FOCUS ON:
Intellectual Property

THE INTERNATIONAL LAW
Quarterly

A PUBLICATION OF THE FLORIDA BAR INTERNATIONAL LAW SECTION
www.floridabar.org • www.internationallawsection.org

Vol. XXX, No. 1
Winter 2012

IN THIS ISSUE:

Managing Your Client's Marks Worldwide:
Challenges and Strategies of Registering and Maintaining Your Brand Abroad

By Penelope B. Perez-Kelly, Orlando, Florida

The Call

Your corporate client has just advised you that it has acquired a new company and has asked you review the new company's trademark portfolio to determine what marks are registered and where, and ultimately to make recommendations regarding the assignment and continued protection of those marks. You are told that the portfolio consists of trademarks in the United States and abroad. You begin reviewing the acquired marks and all information regarding their ownership. After a review of the marks acquired, you need to determine the requirements of various countries to assign the marks to your corporate client. The assignment process may include the issuance of powers of attorneys that may require an apostille. Assignment forms may need to be executed by both the assignee and assignor and, in most instances, assignments will need to be notarized and translated. Legalization by the consulate in the United States of

See "Your Brand Abroad," page 2

Four Years After *Christopher X*:
U.S. Courts Afford French Blocking Statute Little Deference

By Christina Taber-Kewene, New York City, and Cécile Di Meglio, Paris

France long has viewed the application of U.S.-style discovery procedures to obtain evidence located in France as an attack against its sovereignty. Although both France and the U.S. ratified The Hague Convention on the Taking of Evidence Abroad ("The Hague Evidence Convention") more than thirty-five years ago, U.S. courts still have not limited extraterritorial discovery to the methods prescribed by The Hague Evidence Convention. Without a finding that comity requires use of The Hague Evidence Convention, U.S. courts allow parties to seek the broader discovery allowed under the U.S. Federal Rules of Civil Procedure ("Federal Rules").

In response, in 1980 France enacted a criminal statute prohibiting individuals from cooperating with U.S. discovery requests not made in accordance with The Hague Evidence Convention. No French court convicted anyone under the statute until the French Supreme Court's decision in *Christopher X* on 12 December 2007. Despite that decision, and with awareness of it, U.S. courts still discount the prospects of criminal sanctions under the French blocking statute when considering whether to limit the produc-

See "Christopher X," page 60

tion of evidence to the discovery available under The Hague Evidence Convention.

The French Blocking Statute:

A means by which French companies could avoid compliance with U.S.-style discovery requests

France, the U.S. and multiple other countries ratified The Hague Evidence Convention of 18 March 1970, which entered into force in 1972 in the U.S. and 1974 in France. This Convention prescribes means by which a judicial authority in one Contracting Country may request evidence located in another Contracting Country.

When it ratified The Hague Evidence Convention, France decided, in accordance with Article 23 (and together with many other European countries), that it would not execute letters of request issued for the purpose of obtaining "pre-trial discovery of documents." On 19 January 1987, France limited its Article 23 reservation declaring that it does not apply "when the requested documents are enumerated limitatively in the letter of request and have a direct and precise link with the object of the procedure."

Despite the accession of the U.S. to The Hague Evidence Convention, U.S. courts never limited parties seeking discovery to the methods allowed by this Convention and instead permitted them to obtain evidence from French companies in accordance with the broader discovery available under the Federal Rules. French companies perceived such discovery as abusive and, in 1980, the French legislature enacted a blocking statute prohibiting anyone, under threat of criminal sanction, to "request, search for, or communicate, in writing, orally or in any other form, documents or information of an economic, commercial, industrial, financial or technical nature for the purposes of constituting evidence in view of foreign judicial or administrative proceedings or in relation thereto," except when such communication is authorised pursuant to an international treaty or regulation, such as The Hague Evidence Convention.[1]

The goal of this criminal statute, written broadly to encompass all types of documents and information, was to provide French companies with a legal basis for refusing to comply with U.S. discovery requests under the Federal Rules. Nonetheless, French criminal courts did not convict anyone under this statute until 2007, which is one of the reasons U.S. courts historically cited for giving little heed to the French law.

The 1987 U.S. Supreme Court decision in *Aerospatiale*:

The Hague Evidence Convention does not pre-empt the Federal Rules

In 1987 the approach taken by U.S. lower courts was upheld by the U.S. Supreme Court in *Société Nationale Industrielle Aerospatiale v. U.S. District Court.*[2] In *Aerospatiale* the High Court ruled that The Hague Evidence Convention did not provide exclusive or mandatory procedures for obtaining documents and information located in a foreign signatory country. Moreover, the Supreme Court gave little deference to the French blocking statute, stating, "It is well settled that such [blocking] statutes do not deprive an American court of the power to order a party subject to its jurisdiction to produce evidence, even though the act of production may violate that statute," and holding that "American courts are not required to adhere blindly to the directives of such a statute."[3]

Rather, the Supreme Court directed lower courts to undertake a case-by-case comity analysis in order to determine in each situation whether it would be appropriate to resort to The Hague Evidence Convention procedures. The existence of a blocking statute such as France's "is relevant to the Court's particularized comity analysis only to the extent that its terms and its enforcement identify the nature of the sovereign interests in non disclosure of specific kinds of material."[4]

When the likelihood of prosecution became a reality:

France's first criminal conviction under the blocking statute

On 12 December 2007, the Criminal Chamber of the French Supreme Court upheld a decision in which the Paris Court of Appeal ordered a French lawyer, *Maître* Christopher X, to pay 10,000 Euros for violating the French blocking statute.[5] This French Supreme Court decision was handed down in the larger case, *Executive Life*, in which the California Insurance Department sued French mutual insurer MAAF and other French corporations in U.S. federal court for fraud in connection with the 1991 purchase of Executive Life Insurance Company.

In April and December 2000, the court issued a number of requests for evidence under The Hague Evidence Convention to obtain from MAAF documents located in France relating to the allegedly fraudulent purchase. The French lawyer, agent of the American attorney representing the California Insurance Department, took the initiative to call an ex-director of MAAF.

According to the Paris Court of Appeal, during this call the French lawyer alleged that the members of MAAF's board of directors had not been properly informed at the time of the purchase. In other words, "he told a lie in order to get to the truth." Thereafter, MAAF filed a criminal complaint against the French lawyer for violation of the French blocking statute.

The Paris Court of Appeal held that the French lawyer did not solely approach, in a neutral manner, individuals whose testimony could have been obtained in accordance with the provisions of The Hague Evidence Convention. To the contrary, it held that he had sought, without due authorisation, economic, commercial or financial information aimed at constituting evidence, because the information obtained could enable the plaintiff to select the ex-director as a witness and to guide his future testimony. The Paris Court of Appeal therefore found the French lawyer guilty of violating the French blocking statute and sentenced him to pay a fine of 10,000 Euros.

The convicted lawyer thereafter challenged this decision in the French Supreme Court alleging, inter alia, that he never solicited the information given by the ex-director, which, he alleged, had been provided spontaneously. He also claimed that in placing the call, he attempted only to obtain the ex-director's consent for giving testimony, as a person appointed as Commissioner under Article 17 of The Hague Evidence Convention may not use compulsion to force a witness to testify. The Criminal Chamber of the French Supreme Court disregarded these arguments and upheld the Court of Appeal decision. This unprecedented decision made it clear that the risks of prosecution and conviction under the French blocking statute are real.

The *Christopher X* decision was shortly followed by another decision from the Criminal Chamber of the French Supreme Court on 30 January 2008. Although it upheld the lower court's refusal to prosecute because of insufficient charges, the French Supreme Court did not award the latter's position according to which the French blocking statute does not apply to the "communication to French people who request them, of contractual documents held on the U.S. territory by American attorneys." The French Supreme Court confirmed that the French blocking statute applies even if the requested documents are located in the U.S. as long as, pursuant to Articles 113-7 and 113-8 of the French Criminal Code, there is a French victim at the time the offence is committed and this French victim files a complaint with the French criminal authorities.[6]

Despite *Christopher X*, U.S. courts refuse to allow the French blocking statute to deny parties' use of the Federal Rules to obtain discovery:

The recent conviction by the French Supreme Court in *Christopher X*, and its reminder of the broad scope of application of the French blocking statute, has not convinced U.S. federal courts that applicants seeking discovery in France should limit themselves to the means available under The Hague Evidence Convention. Four cases decided in the federal courts since *Christopher X* have considered the French decision but have given it little weight.[7] They all have concluded that applicants seeking discovery from a French party may use the Federal Rules and are not bound by the strictures of discovery under The Hague Evidence Convention.

Strauss v. Credit Lyonnais

The first court after *Christopher X* to consider the import of the French blocking statute was the Federal District Court for the Eastern District of New York in its decision of 10 March 2008 in *Strauss v. Credit Lyonnais S.A.*[8] In this case, the victims (and their estates) of multiple terrorist attacks allegedly perpetrated by Hamas in Israel alleged that, among others, Crédit Lyonnais, a financial institution incorporated and headquartered in France, had provided material support to terrorists in violation of U.S. antiterrorism laws. The plaintiffs sought discovery from Crédit Lyonnais under the Federal Rules, and Crédit Lyonnais moved for a protective order compelling plaintiffs to seek discovery through The Hague Evidence Convention and excusing it from discovery that Crédit Lyonnais claimed was protected under the French blocking statute.[9]

To determine whether plaintiffs should have to seek discovery only under The Hague Evidence Convention, the court applied factors enumerated in Paragraph

442(1)(c) of the Restatement (Third) of Foreign Relations Law, as well as those articulated by the Supreme Court in *Aerospatiale*, and those previously mentioned in decisions of the district courts for the Second Circuit. These seven factors are:

- the importance to the litigation of the documents or other information requested;
- the degree of specificity of the request;
- whether the information originated from the U.S.;
- the availability of alternative means of securing the information;
- the extent to which non-compliance with the request would undermine important U.S. interests, or compliance with the request would undermine important interests of the State where the information is located;
- the hardship of compliance on the party from which discovery is sought; and
- the resisting party's good faith.[10]

The court considered the effect of the French blocking statute only with respect to the fifth and sixth factors. With regard to the fifth factor (the comity analysis), the court adopted the U.S. Supreme Court's ruling in *Aerospatiale* according to which "American courts are not required to adhere blindly to the directives of such a statute."[11] It also distinguished the facts of *Christopher X* from those in the present case. In *Christopher X,* the prosecuted lawyer was not conducting discovery against a party within the confines of the Federal Rules or pursuant to court order. The lawyer had made false statements, and MAAF filed a complaint with the French authorities to initiate prosecution under the blocking statute.[12] These distinguishing facts, along with the interest the court found France would have in eliminating terror financing, weighed in favour of allowing discovery pursuant to the Federal Rules under the comity analysis.

With respect to the sixth factor—the hardship on Crédit Lyonnais of complying with the discovery request—the court found that the prospect of facing criminal penalties for compliance weighed in favour of the objecting party. Nonetheless, the court held that if the objecting party were a party to the action, as in that case, such hardship would be afforded less weight in the analysis.[13] Moreover, the court found that Crédit Lyonnais had failed to show that the French government was likely to prosecute or otherwise sanction Crédit Lyonnais for having complied with a U.S. court order compelling discovery.

Because on balance the factors weighed in favour of the plaintiffs (except, possibly, the foreign origin of the documents sought and Crédit Lyonnais' good faith), the court denied Crédit Lyonnais' motion for a protective order and compelled it to produce all documents pursuant to the plaintiffs' discovery requests in accordance with the Federal Rules.[14] Thus, although the court considered the possibility that Crédit Lyonnais could be prosecuted for complying with its order, the court found such possibility to be remote given the distinguishing facts between this case and *Christopher X.* Accordingly, the court afforded the *Christopher X* decision little weight in the comity and hardship analyses, particularly in light of the fact that Crédit Lyonnais was a party to the action itself.

Subsequent case law

In October 2009, the Federal Bankruptcy Court for the District of Delaware also considered the effects of the French blocking statute in a discovery dispute in which a party sought discovery from a Dutch party that claimed that the information was located at its affiliate's premises in France. After determining that the discovery sought was in the control of the Dutch party, Maasvlakte, and could be compelled, the court in *In re Global Power Equipment Group*[15] applied the seven balancing factors articulated in *Strauss*.

In assessing France's comity interests, the court concluded that "the French interest here is particularly attenuated." Maasvlakte was not a French company; the facility at issue in the litigation was not located in France; the majority of the information sought was not developed in France; and the information was only transferred to France by the Dutch company, a party to the trial, subject to the court's jurisdiction. Moreover, witnesses had testified at deposition that the French government would have little interest in protecting such information from discovery.[16]

In considering the potential hardship on the party, the court noted that Maasvlakte voluntarily filed a proof of claim in the bankruptcy and thereby submitted to the jurisdiction of the court. On the other hand, the court acknowledged the possibility that Maasvlakte could expose itself to prosecution in France if it complied with discovery under the Federal Rules. The court found, however, that the risk of prosecution was remote, because in the twenty years since the enactment of the blocking statute, French authorities had prosecuted under it only once and because Maasvlakte had not shown that there was any likelihood that it or its French affiliate would be prosecuted for complying with the discovery requests. In particular, the court rejected Maasvlakte's argument that The Hague Evidence Convention was the only means to obtain evidence from its non-party French affiliate. The court cited the Supreme Court's failure in *Aerospatiale* to make a distinction between discovery taken from a litigant or from a third party.[17]

As in *Strauss*, the court thus concluded that on balance the factors weighed in favor of permitting the party seeking discovery to employ the Federal Rules and did not require it to use the more limited means available under The Hague Evidence Convention.

Two cases in 2010 again gave short shrift to the French blocking statute. In *In re Air Cargo Shipping Services Antitrust Litig. MDL,*[18] the Federal District Court for the Eastern District of New York ordered the French airline Air France to produce documents that it had withheld on the ground that their production would be prohibited by the French blocking statute. The documents in question consisted of documents that the U.S. Department of Justice already had obtained in the course of its criminal antitrust investigation into the same activities that formed the basis for the civil antitrust claims at issue in the case.

The court applied the seven *Strauss* factors and focused in particular on the potential hardship on the defendant of producing the documents. The court noted that although the Supreme Court had held that "fear of criminal prosecution constitutes a weighty excuse for non-production,"[19] other courts had found that the legislative history of the statute showed that it "was never expected or intended to be enforced against French subjects but was intended rather to provide them with tactical weapons and bargaining chips in foreign courts."[20]

The court recognised that "but one prosecution . . . has ever been brought for violation of the blocking statute" and distinguished the *Christopher X* case on its facts, specifically that in this case the defendant had "sought to circumvent the blocking statute through deceptive means." The court concluded that, with the hardship factor undercut by the unlikelihood of France pursuing the defendant under the blocking statute and with the United States' strong national interest in enforcing its antitrust laws, the comity analysis weighed in favour of compelling production of documents under the Federal Rules.[21]

On 14 December 2010, the Magistrate Judge for the Federal Court for the Eastern District of Virginia in *MeadWestvaco Corp. v. Rexam PLC*[22] rejected the defendant's attempt to resist discovery by relying on the French blocking statute. The court acknowledged France's interest in preventing disclosure of the information but cited other courts in finding that the statute should not be accorded much deference. Although the court took note of the *Christopher X* decision, it found the facts distinguishable and concluded that the comity analysis weighed in favour of allowing discovery under the Federal Rules.[23]

Conclusion

Although U.S. courts are aware of—and explicitly have considered—France's first conviction of a French national for violation of its blocking statute, they have continued in the vein of *Aerospatiale* and accorded the statute little weight in determining whether to protect French defendants from discovery under the Federal Rules. U.S. courts uniformly have distinguished the facts of *Christopher X* from the facts at issue in the cases before them and have concluded that the blocking statute presented little or no hardship on parties seeking to resist discovery. For a U.S. court to give a French conviction any import, it may be that it will have to be under circumstances where the prosecuted party would be a party to the lawsuit and would actually be acting in accordance with the Federal Rules. Even then, however, U.S. courts appear reluctant to allow a French law to undermine their sovereign power to compel the type of broad discovery available to litigants under the Federal Rules.■

C.Taber-Kewene

Christina Taber-Kewene *is an associate in the New York office of Hogan Lovells. She has broad international litigation experience involving products liability, human rights, foreign service of process under the Hague Convention, foreign discovery of documents and testimony, personal jurisdiction and corporate veil piercing, and forum non conveniens. Christina has degrees from Stanford University and Columbia University.*

C. Di Meglio

Cécile Di Meglio *is licensed as an attorney in both France and New York and is a senior associate in the litigation practice of the Paris office of Hogan Lovells. She regularly advises clients on international jurisdiction, choice-of-law, international discovery and other issues arising in international litigation matters and has also developed a specific expertise in product liability issues, especially in the aviation industry. Cécile has degrees from Université Paris I, Panthéon-Sorbonne and New York University.*

Endnotes:

1 Law no. 80-538 of 16 July 1980, Article 1 Bis.

2 482 U.S. 522 (1987).

3 *Id.* at 544 n.29.

4 *Id.*

5 Bull. Crim. 2007, no. 309.

6 French Supreme Court, Criminal Chamber, 30 January 2008, *Pourvoi* no. 06-84.098.

7 Two other recent cases since the *Christopher X* decision also have declined to allow a French party to avoid application of the Federal Rules by citing to the French blocking statute but have not explicitly considered the import of the *Christopher X* decision. *In re SNP Boat Serv. SA*, 453 B.R. 446 (S.D. Fla. 2011); *Metso Minerals Indus., Inc. v. Johnson Crushers Int'l, Inc.*, 276 F.R.D. 504 (E.D. Wis. 2011).

8 249 F.R.D. 429.

9 *Id.* at 435, 437.

10 *Id.* at 438, 439.

11 *Id.* at 450.

12 *Id.* at 451.

13 *Id.* at 454.

14 249 F.R.D. 456.

15 418 B.R. 833 (Bankr.D.Del. 28 Oct. 2009).

16 *Id.*

17 *Id.*

18 NO. 06-MD-1775, MDL 1775, 2010 WL 1189341 (E.D.N.Y. 29 Mar. 2010).

19 *Id.* at *3, citing *Aerospatiale*.

20 *Id.* at *3, citing *Adidas (Canada) Ltd. v. SS Seatrain Bennington*, nos. 80 Civ. 1911, 82 Civ. 0375, 1984 WL 423, at *3 (S.D.N.Y., 30 May 1984) and *United States v. Gonzalez*, 748 F.2d 74, 78 (2d Cir. 1984)).

21 *Id.* at *4.

22 No. Civ. A. 1:10-511, 2010 WL 5574325, *aff'd* 2011 WL 102675 (E.D.Va. 10 Jan. 2011).

23 *Id.* at *2.