

Privacy and Personality Rights in the Rome II Regime - Not Again?

Andrew Dickinson is a practising solicitor and consultant to Clifford Chance LLP. He is the Visiting Fellow in Private International Law at the British Institute of International and Comparative Law and a Visiting Professor at the University of Sydney. The views expressed are those of the author.

Art. 1(2)(g) of the Rome II Regulation (Reg. (EC) No. 864/2007) excludes from its scope “non-contractual obligations arising out of violations of privacy and rights relating to personality, including defamation”. In its statement on the Regulation’s review clause (Article 30), the Commission undertook as follows:

The Commission, following the invitation by the European Parliament and the Council in the frame of Article 30 of the ‘Rome II’ Regulation, will submit, not later than December 2008, a study on the situation in the field of the law applicable to non-contractual obligations arising out of violations of privacy and rights relating to personality. The Commission will take into consideration all aspects of the situation and take appropriate measures if necessary.

The comparative study, prepared for the Commission by its contractors Mainstrat and supporting cast, was published in February 2009. We should not quibble about the two month delay – these review clause deadlines are not, after all, to be taken too seriously. No doubt, the Commission needed a little extra time to take into consideration “all aspects of the situation” and to identify any measures which it thought “necessary”. Should its silence on the matter in the following 18 months be taken, therefore, as a tacit acknowledgement that nothing needs be done at this point in time? Or just that the Commission has more “important” fish to fry (such as 200-years of European legal tradition in the area of contract law – a discussion for another day)?

The European Parliament, for one, seems unhappy with the present state of affairs, and this should not come as a surprise. This aspect of the review clause was all that the Parliament had to show for the considerable efforts of its rapporteur, Diana Wallis MEP, and her colleagues on the JURI Committee during the discussions leading to the Rome II Regulation to broker a compromise

provision acceptable to the Member States, the media sector and other interested groups. Those efforts proved futile, doing little more than opening what the former Vice-President of the European Commission, Franco Frattini, described with a classical nod as *la boîte de Pandore* (an expression that appears more earthily in the English translation of the Parliamentary debate as “a can of worms”).

In her Working Document, Diana Wallis acknowledges that “[t]he history of failed attempts to include violations of privacy and personality rights within the scope of the Rome II Regulation shows how difficult it is to find a consensus in this area”.

To illustrate those difficulties, it may be noted that at a meeting of the Council’s Rome II committee in January 2006, no less than 13 different options for a rule prescribing the law applicable to non-contractual obligations arising from violations of privacy and personality rights were apparently on the table. The topic, with its close link to the fundamental human rights concerning the respect for private life and freedom of expression, inevitably attracts strong and disparate reactions from the media, from civil liberties groups, from those representing celebrities and other targets of “media intrusion” and from politicians of all colours. Inevitably, any proposal to create uniform European rules in this area, however narrow their scope or limited their effect, will cause a stir, with those involved using the considerable means of influence at their disposal to secure a result (both in the rule adopted and the policy direction) which is perceived to accommodate and further their interests. If the EU does act, one or more groups will claim that a victory has been secured for their own wider objectives (whether they be “freedom of the press”, or “protection from media intrusion”, or some other totemic principle). Against this background, the most likely outcome (as the Rome II Regulation demonstrates) is a stalemate, with the players pushing their pieces around the board without attempting to make a decisive move.

✘ Why should the outcome be any different on this occasion, especially given the limited time that has elapsed since Rome II was adopted? Wouldn’t we all be better off focussing our efforts on more pressing business, or just getting on with our holiday packing?

Mrs Wallis’ Working Paper, although admirable in the breadth of its coverage, provides little cause for optimism. If anything, the debate appears to have regressed in the three years since the Regulation was adopted. Instead of the debate being centred upon a clearly focussed proposal, such as that contained in

Art. 7 of the European Parliament's Second Reading Proposal, we are left with a tentative preference for introducing a degree of flexibility (either judicial or party oriented) coupled with some form of foreseeability clause. Other options, such as reform of the related rules of jurisdiction, minimum standards of protection for privacy and personality rights and (gulp) "a unified code of non-contractual obligations, restricted to or including those arising out of violations of privacy and personality rights" are floated, with varying degrees of enthusiasm, but without any clear picture emerging as to what the problem(s) is/are at a European level and how these options may contribute to an overall "solution". Although concrete proposals will emerge, such as those identified on these pages by Professor von Hein, the debate is lacking in focus. If the European Parliament's JURI Committee has now retreated from its former, strongly held position into the legislative outback, what hope is there for its current initiative? Wouldn't it be better to wait, at least, until the full review of the Rome II Regulation by the Commission, scheduled - at least according to the black letter of the Regulation - for next year?

As the foregoing comments may suggest, my own strong preference would be to wait, and to maintain the *status quo* for the time being, for the following reasons:

1. In terms of the law applicable to non-contractual obligations arising out of cross-border publications, there is nothing in the Working Paper to suggest that the problem is a pressing one, or that immediate legislative intervention by the European Union is "necessary". "Libel tourism" may be a cause for concern in some quarters on both sides of the Atlantic, but the focus of that debate is on rules of jurisdiction and on the English substantive law of defamation, and the difficulties do appear to have been somewhat overstated. There is also, in my view, a real risk, by hasty legislative intervention, of exacerbating existing problems or creating new ones, for example by a rule of applicable law that might subject a local publication (for example, the Manningtree and Harwich Standard) to the privacy laws of a foreign country where the subject of an article is habitually resident and where the article (in hard copy or online form) has not been read except by the subject and his lawyers.
2. We are in the middle of the review of the Brussels I Regulation, whose rules (in contrast to those of the Rome II Regulation) do apply to cross-border disputes involving privacy and personality rights. That process,

which raises issues of major commercial importance (most obviously, the effectiveness of choice of court and arbitration provisions in commercial contracts) has already been drawn out, and we should not impose a further obstacle of requiring at the same time a mutually acceptable and viable solution to the question as to which law should apply in these cases. Either the Brussels I review should be allowed to proceed first, with questions concerning the law applicable to be considered thereafter, or the present subject area should be stripped out of the Brussels I review leaving private international law (and substantive law) aspects of privacy and personality rights to be considered separately, but on a firmer footing than the present debate.

3. It must be recognised that the rules of applicable law in the Rome II Regulation are not (and should not be) rule or outcome selecting. The privacy or defamation laws of the subject's country of habitual residence, or the country where the publisher exercises editorial control, or of any other country to which a connecting factor may point may be more or less favourable to each of the parties. Further, all of the Member States are parties to the European Convention on Human Rights and obliged to respect both private life (Art. 8) and freedom of expression (Art. 10) within the margins of appreciation allowed to them. Those requirements must be observed by all Member State courts and tribunals, in accordance with their own constitutional traditions, whether they are applying their own laws or the laws of a Member or non-Member State identified by the relevant local rule of applicable law. In terms of the legislative structure of the Rome II Regulation, they are a matter of public policy (Art. 26) and not of identifying the country whose law applies. It follows that the impact of rules of applicable law on these Convention rights would appear to be more practical than legal. Might a night editor at a newspaper hesitate to run a story about a foreign footballer's private life if he cannot be sure that it will not expose him and the publisher to a claim based on a "foreign law"? Might an impecunious European aristocrat step back from bringing legal action to protect his family's privacy if it requires him to pay expensive foreign lawyers in order to determine his rights? Moreover, the temptation (as in these examples) to focus on the mass media and on "celebrities" must also be resisted – the position of the web blogger or the office worker, whose rights are equally valuable, must also be considered. Any attempt to formulate a rule of applicable that balances the interests

of both parties, and facilitates the effective enforcement of Convention rights, must take account of these and other practical issues, but (despite the Mainstrat report) a sufficient evidential basis is presently lacking.

4. In view of the constitutional sensitivity of this area (acknowledged in a declaration at the time of the Treaty of Amsterdam*, although apparently not repeated upon adoption of the Lisbon Treaty), it is vital that the debate should be properly focussed and resourced from the outset. A review of the present state of the law must open up not only the Art. 1(2)(g) exception, but also the terms and effect of the eCommerce Directive and the “country of origin” principle that it is claimed to embody, as well as the interface between private international law rules and the Convention rights. The size, importance and complexity of this undertaking should not be underestimated, and the temptation for the legislator to jump in with two feet should be strongly resisted. Laudably, Diana Wallis has not made this error, but her Working Paper demonstrates how much remains to be done to identify the problem and assess potential solutions. Significant additional resources, both within and outside the European legislative machine, will be required in order to create even the potential for a satisfactory outcome to the process. In the present climate, it may be questioned whether this is the best use of scarce resources. Sensible and sensitive, pan-European legislation regulating private international law or other aspects of civil liability for violations of privacy and personality rights may be thought “desirable”, but is it really necessary and, if so, is it achievable and at what cost?

* *Declaration on Article 73m of the Treaty establishing the European Community*

Measures adopted pursuant to Article 73m of the Treaty establishing the European Community shall not prevent any Member State from applying its constitutional rules relating to freedom of the press and freedom of expression in other media.

Hartley on The Problem of “Libel Tourism”

Trevor Hartley is Emeritus Professor at the London School of Economics.

The problem

As Diana Wallis points out, libel tourism is now recognized as a serious problem. Finding a solution, however, is not so easy. There are a number of possibilities.

Harmonization of substantive law?

Although some people have suggested a limited measure of harmonization as regards substantive law, this would not be desirable. The law of defamation and privacy reflects the balance a particular society regards a right between two important rights: freedom of speech and protection of reputation. This is a delicate cultural matter, and the relative importance of these values differs greatly between different cultures. Even in Western Europe, there are important differences. In France, for example, the right of privacy is strongly protected; in England, it is hardly protected at all: the English feel that if something is true, you should (usually) be allowed to say it. It would be wrong for the EU to establish Union-wide norms in this area.

A uniform choice-of-law rule?

It is sometimes said that a uniform EU choice-of-law rule in this area would lead to greater predictability and certainty. This is a misconception. At present, the choice-of-law rule applicable in a case will be that of the country in which the litigation arises. In most Member States, these rules are fairly clear and easy to apply. There is no reason to believe that an EU rule would be any clearer or lead to more a predictable outcome. Indeed, the contrary is likely to be the case, since EU legislation is the product of negotiations between the Member States and it has to be based on consensus. In the case of a contentious matter – and defamation is nothing if not contentious – this is bound to lead to a complicated text. If proof of this is needed, one only has to look at the convoluted and opaque text in the Rome II Regulation on products liability. No one can say that the

adoption of this measure has led to greater certainty and predictability.

It might, however, be argued that, even if the EU measure was obscure and difficult to apply, it would at least be uniform, so that the same choice-of-law rule would apply wherever the action was brought. It might be thought that this would lead to greater predictability. Even this is wrong. The fact that the same substantive law is applied does not mean that it will be interpreted in the same way. Defamation is very much a question of value judgment, value judgment based on cultural norms. What is defamatory to a Greek might not be defamatory to a Swede. Moreover, what would constitute a justification in one country might not do so in another.

In addition to these differences of values and attitudes, there are simple questions of procedure. Whether a claimant can bring his action at all will depend on whether or not he can obtain the services of a lawyer. This may depend on whether legal aid is available or whether libel proceedings can be brought on the basis of a conditional or contingent fee agreement. The defendant may have a similar problem. The enormous fees charged by English libel lawyers can deter defendants from even fighting the case: they may simply give up and admit they were wrong, even if they know they were right.

For these reasons, a uniform choice-of-law rule is unlikely to lead to greater certainty and predictability. Moreover, its adoption would mean that references would have to be made to the ECJ. This could easily add two years to the length of time needed to obtain a final judgment.

Even if it were thought desirable to have a uniform choice-of-law rule, it is hard to see what rule would be satisfactory. At present, most Member States apply the law of the place of publication or the place where harm occurs (sometimes combined with the law of the forum). This, however, gives rise to serious problems. It is difficult to define where the harm occurs (especially in the case of the Internet), and it might not be obvious where the damage is felt.

Another possibility is the law of the claimant's domicile or habitual residence. However, this would not be acceptable without major qualification. We must remember that the Rome II Regulation applies not just where the choice of law is between the legal systems of the EU States: it also applies where the potentially applicable law is that of a non-Member State. If we adopted a rule that the law of

the claimant's habitual residence applied, a dictator in a non-Member State could change the law of his country to say that any criticism of him (even if true) was defamatory and would lead to a huge damage award. Would we want to apply such a law? If we try to solve the problem by adopting a proviso that the free-speech law of the forum will always override foreign defamation law, the practical result will be that the *lex fori* will apply in defamation cases, because all cases will be defended on freedom-of-speech grounds. This is what happens in the United States where state defamation law has been eclipsed by federal free-speech law (the First Amendment). It should be noted that a uniform rule that the law of the forum applies will lead to no greater predictability than the application of the choice-of-law rule of the forum. In both cases, you cannot know the applicable law until you know what the forum will be.

The media of course want a uniform rule that applies the law of the defendant's place of establishment. This would be nice for them, but not so good for the citizen. British newspapers could ride roughshod over French privacy law and publish the results in France, while American media could defame public figures in Europe with impunity – telling lies about them as long as it could not be proved that they were motivated by malice.

For these reasons, no attempt should be made to adopt a uniform choice-of-law rule.

Jurisdiction

The last possibility is to do something on the jurisdictional front. Jurisdiction in libel is already covered by the Brussels I Regulation. Under this, the courts of the defendant's domicile have jurisdiction. No objection can be taken to this. If the defendant is domiciled in another Member State, Article 5(3) gives jurisdiction to the courts of the place where the harmful event occurred. In *Shevill v Presse Alliance SA*, the ECJ held that this allows the claimant to sue in the courts for the place where the material is distributed (though the claim must be limited to damage flowing from the copies of the publication distributed in the territory of the forum). It is this provision that can lead to libel tourism, since the claimant might choose a forum with which he has no connection simply because he is most likely to win there.

The material must of course be published in the territory of the forum. With the

advent of the Internet, however, this requirement is almost meaningless. Since most media outlets (newspapers, magazines, and TV stations) have their own websites, almost all defamatory material that is published in the media is also available on the Internet. So if material is regarded as published in a country if it is accessible on the Internet there, almost everything can be regarded as published everywhere.

It is suggested that it is in this area that a new legal initiative is needed at EU level. However, this must wait until the review of the Brussels I Regulation takes place.

Von Hein on Rome II and Defamation

Jan von Hein is professor of civil law, private international law and comparative law at the University of Trier, Germany.

Diana Wallis deserves praise for her lucid and insightful working document on a possible amendment of the Rome II Regulation with regard to violations of rights relating to the personality. In devising a conflicts rule for this special type of tort, one has to take into account that, although the Rome II Regulation is at present not applicable to this group of cases, the European legislators are no longer operating on a clean slate, because any new conflicts rule will have to fit into the basic doctrinal structure of the Regulation. Moreover, Recital No. 7, which mandates a consistent interpretation of Rome II and Brussels I is of particular importance here because of the ECJ's *Shevill* judgment (C-68/93), which established the so-called mosaic principle.

There are mainly two possible approaches: The first one would be to provide that the law applicable to a non-contractual obligation arising out of violations of privacy and rights relating to personality shall be the law of the country where the victim is habitually resident at the time of tort. This solution is popular in academia (for those who read German, I recommend the excellent contribution by

my good friend Michael von Hinden to the *Festschrift* for Jan Kropholler [2008], p. 575), and a corresponding amendment of the Rome II Regulation has been recommended on February 19, 2010 by the German Council for Private International Law, a group of German P.I.L. professors advising the Federal Ministry of Justice (full disclosure: I am a member of this group, but did not participate in the vote on this issue). This proposal certainly has the virtues of simplicity and guaranteeing a protection of the victim in accordance with the social standards that he or she is accustomed to. With due respect, it has some drawbacks as well. From a political point of view, one must not forget that this approach has been on the table before, in the Commission's preliminary proposal for a Rome II Regulation of May 2002. It failed then, after protests from the media lobby, and I really doubt whether it would survive this time. From a doctrinal point of view, its main disadvantage is that V.I.P's – who are the main targets of the “yellow press” – frequently reside in tax havens. It would be a dubious irony of European conflicts legislation if the laws of third states such as Switzerland or tiny Monaco were to govern the freedom of the E.U. press more often than the laws of the Member States. Such an approach would be insensitive to the legitimate interests of E.U. newspaper readers, TV viewers and other media consumers in accessing legal content. Finally, the habitual residence of the victim is out of tune with the jurisdictional principles of the ECJ's *Shevill* judgment.

A different solution would result from closely tracing the existing framework of Rome II. First of all, in line with Article 4(1), the place of injury (i.e. here: the distribution of the media content) should be paramount, unless there are good reasons to deviate from this rule. Following the example set by Article 5(1) on product liability, however, one should restrain this connection by way of a foreseeability defense, in order to take the legitimate interests of publishers into account. Moreover, party autonomy (Article 14), the common residence rule (Article 4(2)) and the closest connection exception (Article 4(3)) should be respected. A good reason to deviate from the place of injury exists with regard to the right of reply, because such relief should be granted swiftly and is interim in nature. This was already recognized both by the Commission and the Parliament in their earlier proposals of 2003 and 2005. A specific clause on public policy appears unnecessary, because Article 26 is fully sufficient to deal with any problems in this regard. A special clause safeguarding only the freedom of the press would be hard to legitimize in light of the fact that a lack of protection against violations of privacy may contravene human rights of the victim as well. It

should be remembered that in the famous case of *Princess Caroline of Hanover v. Germany*, the Federal Republic was condemned by the European Court of Human Rights (judgment of June 24, 2004, application no. 59320/00) not because the Federal Constitutional Court had not respected the freedom of the press, but, on the contrary, because it had failed to protect the princess against intolerable intrusions of *paparazzi* into her private life. Apart from that, there should be a sufficiently flexible, general rule on violations of personality rights and no special rule concerning cyberspace torts. Frequently, potentially defamatory statements are often circulated via multiple channels (print and internet), so that differing outcomes are hard to justify. Any new rule should rather be slim and adaptable to technological developments rather than fraught with ponderous casuistics. As far as the E-Commerce Directive is concerned, the precise demarcation between the Directive and Rome II should be left to Article 27 and the ECJ, where a pertinent case is currently pending (case C-509/09).

Specific problems arise in cases involving multi-state violations. Here, both the *Shevill* judgment and the model developed for multi-state restrictions of competition (Article 6(3)(b)) argue for a modified codification of the so-called mosaic principle. By adopting this approach, jurisdiction and the applicable law will regularly coincide, which saves time and costs for all the parties involved. For persons enjoying world-wide fame, it creates a welcome incentive to concentrate litigation in the defendant's forum. For rather unknown persons, it does not introduce any additional burden, because their reputation will usually only be affected in their home country anyway.

Taking the above considerations into account, I would like to propose the following rule, which builds upon earlier proposals and the existing regulation. Details concerning the interpretation of notions such as "reasonably foreseeable" or "direct and substantial" could be fleshed out in the recitals, where further guidance on public policy may be given, too.

Article 5a Rome II - Privacy and rights relating to personality

(1) Without prejudice to Article 4(2) and (3), the law applicable to a non-contractual obligation arising out of violations of privacy and rights relating to personality, including defamation, shall be the law of the country where the rights of the person seeking compensation for damage are, or are likely to be, directly and substantially affected. However, the law applicable shall be the law

of the country in which the person claimed to be liable is habitually resident if he or she could not reasonably foresee substantial consequences of his or her act occurring in the country designated by the first sentence.

(2) When the rights of the person seeking compensation for damage are, or are likely to be, affected in more than one country, and this person sues in the court of the domicile of the defendant, the claimant may instead choose to base his or her claim on the law of the court seised.

(3) The law applicable to the right of reply or equivalent measures shall be the law of the country in which the broadcaster or publisher has its habitual residence.

(4) The law applicable under this Article may be derogated from by an agreement pursuant to Article 14.

Rome II and Defamation: Diana Wallis and the Working Paper

Diana Wallis MEP is Vice-President of the European Parliament and ALDE spokesperson on the Legal Affairs Committee.

The Rome II Regulation on the law applicable to non-contractual obligations ((Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II), OJ 1997 L 199, p. 40.)) was left incomplete; there was a failure to arrive at a consensus over the appropriate conflict rule to deal with what in the proposal was termed obligations arising out of violations of privacy and rights relating to the personality. This part of this proposal was therefore withdrawn by the Commission at a late stage with the commitment in the review clause to requisition a comprehensive study in this area of conflicts. All the documents prepared in the codecision procedure are available from the Legislative

Observatory on the website of the European Parliament.

The study promised by the Commission, the 'Mainstrat Study' ((Comparative study on the situation in the 27 Member States as regards the law applicable to non-contractual obligations arising out of violations of privacy and rights relating to personality, personality, JLS/2007/C4/028, Final Report.)), has now been on the table for some time.

In the European Parliament we have begun to look at the issue again using our power under Article 252 TFEU to ask the Commission to exercise its right of initiative. We held a hearing earlier this year and I have now produced a Working Document. The debate now takes place against a patchwork of new elements. There is a rising clamour of dissatisfaction with so-called 'libel tourism' in the English courts which is criticised by media in the UK and beyond; it is not clear that national regulation alone will solve this problem. The media itself now seems more anxious for a European level solution, of course preferably one that recognises the country of editorial control. Yet this country of origin type approach was precisely what prompted the earlier withdrawal and it has now encountered severe difficulties in relation to the European Data Protection Directive.

On the other side of the balance some sort of horizontal approach might now be made easier given that the European Union has through the Lisbon Treaty committed itself to acceding to the ECHR and therefore it could be argued that all jurisdictions should approach the balancing of rights that is necessary in these cases from the same base line. This might produce a common point of departure. Then there is the Icelandic Modern Media Initiative, which is trumpeted by some as having the possibility, given Iceland's bid for EU membership, to bring a US type First Amendment right into the EU. On top of all this of course the Internet continues to develop and the possibilities for ordinary people, perhaps especially vulnerable young people to end up with a real cross-border or worldwide violation of their personality rights is all too real. Interestingly, there is a developing movement on the web in which the excesses of the certain sectors of the press are coming under attack. The question does not reduce simply to the freedom of the press versus rich litigants who would silence debate. It is a constitutional issue and the balance struck by the different national constitutions in this field differs from country to country. This is the fascinating backdrop against which we take up our discussions. The Working Document is very much a consideration of the

current status. Your comments and views to feed in to our deliberations would be hugely welcomed. **Download the Working Document.**

Rome II and Defamation: Online Symposium

The focus of this online symposium, following the publication of the comparative study on the state of the laws of the Member States regarding the law applicable to non-contractual obligations arising out of violations to privacy and rights relating to personality, will be on whether the Rome II Regulation should be amended so as to cover the law applicable to such obligations. In other words, this symposium will ask whether, and to what extent, Rome II should cover choice of law in defamation.

This page will link to all of the contributions to the symposium over the next couple of weeks (newest posts at the top of the list, so start from the bottom).

- **EPC on The Link between Brussels I and Rome II in Cases Affecting the Media (Mills Wade)**
- **Perreau-Saussine on Rome II and Defamation**
- ***Magallón* on Country of Origin Versus Country of Destination and the Need for Minimum Substantive Harmonisation**

Heiderhoff on Privacy and Personality Rights in the Rome II Regime - Yes, Lex Fori, Please!

- **Boskovic on Rome II and Defamation**
 - **Dickinson on Privacy and Personality Rights in the Rome II Regime - Not Again?**
 - **Hartley on The Problem of “Libel Tourism”**
 - **Von Hein on Rome II and Defamation**
 - **Diana Wallis MEP and the Working Paper**
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Rome II and Defamation: Online Symposium Beginning Monday 19th July

On Monday 19th July, **Conflict of Laws .net** will launch an online symposium on **Rome II and Defamation**.

The focus of the debate, following the publication of the comparative study on the state of the laws of the Member States regarding the law applicable to non-contractual obligations arising out of violations to privacy and rights relating to personality, will be on whether the Rome II Regulation should be amended so as to cover the applicable law for such obligations. A hearing was held earlier this year in the Legal Affairs Committee of the European Parliament (JURI), and a Working Paper has been produced by Mrs Diana Wallis MEP, Vice-President of

the European Parliament, which provides a background to the debate and offers a number of potential solutions.

The symposium will be launched by Mrs Wallis MEP on Monday 19th July, together with a link to the Working Paper. We will then have responses and contributions from eminent scholars, practitioners and members of the press, including:

- Prof Louis Perreau Saussine (Nancy II)
- Prof Horatia Muir-Watt (Sciences Po)
- Mr Oliver Parker (Ministry of Justice, UK)
- Mr Andrew Dickinson (Clifford Chance; BIICL; Sydney)
- Prof Trevor Hartley (LSE)
- Prof Thomas Kadner Graziano (Geneva)
- Prof Jan von Hein (Trier)
- Ms Angela Mills (European Publishers Council)
- Prof Bettina Heiderhoff (Hamburg)

We would also like to encourage visitors to the site to comment on the Working Paper, or one of the responses; you can either leave a comment directly on the website, or email me at martin.george@conflictoflaws.net.

Vacant Chair in Private International Law or Transnational Law in Geneva

A message from *The Graduate Institute of International and Development Studies, Geneva, Switzerland*:

Applications are invited for a full-time position of Professor | Associate Professor in Private International Law and/or Transnational Law starting on the 1st September 2011 or on a mutually agreed-upon date.

Candidates – women or men – must have a grounding in general international law and a specialisation in private international law and/or transnational law (in particular, the law crossing the traditional divides between public and private international law as well domestic and international law especially as it applies to cross-border economic transactions). Such specialisation must be demonstrated by a substantial publication record. Applicants must hold a Ph.D. (or, for candidates without a Ph.D., have held a senior academic position). The capacity to work with colleagues from other disciplines is an asset.

The language of instruction is either English or French, but candidates will be expected to soon acquire, if not already possess, a working knowledge of the other language. Applications, including a detailed curriculum vitae and a list of publications – but excluding letters of recommendation and samples of publications – must reach the Director, Graduate Institute of International and Development Studies, P.O. Box 136, 1211 Geneva 21, Switzerland, email: director@graduateinstitute.ch, by 1st October 2010. Information on employment conditions may be obtained at the same address.

The Institute reserves the right to fill this position by invitation at any time. For more information, candidates are encouraged to consult the Institute's website.

Rome III Reg.: Council Adopts Decision Authorising Enhanced Cooperation on the Law Applicable to Divorce

On Monday, 12 July 2010, the Council adopted a decision authorising 14 Member States (Spain, Italy, Hungary, Luxembourg, Austria, Romania, Slovenia, Bulgaria, France, Germany, Belgium, Latvia, Malta and Portugal) **to participate in the first enhanced cooperation** in the history of the European Union, **on the law applicable to divorce and legal separation** (see the provisional version of

the Council's press release, doc. no. 12077/10, at p. 15).

As we reported in our previous posts, the initiative for an enhanced cooperation in the field originated in 2008, when the Council noted that there were insurmountable difficulties in reaching the required unanimity in order to adopt the Commission's proposal amending the Brussels IIa Regulation and introducing rules concerning applicable law in matrimonial matters (Rome III reg.).

The first formal steps of the procedure are summarised as follows in Council document no. 10288/10 of 1 June 2010:

[...] Greece, Spain, Italy, Hungary, Luxembourg, Austria, Romania and Slovenia addressed a request to the Commission by letters dated 28 July 2008 indicating that they wished to establish enhanced cooperation between them in the area of applicable law in matrimonial matters and that they expected the Commission to submit a proposal to the Council to that end. Bulgaria addressed an identical request to the Commission by a letter dated 12 August 2008 and France by a letter dated 12 January 2009. On 3 March 2010, Greece withdrew its request. Germany, Belgium, Latvia and Malta joined the request by letters dated respectively 15 April 2010, 22 April 2010, 17 May 2010 and 31 May 2010. In total, thirteen Member States have thus requested enhanced cooperation.

*On 31 March 2010 the Commission **presented** to the Council:*

(a) a proposal for a Council Decision authorising enhanced cooperation in the area of the law applicable to divorce and legal separation [COM(2010)104 fin./2 of 30 March 2010]; and

(b) a proposal for a Council Regulation (EU) implementing enhanced cooperation in the area of the law applicable to divorce and legal separation [COM(2010)105 fin./2 of 30 March 2010: the proposed "Rome III" reg.].

The Commission assessed the legal conditions for enhanced cooperation in the explanatory memorandum to the proposal for a Council Decision authorising enhanced cooperation in the area of the law applicable to divorce and legal separation.

*On 1 June 2010 the Legal Affairs (JURI) Committee of the European Parliament **voted unanimously** for the proposal for a Council Decision authorising enhanced*

cooperation in the area of the law applicable to divorce and legal separation.

The JHA Council, on 3-4 June 2010, reached a political agreement on the matter, and transmitted the draft decision to the Parliament, in order to obtain its consent to the enhanced cooperation, pursuant to Art. 329(1) of the Treaty on the Functioning of the European Union (see JHA Council's press release, doc. no. 10630/10).

On 16 June 2010 the plenary session of the European Parliament approved a legislative resolution giving its consent to the draft decision, that was finally adopted by the Council on 12 July 2010.

It is interesting to note that the Parliament in its resolution has called on the Council to adopt a decision pursuant to Article 333(2) of the Treaty on the Functioning of the European Union stipulating that, when it comes to the proposal for a Council Regulation implementing enhanced cooperation in the area of the law applicable to divorce and legal separation, it will act under the ordinary legislative procedure (formerly known as codecision), and not under the special legislative procedure provided for in Article 81(3) of the TFEU, under which EP is merely consulted.

As regards the text of the Rome III reg., it is currently under discussion in the Council, on the basis of the Commission's March proposal. The latest available text is contained in Council document no. 10153/10 of 1 June 2010: at their latest meeting on 4 June 2010, Justice ministers agreed on a general approach on key elements (see Council Secretariat's factsheet of 4 June 2010).

Transnational Securities Class Actions - A Private International

Law Perspective

The focus of the debate on this website and elsewhere following the US Supreme Court's *Morrison* judgment has been upon the extra-territorial reach of US securities law before a US court, involving a process of statutory interpretation to identify the existence of a "mandatory rule" without regard to potentially applicable foreign laws. Those who were fortunate enough to have attended Professor Linda Silberman's presentation on Transnational Securities Class Actions last week at the British Institute of International and Comparative Law heard not only a full account of the *Morrison* litigation and the legislative background and fall out, but also Professor Silberman's thoughts as to the wider private international law implications of the decision and of securities class actions in the United States and elsewhere.

✘ From a private international law perspective, although Professor Muir-Watt has questioned the suitability of existing techniques to deal with the problems arising from the regulation of securities by private law, it does not seem inappropriate to use traditional terminology in identifying the questions that will likely arise in the coming years. As least from an English law perspective, there are still more questions than there are definitive answers.

The following is a (non-exhaustive) attempt to list certain key questions:

Applicable law (Choice of law)

- Putting to one side the potentially mandatory application of a country's own securities law as regulating issues of civil liability, what rules of applicable law (choice of law rules) should apply to claims made in transnational securities class actions?
- In particular:
 - How is the particular claim advanced in an individual case (or the particular issue) to be characterised (contract, tort, company law, other)?
 - Should the standard rules of applicable law for the relevant general category of obligation (or issue) be applied or are special rules needed for securities claims or class actions in a cross-border context (i.e. are there, or should there be,

characterisations specific to claims arising from trading in securities)?

- If the standard rules apply, how are they to be applied to the individual case? For example, depending on the nature of the relevant rule, where is the *lex loci delicti* or country of damage to be located?
- What is the impact, if any, of any rule of the *lex fori* excluding or limiting the enforcement of claims based on a foreign penal or other public law? On this last point, Professor Silberman suggested that a private law right of action under securities legislation may be so closely intertwined with the regulatory regime that it may not be possible to disentangle them, but the recent trend in England and Australia seems to be towards facilitating the enforcement of foreign securities law where the action is taken for the benefit of private individuals (see *Robb Evans v European Bank Limited* [2004] NSWCA 82; *US SEC v Manterfield* [2009] EWCA Civ 27).

Jurisdiction

- How should the court approach the question of jurisdiction, in particular with respect to foreign members of an “opt out” claimant class? Should those claimants be considered to have “submitted” to the jurisdiction as a result of certification of the class in accordance with local law requirements, or must they be treated in the first instance as persons joined to proceedings against whom a basis of jurisdiction must be shown to exist (in the same way as for a defendant, or on some modified basis)?

Recognition and Enforcement of Judgments

- Can a judgment in a securities class action (whether following trial or approving a settlement) be recognised as having a preclusive effect, in favour of the defendant, as against foreign members of an “opt-out” claimant class who subsequently bring proceedings in another jurisdiction based on a cause of action which has been adjudicated by the foreign

court or falls within the scope of the settlement? Here, Professor Silberman noted that U.S. courts certifying classes including foreign claimants have reached varying and inconsistent conclusions (reflecting, no doubt, differences in the expert evidence received by them) as to whether U.S. “opt-out” class action judgments would be recognised in particular foreign jurisdictions. In particular, she pointed to the class action certification in the *Vivendi* case (241 F.R.D. 213 [S.D. N.Y. 2007] – see comment, e.g., [here](#) and [here](#)) – in which the District Court had certified a class including U.K., French and Dutch investors (but excluding German and Austrian investors) having regard to the perceived likelihood that a U.S. judgment would be recognised and enforced in those jurisdictions against non-participating class members – and contrasted this to the clearly stated position of the French Republic in its Amicus Brief in *Morrison* (p. 26) that:

French courts would almost certainly refuse to enforce a court judgment in a U.S. ‘opt-out’ class action because ... specifically, the ‘opt-out’ mechanism violates French constitutional principles and public policy.

Equally, despite submissions to the contrary (see, e.g., A Pinna, “Recognition and Res Judicata of US Class Action Judgments in European Legal Systems” (2008) *Erasmus Law Review*, vol 1, issue 2, pp. 43-44), there appears presently to be no realistic prospect of a U.S. class action judgment being recognised by an English court as precluding the claims of an absent claimant who was not present in the U.S. at the time that the class was certified or the relevant notice published, and who did not actively opt-in to the class or otherwise participate in the proceedings or agree to submit to the jurisdiction of the U.S. court. In short, as a matter of English law, the U.S. court would not be considered as jurisdictionally competent to determine the rights and obligations of these absent class members and, although it would be considered to have competence to determine the rights and obligations of present class members and those who have opted in, the judgment with respect to those persons is unlikely to have any wider *res judicata* effect against absent class members. The fact that the U.S. court may consider the named claimant and/or its lawyers to be authorised to represent absent class members is neither here nor there, as this is not an authority that is recognised under English private international law rules.

Even if the “competence” hurdle could be overcome, a successful class action defendant would undoubtedly face other obstacles in establishing the preclusive effect of a U.S. class action judgment in England. The English court may well conclude that the method of giving notice to the absent claimants of the existence of proceedings and requiring them to opt-out was insufficient and contrary to “principles of natural justice”, so as to bar recognition of the judgment. More generally, the nature of the opt-out mechanism or other aspects of the class action procedure may be argued to be such as to make it contrary to public policy (for opposing opinions on this point, see the references in Pinna, above, fn. 69 and 70). Finally, in the case of a U.S. judgment approving a class action settlement, it seems doubtful whether the judgment meets the requirement that the judgment be “on the merits”² (*The Sennar (No. 2)* [1985] 1 WLR 490, 494 (Lord Diplock)) or, even if it were to meet that test and the other requirements for its recognition, whether recognition of the judgment would have the effect of binding the absent claimant contractually as if it, or its duly authorised legal representative, had concluded the settlement.

Questions of a different kind would, of course, arise if the class action judgment had been delivered, not by a U.S. court, but by a court of a State within the Brussels/Lugano Regime. Here, the opportunity for a review of the basis of jurisdiction is much more limited, and the most interesting questions relate to (1) the extent to which the absent claimant can oppose recognition through the public policy (Art. 34(1)) and default of appearance (Art. 27(2)) exceptions, (2) whether a court approved settlement must be recognised (cf. Case C-414/92, *Solo Kleinmotoren v Boch* [1994] ECR I-2237), and (3) identification of the law(s) to be applied in determining the preclusive effect of the class action judgment or court approved settlement (cf. Case C-420/07, *Apostolides v Orams* [2009] ECR I-0000, para. 66).

Against the background of the rapid growth internationally of collective redress regimes in this and other subject matter areas, and growing political and economic pressures to promote private regulatory enforcement, it appears not unlikely that U.S. and European courts will become increasingly familiar with these private international law issues in the coming years as cross-border collective redress becomes an accepted part of the trans-national legal landscape. Legislative intervention, at least within the European Union, can also be foreseen

(why have a button if you cannot press it?). For the time being, all we can say is “watch this space”.

European Parliament Committee on Arbitration and Brussels I

On June 28th, the Committee on Legal Affairs of the European Parliament issued a report on the Implementation and Review of Regulation 44/2001.

On the exclusion of arbitration from the scope of the Regulation, the Committee expressed the following view:

Whereas the various national procedural devices developed to protect arbitral jurisdiction (anti-suit injunctions so long as they are in conformity with free movement of persons and fundamental rights,...) must continue to be available and the effect of such procedures ... must be left to the law of those Member States as was the position prior to the judgment in West Tankers.

On the proposal to grant exclusive jurisdiction to the court of the seat of the arbitration, the report provides:

Exclusive jurisdiction could give rise to considerable perturbations It appears from the intense debate raised by the proposal to create an exclusive head of jurisdiction for court proceedings supporting arbitration in the civil courts of the Member States that the Member States have not reached a common position thereon and that it would be counterproductive, having regard to world competition in this area, to try to force their hand.

See the report of Hans Van Houtte over at the Kluwer Arbitration Blog.