German Federal Supreme Court: Adversary Proceedings in the State of Origin necessary for Recognition under Brussels I Regulation

In its decision of 21 December 2006 (IX ZB 150/05) the German Federal Supreme Court held that provisional measures can only be recognised and enforced under the Brussels I Regulation if the judicial decision was the subject of an inquiry in adversary proceedings in the State of origin and thus declared the ECJ's case law (Denilauler) on the Brussels Convention to be applicable also with regard to the Brussels Regulation.

In the present case, the Federal Supreme Court had to deal with a Swedish order of attachment which had been declared enforceable in Germany even though the debtor had neither been heard nor been served with the document instituting the proceedings. The decision on the application for a declaration of enforceability has been appealed by the debtor according to Art. 43 Brussels I Regulation. However, the German appellate court, the Higher Regional Court Schleswig, dismissed the appeal by arguing that also provisional measures had to be recognised under the Brussels I Regulation and that the *Denilauler* judgment of the ECJ on Artt. 25, 27, 46 No. 2 Brussels Convention was not applicable with regard to Artt. 32 et seq. Brussels I Regulation. The appellate court argued, the fact that the European legislator did maintain the broad wording of the former Art. 25 Brussels Convention in Art. 32 Brussels I Regulation showed that the legislator did not aim to adhere to the ECJ's decision in *Denilauler* – otherwise provisional measures would have been excluded from Artt. 32 et seq. Brussels I Regulation.

This reasoning has been rejected by the Federal Supreme Court. The Court pointed out that provisional measures do – in general – fall within the scope of Art. 32 Brussels I Regulation. However, this was only the case if the judicial decision was subject of an adversary proceeding in the State of origin – which had

been held by the ECJ in *Denilauler*. This could – under the Brussels Convention – be derived from Art. 27 no. 2, Art. 46 no. 2 and results now from Art. 34 no. 2 Brussels I Regulation (which corresponds to the former Art. 27 no. 2 Brussels Convention) as well as Art. 54 (in conjunction with Annex V) Brussels I Regulation.

Since the relevant provisions of the Brussels I Regulation correspond to the ones of the Convention, the ECJ's findings in *Denilauler* could be transferred to Artt. 32, 34 no. 2 Brussels I Regulation. Thus, provisional measures cannot be recognised and enforced under the Brussels I Regulation if the debtor has not been granted the right to be heard.

Patent Litigation in the EU – German Case Note on “GAT” and “Roche”

A recently published and very interesting case note by *Jens Adolphsen* (Gießen) deals critically with the two recent and much discussed ECJ decisions on patent litigation – "GAT" and "Roche" – by arguing both decisions illustrated that effective infringement proceedings in intellectual property matters are not possible on the basis of the Brussels I Regulation.

Adolphsen starts his annotation by an analysis of the ECJ's reasoning in "GAT". Here the ECJ has held that,

> *[a]rticle 16 (4) of the Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters […] is to be interpreted as meaning that the rule of exclusive jurisdiction laid down therein concerns all proceedings relating to the registration or validity of a patent, irrespective of whether the issue is raised by way of an action or a plea in objection.*

This leads to the result that the continuation of infringement actions with an indirect examination of the validity of the patent is inadmissible since this "would undermine the binding nature of the rule of jurisdiction laid down in Article 16 (4) of the Convention". (ECJ, para. 26).

This approach is criticised by *Adolphsen* – who favours a restrictive interpretation of Art. 16 (4) Brussels Convention – for obstructing an effective protection by patent.

Secondly, *Adolphsen* attends to the "Roche" decision where the ECJ has held that,

> *[a]rticle 6 (1) of the Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters [..] must be interpreted as meaning that it does not apply in European patent infringement proceedings involving a number of companies established in various Contracting States in respect of acts committed in one or more of those States even where those companies, which belong to the same group, may have acted in an identical or similar manner in accordance with a common policy elaborated by one of them.*

Adolphsen agrees with the ECJ regarding the first question referred for a preliminary ruling. Here, the ECJ has held that,

> *[…] in the case of European patent infringement proceedings involving a number of companies established in various Contracting States in respect of acts committed in one or more of those States, the existence of the same situation of fact cannot be inferred, since the defendants are different and the infringements they are accused of, committed in different Contracting States, are not the same.*

Adolphsen points out that the negation of a connection in this context makes allowance for the fact that national patents of a European patent are subject only to the national law of the State they have been granted for.

However, *Adophsen* criticises the point of view adopted by the ECJ with regard to the second question. Here the ECJ declined a connection even if companies are involved which belong to the same group and have acted in an identical or similar manner in accordance with a common policy elaborated by one of them.

The ECJ laid – according to the author – too much weight on the existence of the same situation of fact and law and adopted therefore an approach far too formalistic.

This criticism leads *Adolphsen* to questioning fundamentally whether it was appropriate to transfer the meaning of "closely connected" – which has now been incorporated into Art. 6 (1) and Art. 28 (3) Brussels I Regulation – from Art. 22 (3) to Art. 6 (1) Brussels Convention since both provisions are based on different considerations and goals.

The full annotation can be found in IPRax 2006, 15 et seq.

U.S. Supreme Court Hears One Case, Grants Two More, On Private International Law Issues

On Tuesday, January 9, the Supreme Court heard argument in Sinochem v. Malaysia Int'l Shipping, regarding the doctrine of forum non conveniens in U.S. Courts. The case was previewed on this site here, and the argument transcript can be found here. It provides an interesting dialogue among members of the Court regarding the efficacy and operation of the doctrine in U.S. federal courts.

On Friday, January 19, the Court granted certiorari in 05-85, Powerex Corp. v. Reliant Energy Services. The question presented in that case is whether a foreign company owned by a Canadian province and doing commercial business in the U.S. is to be treated as an organ of a foreign government, and thus entitled to have legal claims against it heard in federal rather than state court. The Court added to this review the question of the Ninth Circuit Court's jurisdiction to review a remand order by the District Court. Courtesy of the SCOTUSblog, the briefs can be found here: Petition, Brief in Opposition, Reply. Amici briefs from the government of Canada and British Columbia are expected to be filed, and it

wouldn't be surprising if other sovereigns line-up as well.

On that same day, the Court also granted review in 06-134, India Permanent Mission to the United Nations v. New York City over the question whether foreign embassy properties used as diplomats' residence are immune to property taxes assessed by the local New York City government. Especially interesting is question 2 presented in the petition: "Is it appropriate for U.S. Courts to interpret U.S. statutes by relying on international treaties that have not been signed by the U.S. government and do not accurately reflect international practice because they have been signed only by a limited number of nations." The Court granted review over both questions. Again courtesy of the SCOTUSblog, the briefs can be found here: Petition, Brief in Opposition, Reply . This is also a case where one would expect numerous amici from other nations.

European Parliament Legislative Resolution on Rome II

As we reported recently, the Committee on Legal Affairs' Recommendation (see our summary here) for the European Parliament's second reading of the proposed regulation on the law applicable to non-contractual obligations ("Rome II") was due for adoption in plenary session today.

And adopt it they did. Most of the (controversial) amendments recommended by JURI in their draft report have been approved by the European Parliament. Here is a short summary of the European Parliament's key amendments to the Council's Common Position:

- the rules on violations of privacy and rights relating to the personality (Recital 25a and Article 7a) have been retained, which identifies the country where the most significant element(s) occur as:

> *the country to which the publication or broadcasting service is principally directed or, if this is not apparent, the country in which editorial control is*

exercised, and that country's law should be applicable. The country to which a publication or broadcast is directed should be determined in particular by the language of the publication or broadcast or by sales or audience size in a given country as a proportion of total sales or audience size or by a combination of those factors. Similar considerations should apply in respect of publication via the Internet or other electronic networks.

- Recital 29(a) and Article 21a, on quantifying damages, are retained:

It is appropriate to make it clear that, in quantifying damages in personal injury cases, the court seised should apply the principle of restitutio in integrum having regard to the victim's actual circumstances in his country of habitual residence. This should include, in particular, the actual cost of after-care and medical attention.

- Article 6, on unfair competition and acts restricting free competition, is deleted
- the seemingly procedural rules on the pleading and proof of foreign law have been kept, albeit in slightly more flexible form:

Any litigant making a claim or counterclaim before a national court or tribunal which falls within the scope of this Regulation may give consideration to any issues of applicable law raised by his claim or counterclaim and accordingly where appropriate notify the court or tribunal and any other parties of the law or laws which that litigant maintains are applicable to all or any parts of his claim (Recital 29b).

As in the Rome Convention, the principle of 'iura novit curia' applies. The court itself should of its own motion establish the foreign law. For the purposes of establishing the foreign law the parties should be permitted to assist the court and the court should also be able to ask the parties to provide assistance (Recital 30a).

The accompanying articles from the original draft report, however, have been removed (Articles 15a and 15b), and it is therefore somewhat unclear what the inclusion of the recitals *only* is meant to signify. Numerous minor amendments suggested by JURI were, in the event, rejected by the European Parliament.

Details of the votes in plenary session, amendment by amendment, can be found here. You can find all of the proposed amendments to the Common Position of the Council by the European Parliament in this document, on pages 45-53.

A new draft of Rome II, based upon the results of today's discussion and votes, will almost certainly make its way to a Conciliation Committee. That Committee, it would seem, have an awful lot of work to do if Rome II is going to be acceptable to the Council and, ultimately, the Member States.

Update: Diana Wallis MEP, Rapporteur for Rome II, has posted this on her website:

> *The European Parliament adopted the second reading report with an overwhelming majority on Thursday 18 January.* ***MEPs*** *have decided again to underline their support for the original first reading position, again putting back in the Articles relating to defamation and road traffic accidents which had been excluded in the Member States Common Position. There will almost certainly have to be a conciliation process to iron out the final difficulties between the European law-making institutions.*

Many thanks to Giorgio Buono, University of Rome "La Sapienza", for his initial tip-off and for hunting down some of the documents referred to above.

Open Letter to French President on the European Intrusion into French Private International Law

Some sixty leading French jurists (including Prof. Pierre Mayer of the Pantheon Sorbonne) have, controversially, signed an open letter to President Jacques Chirac on the alleged illegitimacy of the European Union's acitvities in the field of private international law.

Jacco Bomhoff (*of Leiden University and the Comparative Law Blog*) has very kindly forwarded to us a translation of the extraordinary letter's key claims:

> *In a democracy organised on the basis of the principles of the rule of law, a legal provision is legitimate only if emanating from an institution that has the authority to prescribe it. (…) Nevertheless, and despite ever louder objections from a growing number of leading jurists in Europe, the Community Institutions are relentless in taking liberties with this fundamental precept. Now, with the proposal for a Regulation on the law applicable to contractual obligations (*Rome I*), they seem resolved to ignore this notion definitively from now on.*

The principal allegation by the signatories, Bomhoff writes,

> *…seems to be their fear that the new Regulation – in contrast to the existing 1980 Convention – will offer too little scope for the application of protective mandatory rules of the forum (cf. art. 7 of the Convention). This, the professors suggest, is an element of the Commission's grand plan to get rid of the great majority of mandatory rules in contract law generally (for, they argue, if cross-border contracts are so liberated, purely internal contracts cannot stay behind). This aproach "constitutes a grave attack on democracy as it robs national legislatures of all power".*

That, however, is not the end of the story. Some eighty other French academics have signed a counter-letter (including Paul Lagarde, Hélène Gaudemet-Tallon and Catherine Kessedjian), stating that they denounce the

> *dramatic, even apocalyptic, and therefore totally disproportionate tone…adopted by their colleagues.*

Comments, especially by our French readers, are most welcome. Many thanks to Jacco Bomhoff for the tip-off. A rough translation of the original post on the Coullises de Bruxelles website can be found here.

Ontario Court Analyses Role of Parallel Proceedings in Application for Stay

In *Molson Coors Brewing Co. v. Miller Brewing Co.* (available here) the Ontario Superior Court of Justice stayed proceedings between two North American beer titans in favour of parallel litigation underway in Wisconsin. The dispute concerned a licence agreement that did not contain an express jurisdiction clause but that was expressly governed by Ontario law. The proceedings in Wisconsin were commenced first, but only three months earlier than the Ontario litigation. The Wisconsin court had refused to grant a motion by Molson to stay its proceedings, leading Miller to then seek to stay the Ontario proceedings.

The most interesting part of the decision addresses the role parallel proceedings should be accorded in the *forum non conveniens* analysis. The court states that the existence of parallel proceedings should not trump all other factors. But it goes on to note that "absent concerns of injustice to the individual parties, a court may rightly elevate the factors of international comity, judicial efficiency, distribution of resources, and the avoidance of inconsistent results when performing the *forum non conveniens* analysis."

The court also offers some interesting observations about the relationship between Canada and the United States of America. One such observation is that "A court system that permits or encourages the commencement and continuation of parallel proceedings as a litigation strategy works against the achievement of a more seemless continental economy and sensible approach to dispute resolution."

Abolishing Exequatur in the EU:

The European Enforcement Order

Marek Zilinsky has written an article on "**Abolishing Exequatur in the European Union: The European Enforcement Order**" in the new issue of the *Netherlands International Law Review* (*Volume 53, Issue 03, December 2006, pp 471-492*). The abstract states:

> *On 21 October 2005 the EC Regulation on European Enforcement Order for uncontested claims became applicable. According to this Regulation a judgment of a court of a Member State can be certified as a European Enforcement Order in the Member State of origin. A certified judgment is to be enforced in another Member State without any need of an intermediate procedure for recognition and enforcement. The exequatur procedure from the Brussels I Regulation is abolished in certain cases. In the Member State of enforcement there are only very limited possibilities of refusal of enforcement of a certified judgment. In this article the Regulation is discussed, as well as the further possibilities of simplification of cross border enforcement of civil judgments in the European Union. It is argued that for a further simplification of cross border enforcement a harmonization of the procedural laws of the Member States is necessary.*

Those with a subcription can download the article from here.

The Limits of the Judicial Function and the Conflict of Laws

There is an interesting article in the new issue of the *Netherlands International Law Review* on "**The Limits of the Judicial Function and the Conflict of Laws**" by Cathalijne van der Plas (Volume 53, Issue 03, December 2006, pp 439-470). Here is the abstract:

> *Is a Dutch court able to vary the terms of an English trust by applying English*

trust law if a Dutch court does not normally have such a wide discretionary power? Is a Dutch court able to apply a rule from Moroccan family law that designates the court itself as custodian if Dutch law does not confer such a task on a court? Is a Dutch court able, when it is asked to pronounce a divorce on the basis of Jewish law, to act in a religious capacity? These questions show possible limits of the judicial function in private international law matters. Private international law doctrine knows several theories that are intended to provide guidelines for answering these questions. After having explored those theories, the author concludes that at least three limits of the judicial function can be distinguished. If a Dutch court concludes that in applying the foreign law that has been designated by the Dutch conflict rules it would encounter one of these limits, then the court is not competent from a constitutional point of view to apply that foreign law, in conformity with the purpose intended by the foreign legislature. However, this does not mean that the court has no competence to give a decision at all. The author stresses that it is desirable, and sometimes even compulsory, that the court looks for an alternative decision to prevent parties from being sent home 'empty-handed'.

Those with a subscription to the Journal can download it from the Cambridge journals website, or you can purchase it for £10.00.

From Politics to Efficiency in Choice of Law

A rather unusual article has appeared on SSRN by Erin O'Hara (Vanderbilt University School of Law) and Larry Ribstein (University of Illinois College of Law), entitled, "**From Politics to Efficiency in Choice of Law**". Here's the abstract:

This article proposes a comprehensive system for choice of law that is designed to enhance social wealth by focusing on individual rather than governmental interests. To the extent practicable, parties should be able to choose their

governing law. In the absence of an explicit agreement, courts should apply rules that facilitate party choice or that select the law the parties likely would have contracted for — that is, the law of the state with the comparative regulatory advantage. The system relies on clear rules that enable the parties to determine, at low cost and ex ante, what law applies to given conduct, and therefore to choose the applicable law by altering their conduct. State regulatory concerns are accounted for through explicit state legislation on choice of law rather than ad hoc judicial determination of the states' interests. The article shows how this system might be implemented through jurisdictional competition.

You can download the article from here.

International Effects of National Laws: An Article Detailing the Flow of International Listings After Sarbanes-Oxley

A recent article by Profs. Joseph D. Piotroski and Suraj Srinivasan tackles whether the stringent requirements of the Sarbanes-Oxley Act on U.S. issuers has had an empiracle effect on the cross-listing behavior on U.S. and U.K. stock exchanges. It has long been speculated that the Sarbanes-Oxley Act has displaced business from New York to London, where the Financial Services Authority regulates the financial sector with a seemingly lighter touch, but the amount of business displaced from Wall Street to the City of London remained disputed. The Economist has recently pointed out that in 2001 the New York Stock Exchange dwarfed both London and Hong Kong for IPOs, but by 2006 it was being beaten by both.

The article tests two propositions.

> *First, has the rate of foreign cross-listings onto U.S. exchanges decreased in the period following the enactment of the Act? Second, are foreign exchanges – in particular, the London Stock Exchange – attracting foreign firms in the post-Act period that would have otherwise listed on a U.S exchange prior to the enactment of the Act? We find strong evidence that U.S. exchanges have experienced a decrease frequency of foreign listing following the Act. Our evidence suggests that a portion of the decline in foreign listings is attributable to firms bypassing a U.S. exchange listing and opting to list on the LSE's Alternative Investment Market following the enactment of the Act. These "lost" listings are composed of firms that are, on average, smaller and less profitable than the firms that actually listed on a US exchange in the post-Sarbanes-Oxley period. Interestingly, we also identify a small set of large, profitable firms from predominantly emerging markets that choose to list on US exchanges following the enactment of Sarbanes-Oxley despite being predicted to list on a UK exchange. Together, this evidence is consistent with a shift in both the expected costs and benefits of a foreign listing following the enactment of Sarbanes-Oxley. Our analysis provides the first evidence (of which we are aware) of how the Sarbanes-Oxley Act has altered the flow of foreign listings across international stock exchanges.*

Aside from the obvious policy implications, this conclusion has legal ones as well. There currently exists a significant disagreement among the federal courts on the quantum of domestic conduct required to assert subject-matter jurisdiction over a foreign-listed issuer for violations of U.S. securities laws, with a conservative and territorial interpretation of those laws retaining a slim majority. *See generally Note: Defining The Reach of the Securities Exchange Act: Extraterritorial Application of the Antifraud Provisions*, 74 Fordham L. Rev. 213 (2005). Alongside a recent decision of the First Circuit that certain of the Sarbanes-Oxley Act provisions do not have an extraterritorial effect, one cannot help but wonder if the cross-border flow will continue in an effort to effectively circumvent U.S. federal laws.

The full article can be downloaded from the SSRN.