

THE DISPUTE
RESOLUTION
REVIEW

THIRTEENTH EDITION

Editor
Damian Taylor

THE LAWREVIEWS

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RESOLUTION
REVIEW

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CONTENTS

| | |
|---|-----|
| PREFACE..... | vii |
| <i>Damian Taylor</i> | |
| Chapter 1 BREXIT..... | 1 |
| <i>Damian Taylor and Robert Brittain</i> | |
| Chapter 2 AUSTRIA..... | 10 |
| <i>Dieter Heine and Michael Schloßgangl</i> | |
| Chapter 3 BRAZIL..... | 23 |
| <i>Antonio Tavares Paes, Jr and Vamilson José Costa</i> | |
| Chapter 4 CHILE..... | 39 |
| <i>Francisco Aninat and Carlos Hafemann</i> | |
| Chapter 5 DENMARK..... | 52 |
| <i>Jacob Skude Rasmussen and Andrew Poole</i> | |
| Chapter 6 ENGLAND AND WALES..... | 64 |
| <i>Damian Taylor and Smriti Srinam</i> | |
| Chapter 7 FINLAND..... | 98 |
| <i>Tiina Järvinen and Nelli Ritala</i> | |
| Chapter 8 FRANCE..... | 109 |
| <i>Tim Portwood</i> | |
| Chapter 9 GERMANY..... | 125 |
| <i>Henning Bälz and Carsten van de Sande</i> | |
| Chapter 10 INDIA..... | 142 |
| <i>Zia Mody and Aditya Vikram Bhat</i> | |

Contents

| | | |
|------------|--|-----|
| Chapter 11 | INDONESIA..... | 161 |
| | <i>Abmad Irfan Arifin</i> | |
| Chapter 12 | IRELAND..... | 174 |
| | <i>Andy Lenny and Peter Woods</i> | |
| Chapter 13 | ITALY..... | 191 |
| | <i>Monica Iacoviello, Vittorio Allavena, Paolo Di Giovanni and Tommaso Faelli</i> | |
| Chapter 14 | JAPAN..... | 206 |
| | <i>Tsuyoshi Suzuki, Maki Shiokawa and Naoko Takekawa</i> | |
| Chapter 15 | LIECHTENSTEIN..... | 217 |
| | <i>Stefan Wenaweser, Christian Ritzberger, Laura Negele-Vogt and Edgar Seipelt</i> | |
| Chapter 16 | MEXICO..... | 231 |
| | <i>Miguel Angel Hernández-Romo Valencia</i> | |
| Chapter 17 | NETHERLANDS..... | 246 |
| | <i>Eelco Meerdink</i> | |
| Chapter 18 | NORWAY..... | 266 |
| | <i>Carl E Roberts and Fredrik Lilleaas Ellingsen</i> | |
| Chapter 19 | PAKISTAN..... | 278 |
| | <i>Asma Hamid, Zainab Kamran, Beenish Zabid and Mehak Adil</i> | |
| Chapter 20 | PORTUGAL..... | 289 |
| | <i>Francisco Proença de Carvalho and Madalena Afra Rosa</i> | |
| Chapter 21 | SINGAPORE..... | 302 |
| | <i>Subramanian Pillai, See Tōw Soo Ling and Venetia Tan</i> | |
| Chapter 22 | SOUTH KOREA..... | 317 |
| | <i>Joo Hyun Kim and Jae Min Jeon</i> | |
| Chapter 23 | SPAIN..... | 328 |
| | <i>Ángel Pérez Pardo de Vera and Francisco Javier Rodríguez Ramos</i> | |
| Chapter 24 | SWEDEN..... | 350 |
| | <i>Cecilia Möller Norsted and Mattias Lindner</i> | |

Contents

| | | |
|------------|---|-----|
| Chapter 25 | SWITZERLAND..... | 361 |
| | <i>Daniel Eisele, Tamir Livschitz and Anja Vogt</i> | |
| Chapter 26 | TAIWAN..... | 380 |
| | <i>Simon Hsiao</i> | |
| Chapter 27 | UKRAINE..... | 395 |
| | <i>Olexander Droug, Olena Sukmanova and Oleksiy Koltok</i> | |
| Chapter 28 | UNITED STATES..... | 407 |
| | <i>Timothy G Cameron</i> | |
| Chapter 29 | UNITED STATES: DELAWARE..... | 424 |
| | <i>Elena C Norman, Lakshmi A Muthu and Michael A Laukaitis II</i> | |
| Appendix 1 | ABOUT THE AUTHORS..... | 443 |
| Appendix 2 | CONTRIBUTORS' CONTACT DETAILS..... | 463 |

PREFACE

The Dispute Resolution Review provides an indispensable overview of the civil court systems of 28 jurisdictions. It offers a guide to those who are faced with disputes that frequently cross international boundaries. As is often the way in law, difficult and complex problems can be solved in a number of ways, and this edition demonstrates that there are many different ways to organise and operate a legal system successfully, as well as overcoming challenges that life and politics throw up along the way. At the same time, common problems often submit to common solutions, and the curious practitioner is likely to discover that many of the solutions adopted abroad are not so different from those closer to home.

Looking back over 2020 from my study at home (this will provide a clue to the theme of this Preface), I cast my eye over words I wrote in last year's Preface:

All this leaves me writing this preface five days before 'Brexit Day', after an exhausting 2019 in which clients have not known whether to plan for the 'May deal', 'No deal', 'Boris's deal', a referendum (on Brexit and/or Scottish independence), no Brexit, or the extensive nationalisation of private industries and tax rises outlined in Labour's manifesto.

Not a word about a pandemic about to sweep across the globe.

If 2019 was the year of Brexit, this year was undoubtedly the year of covid-19; the year of lockdowns, tiers, furlough and, finally and thankfully, unprecedented mainstream media scrutiny of the safety and efficacy of various vaccines. Lives have tragically been lost and many more have suffered from covid-19-related illness. Restrictions on personal freedoms that would have been unthinkable this time last year have been imposed, relaxed and imposed again. In the UK, we have seen everything from virtual total lockdown to being encouraged to 'eat out to help out' as the government picked up half the bill to support the hospitality industry. Throughout this period of enormous change, the law, courts and tribunals have had to adapt to rapidly changing circumstances and, for the most part, have kept pace.

Perhaps the most noticeable change in the legal sector has been the move to online and home working, which has emphasised the need to have strong and reliable IT systems. We have seen disputes increase around force majeure and cancellation and termination clauses, and businesses have had more cause than usual to check their insurance arrangements. The latter development is best illustrated in the UK though the Financial Conduct Authority test case to determine the scope of cover afforded by business interruption insurance policies to businesses that were affected by covid-19 and a variety of government advice and restrictions, a case that saw your editor spend an uncomfortably hot British summer 'attending' court from home and promising he would never complain about being cramped in court again, so long as it had air conditioning. See Chapter 6 for further details of the case.

The question on many lawyers' lips is 'will we ever go back to life as it was before?' Some firms confidently predict the end of the working week and office environment (giving up their leases in the process); others talk of offices becoming the 'hub' with flexible working 'spokes'; and yet others urge a return to the status quo. Certainly courts and tribunals will have learned a lot during the pandemic, not least that electronic filing and short remote hearings can be efficient; but perhaps also that even the best video link cannot replace the special atmosphere that lends something intangible, but of great importance, to live, physically present advocacy and testimony. Perhaps one of the best lessons learned is that if you don't try something, you won't know which parts work and which parts don't.

A last word has to go to Brexit, as the UK and EU agreed a deal at the end of the year with only days to spare. This will have a lasting impact on the legal and political relationship, much of which is explored in more depth in the updated Brexit chapter.

This 13th edition follows the pattern of previous editions where leading practitioners in each jurisdiction set out an easily accessible guide to the key aspects of each jurisdiction's dispute resolution rules and practice, and developments over the past 12 months. *The Dispute Resolution Review* is also forward-looking, and the contributors offer their views on the likely future developments in each jurisdiction. Collectively, the chapters illustrate a continually evolving legal landscape responsive to both global and local developments.

As always, I would like to express my gratitude to all of the contributors from all of the jurisdictions represented in *The Dispute Resolution Review*. Their biographies can be found in Appendix 1 and highlight the wealth of experience and learning from which we are fortunate enough to benefit. I would also like to thank the whole team at Law Business Research who have excelled in managing a project of this size and scope, in getting it delivered on time and in adding a professional look and finish to the contributions.

Damian Taylor

Slaughter and May

Harpenden

January 2021

Chapter 1

BREXIT

*Damian Taylor and Robert Brittain*¹

I INTRODUCTION

EU law underpins much of the procedural architecture of cross-border dispute resolution in the Member States. Where there is a conflict of laws, courts determine the law applicable to contractual and non-contractual obligations by reference to EU rules; they look first to EU rules when determining their jurisdiction in international cases; they enforce each other's judgments in many cases near-automatically in accordance with EU rules.

The United Kingdom left the European Union on 31 January 2020, but most EU law, including rules on civil justice cooperation, continued to apply in and to the UK during an agreed transition period. That transition period ended at 11pm London time on 31 December 2020. This special chapter, which should be read alongside the main chapter on England and Wales, is concerned with the impact of the end of the transition period on the rules English courts apply to resolve conflicts of laws in the following areas:

- a* governing (or applicable) law;
- b* jurisdiction; and
- c* the recognition and enforcement of judgments.

II RELEVANT LEGAL CONSEQUENCES OF BREXIT

i A brief history of Brexit

A referendum on whether the UK should continue as a member of the EU was held on 23 June 2016. A majority (51.9 per cent) voted to leave. The government announced that it would give effect to the referendum result by following the procedure set out in Article 50 of the Treaty on European Union. Accordingly, the following March, the Prime Minister, acting with the authority of Parliament, gave formal notice of the UK's intention to withdraw from the EU. That set in train a two-year period (ultimately extended several times) for the negotiation of terms for an orderly departure and a framework for a future relationship. Some three-and-a-half years later, on 31 January 2020, a withdrawal agreement having been concluded and ratified, the UK ceased to be a Member State. Over the following 11 months, (during which time the UK remained bound by most EU law), the UK and EU negotiated a trade and cooperation agreement that is intended to be the keystone of bilateral relations between the parties going forward. The agreement came into force at the end of the transition period, at 11 pm on 31 December 2020.

¹ Damian Taylor is a partner and Robert Brittain is a professional support lawyer counsel at Slaughter and May.

As is clear even from the brief summary above, it is misleading to think of Brexit as a single event. Rather, it was (and is) a continuing process. For present purposes, it is worth highlighting two stages in that process and their relevance to the topics discussed in this chapter.

The withdrawal agreement: the end of EU law and transitional arrangements

The purpose of the withdrawal agreement was to set the terms for the orderly departure of the UK from the EU. To that end, it provided for a time-limited transition period during which most EU law would continue to apply in and to the UK as if it were still a Member State. In many areas, including civil justice cooperation, it also provided for the controlled winding-down of EU law's application to the UK after the end of the transition period. As set out in more detail below, the practical effect of that was to provide for the continuing application of EU law in many situations with a UK element where a designated event (e.g., the issue of legal proceedings) predated the end of the transition period. These grandfathering arrangements will in practice mean that EU law has a long tail in the UK, operating in parallel with post-transition domestic law.

The trade and cooperation agreement and beyond

A key purpose of the transition period under the withdrawal agreement was to allow the UK and the EU the space to reach an agreement on their future relationship. A political declaration, agreed at the same time as the withdrawal agreement, sketched out a framework for that negotiation but made no mention of civil justice cooperation. Sure enough, the trade and cooperation agreement ultimately concluded on 24 December 2020 is at its heart a free trade agreement with additional sections dealing with cooperation in criminal law and security matters, and overarching frameworks for governance. There is no provision for civil judicial cooperation.

The result is that, from 1 January 2021, EU law applies only to the extent provided for in the withdrawal agreement's transitional provisions. As explained below, in some areas (notably, the determination of governing law), this will have very little practical effect because the nature of the relevant EU law has made its transposition into domestic UK law straightforward. In other areas (notably, jurisdiction and the enforcement of judgments), the change is much more marked and will ensure a much greater role for common law principles that were previously confined to cases without an EU nexus.

None of this means that there is no prospect of future cooperation with the EU in civil justice matters. As discussed below in the context of jurisdiction and enforcement of judgments, the UK and the EU or its Member States are each party to a number of international agreements negotiated under the auspices of the Hague Convention on Private International Law; the Hague Convention on Choice of Court Agreements is a notable example of an arrangement that preserves a commercially valuable aspect of the EU regime. In addition, the UK has applied to accede to the Lugano Convention. As discussed below, the Convention mirrors many of the provisions of the EU regulations relating to jurisdiction and judgments; if the UK's application were successful, accession would provide a significant degree of continuity in this area.

ii Legislating for Brexit

The foundation of the EU and its unique legal order are the various treaties entered into by the Member States. When the UK joined what we now know as the EU, it became bound by the treaties as a matter of international law. As a matter of domestic law, however, the treaties could only produce legal effects through an act of Parliament. The European Communities Act 1972 was enacted for this purpose and functioned as the conduit pipe through which the treaties and the laws enacted under them flowed into the UK's domestic legal order.

As discussed above, the UK's departure from the EU was achieved by the conclusion of the withdrawal agreement. That agreement similarly required domestic implementation. The European Union (Withdrawal) Act 2018 became law in June 2018 and was amended after the withdrawal agreement was concluded. Its purpose is two-fold: it repealed the 1972 Act, dismantling the mechanism by which EU law was given automatic effect in the UK. At the same time, to avoid the legal vacuum that would otherwise have resulted from the wholesale and sudden disapplication of EU law, the 2018 Act converted into UK law substantially all EU law as it applied at the moment before the end of the transition period.

In and of itself this was not enough to preserve the legal status quo. Some retained EU law would not have functioned properly once the UK was no longer treated as a Member State. In some cases, these problems were capable of correction by amending the retained law (for example, to replace references to EU institutions with UK replacements or equivalents). In other cases, the problems were more substantial and not capable of unilateral remedy. Laws that were premised on reciprocity as between Member States are an important example: once the transition period had ended, the UK could have made a unilateral choice to continue treating the remaining Member States preferentially, but it could not expect or require those states to do likewise. Domesticating laws of this kind would have created a one-sided structure at odds with the purpose of the underlying EU regime. The 2018 Act accordingly provided ministers with powers to amend retained EU legislation or to revoke it entirely.

A mass of secondary legislation was made under the authority of the 2018 Act. The purpose and consequences of this legislation, to the extent relevant, are discussed below under each heading.

III GOVERNING LAW

i Summary

Where the laws of more than one country could govern a contract or a non-contractual obligation, the courts of a country dealing with a dispute relating to those obligations apply their own rules to determine which laws should apply. In the EU, Member States' courts apply a common set of rules, set out in the Rome I Regulation (for contracts) and the Rome II Regulation (for non-contractual obligations).

Following the end of the transition period, in accordance with the withdrawal agreement, English courts continue to apply the EU rules to contracts already in existence at that date and, in respect of non-contractual obligations, to events that had occurred by that date and that give rise to damage. For contracts or events post-dating the end of the transition period, English courts apply a domesticated version of the EU rules, which should generally produce the same results.

ii The legal effect of Brexit

Transitional arrangements

Article 66 of the withdrawal agreement provides that the Rome I Regulation shall continue to be applied by UK courts in respect of contracts concluded before 1 January 2021, and the Rome II Regulation shall continue to be applied by UK courts in respect of events giving rise to damage that occurred before 1 January 2021.

Domestication of the EU governing law rules

The Rome Regulations were transposed into UK domestic law at the end of the transition period subject to amendments made by secondary legislation.² For the most part, these amendments correct the language of the Regulations to reflect the fact that the UK is no longer a Member State. In some cases, however, the changes are more substantive (e.g., in relation to certain matters relating to insurance contracts (in the case of Rome I), or non-contractual obligations arising from infringements of certain EU intellectual property rights (in the case of Rome II)).

Notwithstanding these amendments, the UK government's aim in domesticating the Rome Regulations is to seek to ensure broad continuity in the rules for the determination of applicable law.

iii Practical implications

Key consequences of this are as follows:

- a English courts will continue to apply the Rome Regulations, in the form they had as at 31 December 2020, to determine the law applicable to contracts concluded before 1 January 2021, and non-contractual obligations where the event giving rise to damage occurred before 1 January 2021.
- b In other situations, English courts will apply a domesticated form of the Rome Regulations as they had effect at 31 December 2020, amended to reflect the UK's new status as a third country. Their application will, in general, continue to produce the same results, but care should be taken to ensure that the amendments necessitated by Brexit are not engaged in a particular case.
- c EU courts will continue to apply the Rome Regulations and, because the rules do not discriminate as between Member States and third countries, Brexit should generally not bring about a different result in their application.
- d It follows from this that an English choice of law clause in a contract should be materially unaffected by the end of the transition period.

IV JURISDICTION

i Summary

Until 1 January 2021, rules set out in EU law were the starting point for the English court's assessment of whether it had jurisdiction to hear a dispute in civil and commercial matters. These rules continue to apply to proceedings started before that date, but for new cases the default position is that the common law applies. The common law rules are well understood

² Law Applicable to Contractual and Non-Contractual Obligations (Amendment etc) (EU Exit) Regulations 2019 (as amended).

and frequently applied: they already applied to the many cases that fell outside the scope of the EU rules. However they are fundamentally different in their nature and grant the English court a discretion that was wholly lacking from the EU regime.

ii The legal effect of Brexit

Transitional arrangements

The principal EU law instrument relating to jurisdiction in civil and commercial matters (as well as enforcement of resulting judgments) is the Recast Brussels Regulation (Brussels Recast). It applies to proceedings started on or after 10 January 2015 in EU Member States. Where proceedings began before that date (but after 1 March 2002), the original Brussels Regulation (Brussels I) applies. A near-duplicate of Brussels I, the Lugano Convention 2007, applies as between the EU and three of the EFTA states: Norway, Iceland and Switzerland.

Article 67 of the withdrawal agreement provides that UK and EU courts shall, on and after 1 January 2021, continue to apply the jurisdiction provisions of Brussels Recast to proceedings with a UK element that were started in the UK or the EU before 1 January 2021. UK secondary legislation additionally provides that UK courts shall continue to apply the Lugano Convention to cases started before 1 January 2021 where the Convention would have applied immediately before that date.

Revocation of the EU jurisdiction regime for new cases

The UK did not transpose Brussels Recast (or any of the other instruments mentioned above) into domestic UK law at the end of the transition period. Because they are premised on reciprocity as between the Member States, they would not function correctly with the UK outside the EU. Accordingly, secondary legislation³ revoked the relevant instruments, subject to savings and transitional provisions as provided for in the withdrawal agreement.

The common law has therefore become the default source of rules for the English court's determination of its jurisdiction. These rules are discussed in the England and Wales chapter, but in brief overview, the English court will generally assume jurisdiction where service of process is possible. If the defendant is within the jurisdiction, a claimant may serve on a defendant as of right. If the defendant is outside the jurisdiction, a claimant can only serve on them with the prior permission of the English court. A claimant will, among other things, need to show that the claim falls within one of a number of 'gateways' set out in the Civil Procedure Rules, each of which is premised on a relevant connection between the dispute or the defendant and this jurisdiction. The decision to grant permission to serve out of the jurisdiction is ultimately one in which English courts retain a discretion, in contrast to the mandatory rules of the EU framework.

The Hague Convention on Choice of Court Agreements

One important element of the EU law regime has survived the end of the transition period: the 2005 Hague Convention on Choice of Court Agreements. This multilateral arrangement is designed to promote the use of exclusive jurisdiction agreements in cross-border trade. Under the terms of the Convention, the courts of contracting states are bound to uphold qualifying exclusive jurisdiction agreements that nominate the courts of a contracting state. The judgments in the resulting cases are then reciprocally enforceable in contracting states.

3 Civil Jurisdiction and Judgments (Amendment) (EU Exit) Regulations 2019 (as amended).

The EU acceded to the Hague Convention on behalf of the Member States with effect from 15 October 2015. The other contracting states are Mexico, Singapore and Montenegro. The UK ceased to be bound by the Convention as a function of EU law at the end of the transition period but immediately re-acceded in its own right. Where an exclusive jurisdiction agreement is within the scope of the Convention, the Convention's provisions will apply in place of the common law rules.

Although the Convention is a significant advance for cross-border civil judicial cooperation, there are a number of important points to be borne in mind, one of which arises specifically in the context of Brexit:

- a* Most obviously, the Convention applies only to exclusive jurisdiction agreements; these must have been concluded in civil and commercial matters (see (b) below) with a cross-border element. One-sided jurisdiction clauses (where one party is compelled to sue in one country's courts while the other party has the freedom to sue in any court that will entertain the case) are probably outside the scope of the Convention (although the English court has expressed a contrary view, albeit in a non-binding context).
- b* The Convention applies only to civil and commercial matters. That restriction also applies to Brussels Recast and the Lugano Convention, but the concept is more narrowly drawn in the Convention; competition law claims, tort claims that do not arise from a contractual relationship, consumer contracts, employment contracts and some insurance contracts are excluded from its scope.
- c* The Convention applies only to agreements concluded after its entry into force in the state whose courts are, under the agreement, given exclusive jurisdiction. That is 1 October 2015 for Mexico and the EU Member States; 1 October 2016 for Singapore; and 1 August 2018 for Montenegro. The question arises of when contracting state courts will deem the UK's accession to have taken place and, more specifically, whether the change in the nature of the UK's participation in the Convention will mean that qualifying exclusive choice of court agreements concluded before 1 January 2021 will be upheld after 1 January 2021. In the UK, legislation⁴ directs courts to assume that the Convention has been in effect for the UK without interruption since 1 October 2015. In the EU, there has been no such legislative clarification and the European Commission has instead asserted that the UK's re-accession to the Convention effectively orphans pre-existing jurisdiction agreements in favour of the English courts that would otherwise have been within the Convention's scope. The Commission's view on this question is not binding and the matter will fall to be decided by the courts of Member States (and potentially, in due course, by the CJEU).
- d* Finally, the Convention is a relatively untested instrument. In the EU, it is subordinated to Brussels Recast unless at least one of the parties to a qualifying exclusive jurisdiction agreement is resident in one of the non-EU contracting states: the UK, Singapore, Mexico and Montenegro.

The Lugano Convention

In order to seek to preserve a close reciprocal arrangement with the EU in this area, the UK applied in April 2020 to accede to the Lugano Convention. That application requires the consent of the existing contracting parties. Switzerland, Iceland and Norway have given that

⁴ Private International Law (Implementation of Agreements) Act 2020.

consent, but the EU (and Denmark, which although a Member State acceded to Lugano in its own right) have not as yet. They are expected to provide their response before the first anniversary of the UK's application. Although the benefits to commercial parties and individuals of continued cooperation between the UK and the EU are evident, the EU's consent is not assured.

iii Practical consequences

Key consequences of this are as follows:

- a* English and, where there is a UK element, EU Member State courts will continue to apply Brussels Recast to determine questions of jurisdiction in proceedings that were issued before 1 January 2021.
- b* English courts will not apply Brussels Recast, the Lugano Convention or any other instrument in the EU jurisdiction regime to proceedings issued on or after 1 January 2021. Subject to (c) below, they will instead apply the common law rules on jurisdiction by default.
- c* In proceedings founded on a qualifying exclusive jurisdiction agreement, English courts will apply the provisions of the Hague Convention on Choice of Court Agreements.
- d* It follows from this that an English exclusive jurisdiction clause concluded today should, provided it falls within the scope of the Hague Convention, be upheld in the courts of contracting states (including the EU Member States).

V ENFORCEMENT

i Summary

While the UK was bound by EU law, judgments of Member States in civil and commercial matters were enforceable in accordance with the relevant provisions of Brussels Recast and, where they applied, other instruments in the broader EU regime on jurisdiction and enforcement. Judgments of other states were potentially enforceable in accordance with the terms of any reciprocal enforcement treaty between the UK and the relevant foreign state (including, for these purposes, the particular case of the Hague Convention on Choice of Court Agreements) or, where no such agreement existed, at common law by the issue of fresh proceedings. Since 1 January 2021, the EU enforcement regime applies in the UK only in respect of judgments in proceedings issued before that date. As discussed below, the Hague Convention will provide a degree of continuity in cases where it applies; reciprocal enforcement treaties with a number of EU Member States, which were dormant while the UK was subject to EU law, may now provide a more limited route for enforcement of certain judgments; and for other judgments, enforcement at common law has become the only option.

ii The legal effect of Brexit

Transitional arrangements and revocation of the EU mutual enforcement regime

The principal EU law instrument relating to the recognition and enforcement of judgments in civil and commercial matters is Brussels Recast (which, as discussed above, also contains rules for the determination of whether a Member State court has jurisdiction to hear proceedings). Brussels Recast only applies to judgments of courts of EU Member States and is premised on reciprocity as between those States. For that reason, it cannot operate correctly in respect

of the UK if the UK is not a Member State. Accordingly, it was revoked at the end of the transition period and continues to apply in the UK only in respect of judgments of EU Member State courts in proceedings that were issued before 1 January 2021.

The Hague Convention on Choice of Court Agreements

As discussed at Section IV.ii, the Hague Convention on Choice of Court Agreements is the one part of the EU law regime formerly applicable to the UK that has survived the end of the transition period. Where a court of a contracting state has given judgment in a claim founded on a qualifying exclusive jurisdiction agreement, the courts of another contracting state (which includes the English courts) will enforce that judgment in accordance with the Convention's terms. The points made at Section IV.ii in respect of the Convention's application, including in the context of Brexit, apply equally where enforcement of a judgment is sought.

Potential revival of bilateral enforcement treaties

The UK has a network of treaties with states that provide for the reciprocal enforcement of certain categories of judgments, generally those that are final and conclusive and for a sum of money. The UK has given domestic effect to these treaties through two statutes⁵ that are supplemented by provisions of the Civil Procedure Rules. Most of these agreements are with Commonwealth jurisdictions but eight are with EU Member States (France, Belgium, Germany, Austria, Italy, the Netherlands, Malta and Cyprus). All were signed before the Brussels Convention (the precursor of Brussels Recast) entered into force for the UK and, for so long as the UK was bound by EU law, they were superseded by the EU jurisdiction regime. Although it appears that the treaties with the relevant EU states remain binding as a matter of international law, and the associated UK implementing legislation remains in force, it is not clear that they will be given effect in each relevant Member State. Appropriate local law advice should be sought.

There are also considerable limitations to the scope and operation of the old bilateral arrangements. As well as applying only to eight of the 31 other EU and EFTA States, the regime only applies to money judgments. It is also less creditor-friendly: before a qualifying judgment can be enforced, it must first be registered in the enforcing state's courts. Even then, there is considerable scope for a judgment's registration and enforcement to be set aside, for instance on the ground that the foreign court did not, according to the rules of the enforcing court, have jurisdiction over the judgment debtor.

Enforcement at common law

Where no reciprocal enforcement arrangement or treaty is in place between the UK and a foreign state, judgments of courts of that state can only be enforced in England at common law. Only judgments that are final and conclusive and for a sum of money may be enforced in this manner. A judgment creditor is required to issue a fresh claim against the judgment debtor in the English court pleading the fact of the foreign judgment and seeking an English judgment in its amount. A judgment creditor will generally seek to expedite the process by applying for summary judgment on the claim. Various defences may be available

5 Administrations of Justice Act 1920; Foreign Judgments (Reciprocal Enforcement Act 1933).

to a judgment debtor, for example that the foreign judgment was obtained by fraud, that enforcement in England would be contrary to English public policy, or that the foreign judgment was obtained in proceedings contrary to natural justice.

iii Practical consequences

Key consequences of this are as follows:

- a* English, and where there is a UK element, EU Member State courts will continue to enforce each other's judgments in accordance with Brussels Recast where the judgment in question was given in proceedings issued before 1 January 2021.
- b* English courts will enforce judgments of courts of states party to the Hague Convention on Choice of Court Agreements where the judgment in question was in proceedings founded on an exclusive jurisdiction clause within the scope of the Hague Convention.
- c* Although it is not certain, English courts may enforce final and conclusive money judgments in proceedings started on or after 1 January 2021 in the courts of France, Belgium, Germany, Austria, Italy, the Netherlands, Malta and Cyprus upon registration in the English High Court pursuant to bilateral enforcement treaties with those states.
- d* Where no enforcement arrangement is in place between the UK and a foreign state, English courts may enforce final and conclusive money judgments of that state by giving judgment on a fresh claim in the English court that treats the underlying foreign judgment as a debt.

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