preparation of the Hague instrument.*

## **Where Does Economic Loss Occur?**

*Matthias Lehmann*

*It is well-known that rules of private international law for torts often refer to the place where the damage has occurred. Locating this place poses serious difficulties if no physical object has been harmed, but only economic or “financial” loss has been suffered. These cases are of tremendous practical importance. The contribution provides an in-depth analysis of the problem and compares solutions adopted by EU and Swiss courts. Finally, the author suggests an original step-by-step approach as to how to determine the place of economic loss.*

## **International Litigation Trends in Environmental Liability: A European Union-United States Comparative Perspective**

*Carmen Otero García-Castrillón*

*At times where environmental concerns take a predominant role and corporate social responsibility is at the forefront of various legal debates, the fact that the laws and/or the judicial proceedings -to establish it and to order remedies- in the country of damage could be inadequate or even non-existent, makes it appropriate to reflect on the opportunities provided by the international litigation system of the European Union (EU) as compared to the system of the United States (US). Responding to the recent case law, this paper reflects on the international environmental litigation trends from a private international law perspective, analysing the jurisdiction and conflict of laws issues that, within this field, interact with a number of international civil liability*



*conventions. In this regard, the complex determination of the applicable law and the liability limitations in the EU do not prevent the conclusion that, due to recent jurisdiction and applicable law trends in the US, international environmental litigation may be turning to the eastern side of the Atlantic.*

## **Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law**

*Sophie Neumann*

*The article tends to compare and analyse the private international law solutions adopted by the European legislator and their possible justification for the infringement of intellectual property rights against the background of territoriality of intellectual property rights and against the background of the different methodological approaches adopted, on the one hand, by the Rome II Regulation for the applicable law and, on the other hand, by the Brussels I Regulation for jurisdiction. The thesis to be analysed is that the respective solutions concerning the infringement of intellectual property rights can be read both in an intellectual property perspective against the background of territoriality and in a private international law perspective against the background of a more “genuine” private international law interests’ analysis. Both perspectives are affected by territoriality and therefore often lead, notwithstanding the methodological differences, to the same result in practice.*

## **Dual Nationality = Double Trouble?**

*Thalia Kruger and Jinske Verhellen*

*The occurrence of dual nationality is increasing, due to several reasons. This article investigates the considerations private international law uses to deal with dual nationality, especially in civil law countries, where nationality is an important connecting factor and is sometimes even used for purposes of jurisdiction. Four such considerations are identified: preference for the forum nationality, the closest connection, the influence of EU law, and the principle of*

*choice by the parties. When analysing the applications of these four considerations in issues of jurisdiction, applicable law and the recognition of foreign authentic acts or judgments, one sees that not all conflicts are real. The authors argue that false conflicts (for instance where jurisdiction can be based on the common nationality of the spouses under the Brussels IIbis Regulation) need no resolution. Both nationalities can carry equal weight in these cases. For real conflicts (for instance application of the law of the common nationality of the spouses under Art. 8c of the Rome III Regulation), a broad closest-connection test should be maintained, rather than a preference for the forum nationality (which relies heavily on arguments of State sovereignty). A closest-connection test based on objective factors is the most reliable in ensuring an outcome respectful of legal certainty.*

## **International Surrogacy Arrangements: An Urgent Need for Legal Regulation at the International Level**

*Katarina Trimmings and Paul Beaumont*

*Recent developments and research in the area of reproductive medicine have resulted in various treatment options becoming available to infertile couples. One of them is the use of a surrogate mother. Over the last two decades, surrogacy has become an increasingly popular method of reproductive technology.*

*Surrogacy targets the same clientele as its counterpart, adoption. It follows that with an increasingly limited global market for adoption, surrogacy will continue expanding. It is no exaggeration to say that the modern world has already witnessed the development of an extensive international surrogacy market. This market, although initially largely unnoticed, has recently attracted a great deal of interest by the media.*

*A source of worry, however, is the completely unregulated character of global surrogacy. Addressing this issue, this paper seeks to outline a potential legislative framework for a private international law instrument that could regulate cross-border surrogacy arrangements.*

## Review Article

A review article by Sirko Harder of K Boele-Woelki, T Einhorn, D Girsberger and S Symeonides (eds), *Convergence and Divergence in Private International Law: Liber Amicorum Kurt Siehr*

**You can access this issue online and purchase individual papers. You can, alternatively (and it's recommended by us), subscribe to the Journal.**

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## Zamora Cabot on the Islamic Veil

*Prof. Zamora Cabot (University of Castellón, España) has just published an article on multiculturalism, entitled "Europa entre las corrientes de la multiculturalidad: incidencia del velo islámico en el Reino Unido" (Papeles en el tiempo de los derechos, num. 14, 2011. ISBN: 1989-8797)*

This paper addresses the topic of the Islamic veil, one of the most significant ones in the area of multiculturalism in Europe, with reference to the example of the United Kingdom. Its first section highlights the values which should frame the issue, namely tolerance and legal pluralism, singularly at the current time: a time in which the events in the Arab world force Europeans to an exercise of empathy, and towards finding a way to match discourse and real practice of these values.

The second section focuses in the UK, exploring the social and political substrate and milestones that must be taken into account to understand the legal response given in that country to the Islamic way of dressing. Some general observations are made on these clothes, also aiming to provide the reader with a better understanding of the English legal response; and the well known decision of the House of Lords in the Begum case is analyzed from a critical point of view. In this regard, the important efforts made by the various courts, crowned by that decision, are neither ignored nor underestimated; nevertheless, they deserve a negative assessment, as it seems that formal considerations and the will to maintain the status quo have prevailed at the expense of an analysis based on pluralism, that should have led to a different outcome.

The burqa or full veil is discussed in section four, through a variety of scenarios based on different practices in different contexts. Pragmatism and respect for religious convictions are remarkable in all of them: for example, when facing the delicate question of the use of the burqa in proceedings before the courts.

The concluding section praises the liberal spirit of British society where, unlike several European countries, these matters have not been addressed through a repressive apparatus. That is why the UK is considered in this work as a remarkable example that ought to be emulated.

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# **Thiede and McGrath on Mass Media, Personality Rights and European Conflict of Laws**

Thomas Thiede and Colm P. McGrath have posted Mass Media, Personality Rights and European Conflict of Laws on SSRN. The abstract reads:

*In this article the authors critically analyse the current approach of the European Court of Justice (ECJ) alongside the proposed alternatives to a unified European conflict of laws rule dealing with the problem of cross-border infringements of personality rights. Having exposed the weakness of these approaches they set out one suggested path for reform.*

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**Andrea Bonomi: Varia on**

# Succession and PIL

Prof. Andrea Bonomi, Vice-Dean of the Faculté de droit et des sciences criminelles and Director of the Centre de droit comparé, européen et international (CDCEI), University of Lausanne, has just published a critical opinion on the Proposal for a Regulation in matters of succession in the collective book *Innovatives Recht* (Festschrift für Ivo Schwander), under the title “La compétence des juridictions des Etats membres de l’Union Européenne dans les relations avec les Etats tiers à l’aune des récentes propositions en matière de droit de la famille et des successions”. He has kindly sent me an abstract :

The Commission’s Proposal for a Regulation in matters of succession covers among alia the jurisdiction of the courts of EU Members States. By virtue of the recent Proposals for Regulations for matrimonial property and for the property consequences of registered partnership, the court with jurisdiction over the administration and distribution of the estate of a spouse or registered partner also has jurisdiction to rule on the winding up of the matrimonial property *régime* and on the property consequences of the partnership.

Normally, the competent court will be that of the last habitual residence of the deceased. However, where the deceased had his/her last habitual residence in a non-Member State, the competent court will have to be determined in accordance with Art. 6 of the Succession Proposal. This provision is for many reasons unfortunate, in particular because it creates the conditions for positive conflicts among the courts of several Member States and with the courts of non-Member States, as it is shown in the relationship to Switzerland.

In this article we analyze the shortcomings of Art. 6 and suggest some possible improvements of this provision (deleting Art. 6(c); reducing the role of nationality by retaining this criteria only in the case of a choice of the national law; reducing the reach of the court’s residual jurisdiction by excluding the property situated outside the European Union; including a *lis pendens* rule applicable in the relation to third States’ courts; including a *forum necessitatis* to avoid negative conflicts). We hope that this provision will be corrected during the negotiation process.

A second recent, obviously worth commenting contribution of Prof. Bonomi is his

“Succession internationales: conflits de lois et de juridictions”, The Hague Academy Collected Courses, vol. 350 (2010), pp. 71-418. The study takes the course taught by him in The Hague in 2007 as point of departure, and deepens and broadens the insights made at the time for the audience (which included me!). Clicking Table des matières you will have access to the index of the publication.

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# International Arbitration Law Review, Vol. 14, Issue 5

The latest issue of the International Arbitration Law Review (Vol. 14, no. 5, 2011) is out.

Contents include several topics of interest to the intersection of private international law with commercial and investor state arbitration, including:

*Hong-Lin Yu, How far can party autonomy be stretched in setting the grounds for the refusal of arbitral awards?*

*Charles Kotuby Jr, ‘Other international obligations’ as the applicable law in investment arbitration*

*Sanja Djajic, Contractual claims in treaty-based arbitration – with or without umbrella and forum selection clauses*



Also in this edition are:

*Thierry Berger & Mark Roberts, The new ICC Rules of Arbitration: a brief overview of the main changes*

*Judy Zhu, China’s CIETAC Arbitration – New Rules under review*

*Richard Smith, Angeline Welsh & Manish Aggarwal, Jivraj v Hashwani – the UK Supreme Court overturns a controversial Court of Appeal ruling on arbitration*

*Luis Fernando Bermejo, Mandatory ICC provision in Guatemala’s Arbitration*


## **Christmas Presents from the CJEU**

Two private international law offerings from the wise folk of the Court of Justice before they disappear on their Christmas vacations. First, the judgment in Case C-384/10, *Voogsgeerd*, concerning the employment provisions in Art. 6 of the 1980 Rome Convention. With the Court's earlier decision in Case C-29/10, *Koelzsch* (see the earlier post by Gilles Cuniberti [here](#)), the Court provides substantial guidance as to the application of Art. 6 and its successor, Art. 8 of the Rome I Regulation. These two decisions look set to be cited in tandem in international employment cases for years to come. Secondly, the judgment in Case C-191/10, *Rastelli Davide* on the question whether the Insolvency Regulation permits joinder of co-insolvent parties whose centre of main interests (COMI) is in another Member State in circumstances where their affairs are intermixed with the insolvent party whose COMI is in the Member State seised of insolvency proceedings. The question, therefore, is essentially whether a jurisdictional hook similar to that found in Art. 6(1) of the Brussels I Regulation can be implied in the Insolvency Regulation regime. Unsurprisingly, the CJEU gives a negative answer to that question and holds further that the intermixture of assets, of itself, is not sufficient to justify the conclusion that two companies have their COMI in the same Member State.

Happy Christmas to all col.net readers.

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# New Book on Public Contracts and International Arbitration

A new book exploring issues raised by arbitrations involving states and states  entities was published earlier this fall. The book, which was edited by professor Mathias Audit (Université Paris Ouest Nanterre la Défense), offers a variety of contributions in French and in English.

## INTERNATIONAL AND REGIONAL PERSPECTIVES

- ICC arbitration & public contracts : the ICC Court's experience of arbitrations involving states and stage entities
- L'arbitrage CIRDI et les contrats de nature publique passés avec un Etat ou une entité étatique
- International arbitration and Public Contracts in Latin America

## NATIONAL PERSPECTIVES

- Arbitrage international et contrats publics en France
- Arbitrage international et contrats publics en Belgique
- Arbitrage international et contrats publics au Canada

The full table of contents is available [here](#).

The book can be ordered [here](#).