

The Aftermath of the CJEU's Kuhn Judgment - Hellas triumphans in Vienna. Really.

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Claims brought by creditors of Greek state bonds against Greece in connection with the 2012 haircut do not fall under the substantive scope of the Brussels Ibis Regulation because they stem from the exercise of public authority. Hence, they cannot be regarded as civil and commercial matters in the sense of Article 1(1) Brussels Ibis Regulation. This is the essence of the CJEU's *Kuhn* judgment (of 15 November 2018, Case C-308/17, ECLI:EU:C:2018:911), which was already discussed on this blog.

In said blog post, it was rightly pointed out that the judgment could be nothing but a Pyrrhic victory for Greece. Not least the - now possible - application of national (sometimes exorbitant) jurisdictional rules was considered to have the potential to backfire. This was, however, only the case, if Greece was not granted immunity in the first place. In short: the fallout of the CJEU's judgment was hardly predictable.

A recent decision rendered by the Austrian Supreme Court of Justice (*Oberster Gerichtshof*, OGH) introduces some clarity - at least with regard to litigation in Austria. The decision (of 22 January 2019, docket no. 10 Ob 103/18x) concerned the case that gave rise to the preliminary reference.

In a first step, the OGH held that Greece does indeed enjoy immunity from the Austrian jurisdiction. This is a major change of case law. Unlike the German Federal Court of Justice (*Bundesgerichtshof*, BGH), the OGH repeatedly held the opposite (most recently six days after (!) the CJEU's *Kuhn* judgment in a decision of 21 November 2018, docket no. 6 Ob 164/18p). While, in principle, there is nothing wrong with changing the case law, it is somewhat astonishing that the OGH did this in a very superficial fashion (one sentence). In fact, the court merely backed up its claim with a reference to the CJEU's *Kuhn* judgment, although this judgment was not concerned with the question of immunity but solely the

substantive scope of the Brussels Ibis Regulation. Because of the severe consequences of the OGH's new approach, it is incomprehensible that the OGH did not discuss why the CJEU's holding applies to the issue of state immunity as well.

Ironically, the OGH declared itself - by virtue of section 42(3) of the Austrian Law on Jurisdiction (*Jurisdiktionsnorm*, JN) in conjunction with section 528(2) no. 2 of the Austrian Code of Civil Procedure (*Zivilprozessordnung*, ZPO) - bound by the finding of the court of previous instance that Greece did not enjoy immunity because the court of second instance upheld said finding.

Consequently, the OGH examined if Austrian courts had international jurisdiction based on the Austrian autonomous rules on jurisdiction. According to section 99 JN, jurisdiction can be established by the presence of assets in Austria (comparable to section 23 German Code of Civil Procedure). However, the OGH declined jurisdiction based on section 99 JN because the claimant had not relied upon this head of jurisdiction during the court proceedings. Therefore, the OGH found that Austrian courts had no international jurisdiction and dismissed the claim. This reasoning is hardly convincing. It is true that Austrian courts are - in principle - bound by the statement of the claimant when they examine their jurisdiction (see section 41(2) JN) and that the claimant did not rely upon section 99 JN. However, up until now, the OGH always applied the Brussels Ibis Regulation to claims in connection with the haircut. The court never - not even in the preliminary reference - questioned the applicability of the Regulation. Hence, one is inclined to ask: why should a claimant rely on the autonomous rules on jurisdiction if it is standing case law that they do not apply? Why did the OGH not remit the matter to the lower instance court, giving the claimant at least the chance to rely on section 99 JN (or Austrian autonomous rules on jurisdiction in general)? Is this not a prime example of a denial of justice? Be that as it may, the court's one-sentence (!) reasoning leaves at least a bitter taste.

What's the bottom line? Thanks to the *Kuhn* judgment, Greece now enjoys immunity from Austrian jurisdiction regarding claims in connection with the 2012 haircut. Consequently, Austria's (exorbitant) section 99 JN is out of the equation. Therefore, the OGH has turned Greece's Pyrrhic victory in the CJEU's *Kuhn* judgment into a clear victory. While the OGH's reasoning is far from bulletproof, the door to the Austrian courts has closed.

The decision (in German) can be accessed [here](#).

Is there a need for international conventions on legal parentage (incl. international surrogacy arrangements)?

The Experts' Group on Parentage / Surrogacy of the Hague Conference on Private International Law (HCCH) has answered in the affirmative.

At its fifth meeting earlier this year, the Experts' Group agreed that it would be feasible to develop both:

- a general private international law instrument on the recognition of foreign judicial decisions on legal parentage; and
- a separate protocol on the recognition of foreign judicial decisions on legal parentage arising from international surrogacy arrangements (abbreviated as "ISA").

As announced on the HCCH website, the Experts' Group will recommend to the governance body of the HCCH (*i.e.* Council on General Affairs and Policy) during its meeting in March 2019 that "work continue with a view to preparing proposals for inclusion in future instruments relating to the recognition of judicial decisions." The Council will have the last word.

In my opinion, there are many reasons for drafting two separate instruments, which may range from legal to political as these are very sensitive topics. One that particularly struck me relates to the indirect grounds of jurisdiction when considering the recognition of such decisions:

"Most Experts concluded that the indirect grounds previously identified in the context of general legal parentage would not work in ISA cases, and instead

supported the **State of birth of the child as the primary connecting factor in an ISA case** as this would provide certainty and predictability. A qualifier to that connecting factor (such as the habitual residence of the person giving birth to the child) might be necessary to guarantee sufficient proximity, as well as to prevent and combat trafficking of persons and law evasion.” See also para 25 of the Report.

Please note that these instruments would deal with the *recognition* and not with the enforcement of foreign judicial decisions given the nature of decisions on legal parentage. See in contrast my previous post on the HCCH draft Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters.

The HCCH news item is available [here](#).

The full report is available [here](#).

Sweden: New rules on non-recognition of underage marriages

Written by Prof. Maarit Jänterä-Jareborg, Uppsala University, Sweden

On 1 January 2019, new restrictions came into force in Sweden’s private international law legislation in respect of marriages validly concluded abroad. The revised rules are found in the Act (1904:26 p. 1) on Certain International Relationships on Marriage and Guardianship, Chapter 1 § 8a, as amended by SFS 2018:1973. The content of the new legislation is, briefly, the following: no marriage shall be recognised in Sweden if the spouses or either one of them was under the age of 18 years at the time of the marriage. By way of exception, this rule may be set aside once both parties are above 18 years of age, if there are exceptional reasons to recognise the marriage.

The law reform is in line with a recent European trend, carried out in e.g.,

Germany, Denmark and Norway, to protect children from marrying and, one could claim, to 'spare' people who married as a child (or with a child) from their marriage.[1] The requirement of 18 years of age has been introduced not only as the minimum marriage age for concluding a marriage in the State's own territory, i.e., as a kind of an internationally mandatory rule, but also as a condition for the recognition of a foreign marriage.

The new Swedish legislation constitutes perhaps the most extreme example on how to combat the phenomenon of child marriages. The marriage's invalidity in Sweden does not require a connecting factor to Sweden at the time of the marriage, or that the spouses are underage upon arrival to Sweden. Theoretically, the spouses may arrive to Sweden decades after marrying, and find out that their marriage is not recognised in Sweden. The later majority of the persons involved does not repair this original defect. The only solution, if both (still) wish to be married to each other, will be to (re)marry!

It remains to be seen whether the position taken in the Government Bill, claiming that the new law conforms with EU primary law and the ECHR, is proportionate and within Sweden's margin of appreciation, will be shared by the CJEU and the ECtHR. Swedish Parliament, in any case, shared this view and did not consider that EU citizens' free movement within the EU required exempting underage spouses from the rule of non-recognition. The new law applies to marriages concluded as of 1 January 2019. It does not affect the legal validity of marriages concluded before that date.

To understand the effects of the Swedish law reform, the following needs to be emphasised. One of the special characteristics of Swedish family procedure law is that it does not provide for decrees on marriage annulment or the invalidity of a marriage. Divorce and death are in Sweden the only ways of dissolving a marriage! This position has applied since 1 January 1974, when the right to immediate divorce became the tool to dissolve any marriage concluded in Sweden against a legal obstacle to the marriage, e.g., a spouse's still existing marriage or duress to marry. A *foreign* marriage not recognised in Sweden is, however, invalid directly by force of Swedish private international law legislation. It follows that it cannot be dissolved by divorce – as it does not exist as a marriage in the eyes of Swedish law. It does not either produce any of the legal effects of marriage, such as the right to maintenance or property rights. It does not qualify as a marriage obstacle, with the result that both 'spouses' are free to marry each other or

anyone else.

What, then, is the impact of the legislation's exception enabling, in exceptional circumstances, to set aside the rule of non-recognition? This is an assessment which is aimed to take place *ad hoc*, usually in cases where the 'marriage's' validity is of relevance as a preliminary issue, whereby each competent authority makes an independent evaluation. It is required that non-recognition must produce exceptional hardships for the parties (or their children). The solution is legally uncertain and unpredictable and has been subject to heavy criticism by Sweden's leading jurists.

The 2019 law reform follows a series of reforms carried out in Sweden since 2004. According to the established main rule, a marriage validly concluded in the State of celebration or regarded as valid in States where the parties were habitually resident or nationals at the time of the marriage, is recognised in Sweden, Chapter 1 § 7 of the 1904 Act. Since a law reform carried out in 2004, an underage marriage is, nevertheless, invalid directly by force of law in Sweden, if either spouse had a connection to Sweden through habitual residence or nationality at the time of the marriage. (The 2019 law reform takes a step further, in this respect.) Recognition can, in addition, be refused with reference to the *ordre public* exception of the 1904 Act, Chapter 7 § 4. The position taken in Swedish case law is that *ordre public* captures any marriage concluded before both parties were 15 years of age. Forced marriages do not qualify for recognition in Sweden, since the 2004 reform. The same applies to marriages by proxy, since 2014, but only on condition that either party to the marriage had a connection to Sweden through habitual residence or nationality at the time of the marriage.

The 2019 legislation differs in several respects from the proposals preceding it, for example the proposed innovation of focusing on the underage of a spouse at the time of either spouse's arrival to Sweden. A government-initiated inquiry is currently pending in Sweden, the intention being to introduce rules on non-recognition of polygamous marriages validly concluded abroad.

[1] See M. JÄNTERÄ-JAREBORG, 'Non-recognition of Child Marriages: Sacrificing the Global for the Local in the Aftermath of the 2015 "Refugee Crisis"', in: G. DOUGLAS, M. MURCH, V. STEPHENS (eds), *International and National Perspectives on Child and Family Law, Essays in Honour of Nigel Lowe*, Intersentia 2018, pp. 267-281.

HCCCH Revised Draft Explanatory Report (version of December 2018) on the Judgments Convention is available on the HCCCH website

A revised Draft Explanatory Report (version of December 2018) on the *HCCCH Draft Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters* is available in both English and French on the Hague Conference website.

In my opinion, particularly complex topics in this Draft Explanatory Report include intellectual property (IP) rights (in particular, Art. 5(3) of the draft Convention- there are several provisions dealing with IP rights in addition to this Article) and the relationship of the draft Convention with other international instruments (Art. 24 of the Draft Convention). Some of the text is in square brackets, which means that such text has tentatively been inserted due perhaps to a lack of consensus at the Special Commission meetings, and thus a final decision will be taken at the Diplomatic Session scheduled for the summer 2019.

With regard to intellectual property rights, the draft Convention distinguishes between IP rights that require to be granted or registered (such as patents, registered trademarks, registered industrial designs and granted plant breeders' rights) and those that do not require grant or registration (*i.e.* copyrights and related rights, unregistered trademarks, and unregistered industrial designs - this is a closed list for these specific rights). See paragraph 238 of the Draft Explanatory Report.

The draft Convention's approach to IP rights, which is based on the territoriality principle, is set out very clearly in paragraph 235 of the Draft Explanatory Report. In particular, the draft Convention reflects a compromise according to which the

State of Origin of the judgment will coincide with the *lex loci protectionis i.e.*, the law of the State for which protection is sought, so as to avoid the application of foreign law to these rights (see also paragraph 236).

With respect to the relationship of the draft Convention with other international instruments, it is important to note that this draft Convention will cover, among many other things, non-exclusive choice of court agreements so as to give preference to the application of the *HCCH Hague Convention of 30 June 2005 on Choice of Court Agreements* to exclusive choice of court agreements. See paragraphs 220-225 and 410-430 of the Draft Explanatory Report.

The latest information about the Judgments Project is available [here](#).

After the Romans: Private International Law Post Brexit

Written by Michael McParland, QC, 39 Essex Chambers, London

On 10 December 2018 the Ministry of Justice published a draft statutory instrument with the pithy title of “*The Law Applicable to Contractual Obligations and Non-Contractual Obligations (Amendment etc) (EU Exit) Regulations 2018*”. This indicates the current intended changes to retained EU private international law of obligations post Brexit.

These draft 2018 regulations are made in the exercise of the powers conferred by section 8(1) of, and paragraph 21(b) of Schedule 7 to, the European Union (Withdrawal) Act 2018 in order to “*address failures of retained EU law to operate effectively and other deficiencies... arising from the withdrawal of the UK from the European Union*”. It is intended they will come into force on exit day.

Part 2 contains amendments to existing primary legislation in the UK. These include amendments to the Contracts (Applicable Law) Act 1990, the UK statute that implemented the 1980 Rome Convention on the law applicable to contractual

obligations. The Explanatory Memorandum now declares that “*the United Kingdom will no longer be a contracting party [to the Rome Convention] after exit day*”. This is modestly surprising, given that the Rome Convention was not actually part of the Community *acquis* in the first place (see **Michael McParland, “The Rome I Regulation on the Law Applicable to Contractual Obligations”**, para. 1.99). But the current desire to disentangle the UK entirely from any vestiges of things European appears to be overwhelming. Consequently, the draft 2018 regulations convert the most of the rules found in the Rome Convention into UK domestic law, and declare that they will continue to apply them to contracts entered into between 1st April 1991 and 16th December 2009 in the same way as they have done since the arrival of the Rome I Regulation. Further amendments are also made to the Prescription and Limitation (Scotland) Act 1973 and the Private International (Miscellaneous Provisions) Act 1995, the pre-Rome II statute which contains the UK’s rules on choice of law in tort and delict.

Part 3 deals with amendments to secondary legislation which had been originally created to deal with the coming into force of the Rome I and Rome II Regulations.

Part 4 is entitled “*Amendment of retained EU Law*”, this new legal category that will see EU law as at the date of the UK’s departure from the EU transposed into domestic law. Part 4 deals with the proposed substantive amendments to the enacted text of both the Rome I and Rome II Regulation which are considered necessary or appropriate to take account of the UK ceasing to be an EU Member State. The full impact of the changes will have to be considered in detail against the original texts, but some brief comments can be made.

Some changes are mere housekeeping. For example, in the “universal application” provisions found in Article 2 (Rome I) and Article 3 (Rome II) which declares that “any law specified by this Regulation shall be applied whether or not it is the law of a Member State”, are to be amended with reference to “a Member State” being replaced with “*the United Kingdom or a part of the United Kingdom*”.

Others involve updating references to rules found in Directives to their current equivalent in UK domestic law. So, for example, Article 4(1)(h) of the Rome I Regulation currently provides for the applicable law in the absence of choice for:

(h) a contract concluded within a multilateral system which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments, as defined by Article 4(1), point (17) of Directive 2004/39/EC, in accordance with non-discretionary rules and governed by a single law, shall be governed by that law.

The draft regulations will now replace the reference to “by Article 4(1), point (17) of Directive 2004/39/EC” with “... in Part 1 of Schedule 2 to the *Financial Services and Markets Act 2000 (Regulated Activities) Order 2001*” which as a footnote notes is S.I.2001/544, though the relevant Schedule 2 was substituted by S.I. 2006/3384 and this itself was subsequently amended by the *Financial Services and Market Act 2000 (Regulated Activities) (Amendment) S.I. 2017/488* (which took effect from 1 April 2017 and which includes a whole raft of definitional changes).

Other changes deal with the fact that exit day will formally cut the UK’s version of these Regulations off from any future changes made by the EU legislator to either of those Regulations.

Part 4 of the Regulation also revokes Regulation EC No. 662/2009 which established the procedure for the negotiation and conclusion of agreements between EU Member States and third countries on the law applicable to contractual and non-contractual obligations (see ***McParland***, para. 2.100).

Potentially more interesting changes are made to the Rome II Regulation, especially in relation to Article 6(3)(b) (unfair competition and acts restricting free competition), and Article 8 (infringement of intellectual property rights).

The changes to the Rome I Regulation and their implications will feature in the second edition to my book on the subject which I am currently working on.

The Ministry of Justice’s web-site can be accessed [here](#).

The renaissance of the Blocking Statute

Written by Markus Lieberknecht, Institute for Comparative Law, Conflict of Laws and International Business Law (Heidelberg)

Quite a literal “conflict of laws” has recently arisen when the EU reactivated its Blocking Statute in an attempt to deflect the effects of U.S. embargo provisions against Iran. As a result, European parties doing business with Iran are now confronted with a dilemma where compliance with either regime necessitates a breach of the other. This post explores some implications of the Blocking Statute from a private international law perspective.

Past and present of the Blocking Statute

The European Blocking Statute (Regulation (EC) 2271/96) was originally enacted in 1996 as a counter-measure to the American “Helms-Burton Act” which, at the time, compromised European trade relations with Cuba. Along with WTO and NAFTA proceedings, the Blocking Statute provided sufficient leverage to strike a compromise with the Clinton administration. The controversial parts of the “Helms-Burton Act” were shelved and the few remaining pieces of legislation otherwise covered by the Blocking Statute ceased to be relevant over time. The Blocking Statute formally stayed in force but, for want of any legislation to block, remained in a legislative limbo until 8 May 2015.

On this day, President Trump announced his decision to withdraw the U.S. from the Iran nuclear deal (Joint Comprehensive Plan of Action - JCPOA) and to fully restore the U.S. trade sanctions against Iran. In particular, this entailed reinstating the so-called secondary sanctions which apply to European entities without ties to the U.S. This decision, albeit hardly unexpected, was met with sharp dissent in Europe. Not only was the JCPOA viewed by many as a remarkable diplomatic achievement, but secondary sanctions were seen as an illicit attempt to regulate European-Iranian trade relations without a genuine link to the U.S. The EU, claiming that this practice violated international law, immediately declared its intention to protect European businesses from the extraterritorial reach of the U.S. sanctions. In order to make good on this promise, an all but forgotten instrument of European private international law was swiftly dusted off

and updated: The Blocking Statute.

Protection by prohibition

The centerpiece of the Blocking Statute is its Art. 5 which prohibits affected Parties from complying with the relevant U.S. legislation. Depending on the Member State, a breach of this provision can be sanctioned with potentially unlimited criminal or administrative fines.

The disapproval enshrined in Art. 5 Blocking Statute - or, arguably, in the Blocking Statute as a whole - amounts to a specification of the European *ordre public*. Regarding the ever-present issue of overriding mandatory provisions, it rules out the possibility to give legal effect to the U.S. sanctions in question. This is either because the Blocking Statute, as *lex specialis*, supersedes Art. 9 Rome I Regulation altogether or because it has binding effect on the courts' discretion under Art. 9 (3) Rome I Regulation. However, given the narrow scope of Art. 9 (3) Rome I Regulation, this means ruling out a possibility which was hardly measurable in the first place. After all, Iran-related contracts with a place of performance located in the U.S. as required by Art. 9 (3) Rome I Regulation are, if at all realistically conceivable, extremely rare. What is more, German courts have refrained from applying U.S. sanctions under Art. 9 (3) Rome I Regulation based on the notion that they are superseded by the EU's own framework of restrictions on trade with Iran. Thus, there were plenty of reasons to deny legal effect before the recent update of the Blocking Statute.

Under the ECJ's *Nikiforidis* doctrine, the relevant sanctions are precluded from being applied as legal rules, but not from being considered as facts under substantive law. In this context, Art. 5 of the Blocking Statute will provide clear, albeit very one-sided, guidance for a number of issues. For instance, parties will not be able to contractually limit the scope of performance to what is permissible under relevant U.S. provisions, nor can they successfully claim a right to withhold performance or terminate contracts based on the justified fear of penalties imposed by U.S. authorities.

The “catch-22” situation

It does not require much number-crunching to see that to many globally operating companies, succumbing to U.S. pressure will seem like the the most, or even only, reasonable choice. The portfolio of U.S. penalties includes a denial of further

access to the U.S. market and criminal liability of the natural persons involved. U.S. authorities are not shy on using these measures either, as recently evidenced by the spectacular arrest of Huawei's CFO in Canada on charges of breaching sanctions against Iran. Thus, opting for a breach of the Blocking Statute and accepting the resulting fine under the Member State's domestic law may strike many companies as a pragmatic choice.

Nonetheless, this decision would entail an intentional breach of European law. Executives, who may also face personal liability for unlawful decisions, are thus faced with a tough compliance dilemma; whichever choice they make can be sanctioned by either U.S. or European authorities. Given this delicate situation, they may happily accept any economic pretext to quietly wind down operations in Iran without express reference to the U.S. sanctions.

Both the Blocking Statute and the U.S. regulation allow for hardship exemptions. U.S. courts may also consider foreign government pressure as grounds for exculpation under the so-called foreign sovereign compulsion doctrine. While it may, therefore, be possible to navigate between both regimes, it appears unlikely that either side will be particularly generous in granting exemptions in order not to undermine the effectiveness of their regulation. After all, the Blocking Statute is in essence designed around the idea to create counter-pressure at the expense of European companies and the U.S. will hardly be inclined to play their part in making this mechanism work.

The clawback claim

Art. 6 of the Blocking Statute contains a so-called "clawback claim". This provision enables parties to recover all damages resulting from the application of the U.S. sanctions in question from the person who caused them. What looks like a promising way to subvert the effect of the U.S. sanctions at first glance, quickly loses much of its appeal when looking more closely. In particular, the "claw back" provides no grounds to recover the most prevalent item of damages in this context, namely penalties imposed by U.S. authorities for breach of sanctions. Although the substantive requirements of Art. 6 Blocking Statute would evidently be met, any claim brought against the U.S. or its entities to remedy what is clearly an act of state would not be actionable in courts due to the doctrine of state immunity.

Thus, the claim is limited to disputes between private parties. The most realistic scenario here is that parties may hold each other liable for complying with U.S. sanctions and, in turn, violating the Blocking Statute. This means that, for instance, companies backing out of delivery chains or financing arrangements may be held liable for the resulting damages of every other party involved in the transaction. Due to the tort-like nature of the claim, this liability would even extend beyond the direct contractual relationships. Functionally, the “clawback” constitutes a private enforcement mechanism of the prohibition enshrined in Art. 5 Blocking Statute. It is, however, much less convincing as an instrument to protect all aggrieved parties from the repercussions of U.S. sanctions.

Conclusion

The renaissance of the Blocking Statute proves the difficulty of blocking the effects of foreign laws in a globalized world. The affected parties were promised protection but received an additional prohibition, arguably multiplying their compliance concerns rather than resolving them. Denying legal effects within the European legal framework is a relatively easy task and, given the narrow scope of Art. 9 Rome I Regulation, not far from the default situation. In contrast, legal instruments which can undermine the factual influence of foreign laws without unintended side effects are yet to be invented. The true purpose of the Blocking Statutes is a political one, namely serving as a bargaining chip vis-à-vis the U.S. and an attempt to assure Iran that the European Union is not jumping ship on the JCPOA. However, this largely symbolic value will hardly console the affected parties whose legal and economic difficulties remain very much real.

This blog post is a condensed version of the author's article in IPRax 2018, 573 et seqq. which explores the Blocking Statute's private law implications in more detail and contains comprehensive references to the relevant literature.

Service of documents in the European Judicial Space: on the Commission's proposal for amending Regulation 1393/2007

Guest post by Dr. Stefano Dominelli of the University of Milan

In recent times, the European Commission has investigated the possibility of amending Regulation 1393/2007 on the service of judicial and extra-judicial documents between Member States. Such instrument has already settled some issues practitioners encountered under the application of the previous legal framework, in particular related to the administrative cooperation regime, the linguistic exception to service, and direct service by registered mail - or equivalent measure.

The need for a proper functioning of the cross-border service of documents mechanisms is properly highlighted in the Commission's proposal, and new rules are suggested to further implement the system.

A recent volume, *Current and future perspectives on cross-border service of documents*, by Stefano Dominelli (Univ. of Milan, Dep. of International, Legal, Historical and Political Studies), explores and addresses the Commission's proposals.

The functioning of Regulation 1393/2007 is in the first place reconstructed by the author in particular by taking into consideration the case law of a number of Member States. It is against this background that the proposed amendments are commented.

Amongst the numerous points, the book dwells upon proposed new art. 3a, and its possible impact. Acknowledging technical evolutions, communication and exchange of documents between transmitting and receiving agencies in the diverse Member States should in the future strongly rely on e-transmission. According to proposed new art. 3a, only if electronic transmission is not possible due to an unforeseen and exceptional disruption of the decentralised IT system,

transmission shall be carried out by the swiftest possible alternative means. The author advises caution in the matter, as the Commission itself argues in the explanatory memorandum of the proposal that modern channels of communication are in practice not used due to old habits, legal obstacles, and lack of interoperability of the national IT systems. In this sense, the work proposes that, at least for time being, a transition to e-transmission between agencies should be encouraged as an alternative method of transmission, rather than being the only available option.

A number of proposals are made as regards the right of the addressee to refuse service on linguistic grounds. In the first place, with a solution supported in the volume, a new Annex to the Regulation should clearly set out the means and methods of the addressee to refuse service, a matter that is currently not expressly dealt with by the regulation.

The time frame for the addressee to refuse service based on linguistic grounds should become two weeks, rather than one, a solution that is strongly endorsed by the author of the volume as it is deemed to be a more satisfying point of balance between the opposing interests of the prospective plaintiff and the defendant.

Nonetheless, the work highlights that some issues that have emerged in the case law still are not addressed in the Commission's proposal. In the first place, conflict of laws and international civil procedure issues are not referenced in the text, even though questions as to the competent court before which violations of the rules on service can be invoked or which court has to investigate on the legitimate refusal to service based on linguistic grounds, have consistently been addressed by judges.

Additionally, the Commission's proposal gives to this day no clear indication on the refusal to service based on linguistic grounds when the addressee is a corporation, a matter that, according to the author, should deserve at least some guidance in the recitals of the instrument.

The volume can be freely downloaded at <https://ssrn.com/abstract=3259980>

The Hague Convention on the International Protection of Adults - A position paper by experts involved in the ELI Adults' Project

The European Law Institute (ELI) has launched in 2017 a project on *The Protection of Adults in International Situations*.

The adults to which the project refers are persons aged 18 or more who are not in a position to protect their interests due to an impairment or insufficiency of their personal faculties.

The project purports to elaborate on the resolution of 1 June 2017 whereby the European Parliament, among other things, called on the European Commission to submit 'a proposal for a regulation designed to improve cooperation among the Member States and the automatic recognition and enforcement of decisions on the protection of vulnerable adults and mandates in anticipation of incapacity'.

The Commission has made known that it does not plan to submit such a proposal in the near future. At this stage, the Commission's primary objective is rather the ratification of the Hague Convention of 13 January 2000 on the International Protection of Adults by the Member States that have not yet done so.

The ELI project builds on the idea that the Convention, which is currently in force for twelve States (ten of which are also Member States of the Union), generally provides appropriate answers to the issues raised by the protection of adults in situations with a foreign element. That said, the team of experts charged with the project has taken the view that it would be desirable for the Union to legislate on the matter, in a manner consistent with the Convention, with the aim of improving the operation of the latter among the Member States.

The ultimate goal of the project is to lay down the text of the measure(s) that the

Union might take for that purpose.

While the project is still in progress, a position paper has been issued on 3 December 2018, signed by some of the members of the project team, to illustrate the main views emerged so far from the discussion.

The paper suggests that the Union should consider the adoption of measures aimed, *inter alia*, to:

(i) enable the adult concerned, subject to appropriate safeguards, to choose in advance, at a time when he or she is capable, the Member State whose courts should have jurisdiction over his or her protection: this should include the power to supervise guardians, persons appointed by court or by the adult (by way of a power of attorney), or having power *ex lege* to take care of the adult's affairs;

(ii) enlarge the scope of the adult's choice of law, so that he or she can also choose at least the law of the present or a future habitual residence, in addition to the choices currently permitted under Article 15 of the Hague Convention of 2000;

(iii) outline the relationship between the rules in the Hague Convention of 2000 and the rules of private international law that apply in neighbouring areas of law (such as the law of contract, maintenance, capacity, succession, protection against violence, property law, agency);

(iv) specify the requirements of formal and material validity of the choice of the law applicable to a private mandate, including the creation and exercise (and supervision by the courts) of such mandates;

(v) address the practical implications of a private mandate being submitted (by virtue of a choice of law, as the case may be) to the law of a State whose legislation fails to include provisions on the creation or supervision on such mandates, e.g. by creating a "fall-back" rule in cases of choice of the "wrong" law, which does not cover the matters addressed (or at least applying Article 15(1) of the Hague Convention of 2000);

(vi) extend the protection of third parties beyond the scope of Article 17 of the Hague Convention of 2000 to the content of the applicable law, and possibly also to lack of capacity (or clarifying that the latter question is covered by Article 13(1)

or the Rome I Regulation);

(vii) make it easier for those representing and/or assisting an adult, including under a private mandate, to provide evidence of the existence and scope of their authority in a Member State other than the Member State where such authority has been granted or confirmed, by creating a European Certificate of Powers of Representation of an Adult (taking into account the experience developed with the European Certificate of Succession);

(viii) clarify and make more complete the obligations and procedures under Articles 22, 23 and 25 of the Convention in order to ensure 'simple and rapid procedures' for the recognition and enforcement of foreign measures; further reflection is needed to determine whether, and subject to which safeguards, the suppression of exequatur would be useful and appropriate for measures of protection issued in a Member State;

(ix) facilitate and encourage the use of mediation or conciliation.

The ELI project will form the object of a short presentation in the framework of a conference on *The Cross-border Protection of Vulnerable Adults* that will take place in Brussels on 5, 6 and 7 December 2018, jointly organised by the European Commission and the Permanent Bureau of the Hague Conference on Private International Law.

Blockchain Networks and European Private International Law

Written by Anton S. Zimmermann, Institute for Comparative Law, Conflict of Laws and International Business Law (Heidelberg)

Blockchain technology and its offspring have recently attracted considerable

attention in both media and scholarship. Its decentralised nature raises several legal questions. Among these are, for example, the challenges that blockchain technology poses to data protection laws and the threats it creates with regard to the effective enforcement of legal claims.

This post sheds light on issues of private international law relating to blockchain networks from a European perspective.

The concept of blockchain technology and its fields of application

Blockchain technology - put simply - involves two fundamental concepts. *Firstly*, data is written into so-called "blocks". Each block of data is connected to its respective predecessor using so-called "hashes" that are calculated for each individual block. Consequently, each block does not only include its own hash but also the hash of its predecessor, thereby fixating consecutive blocks to one another. The result is a chain of blocks - hence the name blockchain. *Secondly*, the entire blockchain is decentrally stored by the networks' members. Whenever a transaction concerning the blockchain is requested, it isn't processed by just one member. On the contrary: several members check the transaction and afterwards share their result with the other members in what can best be described as a voting mechanism: From among potentially different results provided by different members, the result considered correct by the majority prevails. This mechanism bears the advantage that any attempt to tamper with data contained in a blockchain is without consequence as long as only the minority of members is affected.

The potential fields of application for blockchain technology are manifold and far from being comprehensively explored. For example, blockchain technology can replace a banking system in the context of cryptocurrencies such as Bitcoin or it can be used to de-personalize monitoring and sanctioning of non-performance within a contractual relation. In short: Blockchain technology is an option whenever data is to be stored unalterably in a certain order without a (potentially costly) centralised monitoring entity.

Applicable rules of private international law

The first issue regarding blockchain technology and private international law concerns the applicable conflict rules. Blockchain technology involves a technical

voting mechanism and, hence, requires a certain degree of cooperation between the members of the network. One might, therefore, be tempted to assume that blockchain networks constitute some kind of company. If this were indeed the case, the written conflict rules, especially those of the Rome I Regulation, would not be applicable (cf. Art. 1(1) lit. f) Rome I Regulation) and the unwritten conflict rules relating to international companies would claim application instead. However, this approach presupposes that the factual cooperation within a blockchain network suffices to create a company in the sense of European private international law. This is, however, not the case. The constitution of blockchain networks is only cooperative in a technical way, not in a legal one. The network is not necessarily based on a (written or unwritten) cooperation agreement and, therefore, lacks an essential prerequisite of a company. Consequently, the determination of the law applicable to blockchain technology is not necessarily a question of international company law. Parties are, however, not precluded from creating a company statute that reflects the decentral structures of blockchain technology, whereas the mere decision to engage in a blockchain network does not suffice to create such a company.

Thus, the private international law of blockchain technology must also take into account the Rome I Regulation as well as the Rome II Regulation. Unfortunately, blockchain networks *per se* are not suitable as connecting factors: *firstly*, a *decentralised* network naturally escapes the classical European principle of territorial proximity. *Secondly*, the use of blockchain technology is usually not an end in itself but functionally subordinate to the purpose of another act, e.g. a contract, a company or a tort. This factor should, however, not be seen as a problem, but as a hint at a potential solution: although a *superordinate* act may render a blockchain network insufficient to determine the substantive law, the superordinate act itself can serve as a connecting factor.

The following two examples illustrate the proposed method of accessory connection and show that the European legal framework relating to private international law is capable to cope with several questions raised by novel phenomena such as blockchain technology. The remaining questions have to be dealt with on the basis of the principle of proximity.

First scenario: blockchain networks within centralised

contracts

Blockchain technology often serves to achieve the goal of a centralised act. In this case, legal questions regarding the use, misuse and abuse of blockchain technology, e.g. access rights and permissions to write regarding data contained in a blockchain, should be governed by the substantive law governing the superordinate act.

To give an example: The parties of a supply chain decide to implement a blockchain in order to collectively store data concerning (1) when and in what quantity products arrive at their warehouse and (2) certificates of quality checks performed by them. As a result, production routes and quality control become more transparent and cost-efficient along the supply chain. Blockchain technology can thus be used e.g. to ensure the authenticity of drugs, food safety etc. The legal questions regarding the smart contract should in this scenario be governed by the substantive law governing the respective purchase agreement between the parties in question. The choice of law rules of the Rome I Regulation, hence, also determine the substantive law regarding the question how blockchain technology may or may not be used in the context of the purchase agreement. The application of blockchain technology becomes a part of the respective contract.

If one were to apply the substantive law governing the contract only to the contract itself but not to blockchain technology, one would create unjust distinctions: The applicable law should not depend on whether the parties pay an employee to regularly check on their warehouse and issue certificates in print, or whether they employ blockchain technology, achieving the same result.

Second scenario: blockchain networks within *decentralised* companies

The scenario described above shows that the decentralised nature of blockchain networks does not necessarily require special connecting criteria. This is a consequence of the networks' primarily serving function to the respective superordinate entity.

Difficulties arise when parties agree on a company statute whose content reflects the decentralisation of blockchain technology. In this scenario, there is a decentral company that utilises only decentral technology as its foundation. A much-discussed case of this kind was "The DAO", a former company based on

blockchain technology. The DAO's establishment was financed by investors providing financial resources in exchange for so-called tokens. These tokens can be described as the digital counterpart of shares and hence as an expression of the respective investor's voting rights. Within the resulting investment community, voting rights were exercised in order to decide on investment proposals. The results of the votes were implemented automatically. The company thus consisted only of the investors and information technology but had no management body, no administrative apparatus, and no statutory seat.

Hence, the DAO did not only lack a territorial connection on the level of information technology, but also on the level of the companies' legal constitution: it neither had an administrative seat nor a statutory seat. The connecting factors usually applied to determine the law applicable to companies were, therefore, ineffective. Because the DAO was a company, it was also exempt from the scope of the Rome I Regulation (cf. Art. 1 (2) lit. f. Rome I Regulation).

This vacuum of traditional conflict rules necessitates the development of new ones. There is no other valid connecting factor that could result in a uniform *lex societatis*: Especially the habitual residence or nationality of the majority of members is arbitrary as the company is built on a concept of decentralism and territorial detachment. Moreover, possible membership changes would lead to an intertemporally fluctuating statute whose current status could hardly be determined. The lack of a uniform connecting factor raises the question whether or not the ideal of a uniform *lex societatis* can be upheld. The fact that members of the DAO do not provide a feasible uniform connecting factor suggests a fragmentation of the applicable law (*dépeçage*).

Assuming that there is no uniform *lex societatis* for the DAO and that the applicable substantive law has to be fragmented, acts by the company become conceivable connecting factors. One might, for example, assume that preliminary questions concerning the company, i.e. its legal capacity, are subject to the substantive law that would govern the act in question. If the DAO enters into a contract that – given its validity – is governed by German substantive law according to Art. 4 of the Rome I-Regulation, German law should also determine the legal capacity of the DAO with respect to this particular contract. One might object that the Rome I-Regulation exempts both companies and legal capacity from its scope of application. This, however, only means that the Regulation is *not binding* within those fields. As the conflict rules of International company law do

not lead to conceivable results, the principle of proximity has to be the guiding factor in the search for a new unwritten conflict rule. As the closest territorial connections of decentral organisations are their respective acts, e.g. contracts, the principle of proximity suggests that the respective act is what determines the closest connection of the company. The resulting conflict rule states an accessory subjection of the *lex societatis* to the law governing the company's respective acts. While the proposed solution does indeed lead to an *indirect* application of the Rome I Regulation, it nonetheless constitutes a self-reliant, unwritten conflict rule which is consequently not precluded by the catalogue of exemptions contained in the Rome I Regulation.

This fragmentation of applicable laws turns a membership in the DAO into a risky und legally uncertain endeavour, as - neglecting the tremendous practical and legal problems of the enforcement of claims - different legal orders impose different requirements for legal capacity, limitation of liability and other privileges.

Concluding thoughts

Blockchain technology is a novel phenomenon, but it does - in most cases - not necessitate new connecting factors or conflict rules. If, however, the legal entity in question mirrors the decentralised structure of a blockchain network, the legal assessment becomes more complicated.

In those cases, the usually uniform *lex societatis* has to be fragmented which leads to a high chance of personal liability of the members. Whether or not one accepts this fragmentation largely depends on the definition of the hierarchy of technical-economic progress and the *lex lata*. In my opinion, technical developments may and should act as an impetus to *legislators* for legislative amendments but should not prevail over the existing rules of law. Those who desire legal advantages - such as a limitation of liability or even a uniform statute - must in exchange fulfil and adhere to the laws' requirements.

This post is based on A. Zimmermann, Blockchain-Netzwerke und Internationales Privatrecht - oder: der Sitz dezentraler Rechtsverhältnisse, published in IPRax 2018, 568 ff. containing references to further literature.

Private International Law, Labour conditions of Hungarian truck drivers, and beyond

Written by Veerle Van Den Eeckhout

On 23 November 2018 the Dutch Supreme Court referred a question for preliminary ruling to the CJEU in a case with regard to labour conditions of Hungarian truck drivers, particularly with regard to the Posting of Workers Directive, 96/71/EC (see [here](#) for the Dutch version, see [here](#) for the decision of the same day).

The preliminary question will certainly attract the attention of many who have a particular interest in the specific theme of labour conditions of mobile East European workers - a theme in which rules of Private International Law matter.

The case, and its theme, might also be significant in a broader sense: it could be seen as taking place against the backdrop of discussions about the status quo of Private International Law, about current evolutions within Private International Law and the future of Private International Law, about the so-called “neutrality” of Private International Law.

These current evolutions and discussions might be analysed from the perspective of the “instrumentalization” of Private International Law. Questions about the instrumentalization of Private International Law might, ultimately, be framed as questions about the role and potential of the discipline of Private International Law with regard to social justice and global justice. Such questions arise with regard to the regulation of themes that are often put forward as hot topics in discussions about globalization (global / transnational) and social justice. Various case studies could illustrate this, in particular the theme of Corporate Social Responsibility, the theme of labour migration/labour exploitation, the theme of migration law (in the broad sense of the word - including e.g. also social security claims) in its interaction with Private International Law. The cases might concern

both the regional-European setting (where legal arguments such as European freedoms arise) and the global setting (where legal arguments such as European freedoms do not arise as such).

When carrying out such an analysis, current developments – such as: recent developments regarding employee protection (recent revision of the Posting Directive, “Ryanair”, ...), recent developments regarding consumer protection (in various shapes and forms), recent attention for the interaction between migration law/refugee law and Private International Law, etc. – might be taken into account. Such an analysis could be placed in a context of current calls to the discipline of Private International Law to play a more prominent role cq to exercise the role it deserves or should exercise cq “to do its bit” (see here for more on this).

Put this way, the preliminary question of the Dutch Supreme Court interests the European road transport, but the interest for this case might also go beyond the particular characteristics and merits of this case and might even go beyond the specific theme.

On 13 December Fieke van Overbeeke will defend her phd thesis at the University of Antwerp on the exact topic of this preliminary question (under the supervision of Thalia Kruger and Herwig Verschueren). Fieke analysed the law applicable to the employment contracts of lorry drivers in the light of the Rome I Regulation and the Posting of Workers Directive.