

Enforcement of Foreign Judgments

Contributing editor
Patrick Doris



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GETTING THE
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Enforcement of Foreign Judgments 2016

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1 Treaties

Is your country party to any bilateral or multilateral treaties for the reciprocal recognition and enforcement of foreign judgments? What is the country's approach to entering into these treaties and what if any amendments or reservations has your country made to such treaties?

The United States is not a signatory to any convention or treaty that requires recognition or enforcement of non-US court judgments. It is worth noting that, although this chapter does not specifically address international arbitration awards, the US is party to multilateral conventions that bear on US court enforcement of arbitration awards: the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) and the Inter-American Convention on International Commercial Arbitration (the Panama Convention). Typically, foreign arbitration awards issued pursuant to the New York and Panama Conventions face an easier path to enforcement in the US than foreign judgments do, because of these conventions.

The US is also party to the multilateral Convention on the Settlement of Investment Disputes Between States and Nationals of Other States (the ICSID Convention). Awards falling under the ICSID Convention are to be treated by signatory states as though they were enforcing domestic court awards.

2 Intra-state variations

Is there uniformity in the law on the enforcement of foreign judgments among different jurisdictions within the country?

No. Recognition and enforcement in the US is typically regulated on a state-by-state basis, though the law in most states can be traced back to the principles set forth in the US Supreme Court case *Hilton v Guyot*, 159 US 113 (1895).

Despite sharing origins in the *Hilton* case, state-law approaches to foreign judgments display some significant differences, including their treatment of a reciprocity requirement as a prerequisite to recognition and enforcement and their treatment of discretionary grounds for non-recognition of a foreign judgment.

3 Sources of law

What are the sources of law regarding the enforcement of foreign judgments?

Recognition of foreign judgments is governed by the statutory laws of the individual states or by common law. There is no federal statutory provision governing recognition or enforcement of foreign judgments nor will foreign judgments be recognised in US courts through use of a letter rogatory.

The 1962 Uniform Foreign Money-Judgments Recognition Act (the 1962 Model Act) sought to generally codify the principles set forth in *Hilton v Guyot*, 159 US 113 (1895) and was drafted in significant part to help address a concern that foreign courts were refusing to recognise US judgments due to inconsistencies in US recognition and enforcement law. The 1962 Model Act was eventually adopted in substantial part by 31 states, the District of Columbia, and the US Virgin Islands.

The 1962 Model Act was updated in 2005 and renamed the Uniform Foreign-Country Money Judgments Recognition Act (the 2005 Model Act), which has since been adopted by 20 states (Georgia is the most recent) and

the District of Columbia. During 2015, Massachusetts and New Jersey introduced legislation to adopt the 2005 Model Act, and that legislation is still pending. Thus, presently, some US states follow a version of the 1962 Model Act, some follow a version of the 2005 Model Act, and some regulate recognition and enforcement through common law principles reflected in case law.

4 Hague Convention requirements

To the extent the enforcing country is a signatory of the Hague Convention on Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, will the court require strict compliance with its provisions before recognising a foreign judgment?

The US is not a signatory to this Convention.

5 Limitation periods

What is the limitation period for enforcement of a foreign judgment? When does it commence to run? In what circumstances would the enforcing court consider the statute of limitations of the foreign jurisdiction?

The 2005 Model Act provides that '[a]n action to recognise a foreign-country judgment must be commenced within the earlier of the time during which the foreign-country judgment is effective in the foreign country or 15 years from the date that the foreign-country judgment became effective in the foreign country.' The statute of limitations varies, according to state law, in jurisdictions that have not adopted the 2005 Model Act. The 1962 Model Act, unlike the 2005 Model Act, does not address the question of a statute of limitations and leaves this issue to state law.

6 Types of enforceable order

Which remedies ordered by a foreign court are enforceable in your jurisdiction?

Typically, subject to certain requirements, US courts are willing to entertain the recognition and enforcement of foreign civil judgments for a fixed sum of money, excluding judgments for fines, penalties or taxes.

Furthermore, the United States generally adheres to the rule that the courts of one nation will not enforce the penal laws of another nation. See *Huntington v Attrill*, 146 US 657, 673-674 (1892). The question of whether a statute of one state is a penal law depends on whether its purpose is to punish an offence against the public justice of the state, or to afford a private remedy to a person injured by the wrongful act. *Id*; see also *Plata v Darbun Enterprises, Inc*, 2014 WL 341667, *5 (Cal App 2014): '[T]he issue whether a monetary award is a penalty within the meaning of the [Recognition Act] requires a court to focus on the legislative purpose of the law underlying the foreign judgment. A judgment is a penalty even if it awards monetary damages to a private individual if the judgment seeks to redress a public wrong and vindicate the public justice, as opposed to affording a private remedy to a person injured by the wrongful act.'

7 Competent courts

Must cases seeking enforcement of foreign judgments be brought in a particular court?

Most US states require the party seeking recognition and enforcement to file an action in a court that has an adequate basis to exercise jurisdiction over the alleged judgment creditor. Actions may be brought in a state court or a federal court. However, a federal court sitting in diversity will generally apply the substantive law of the state in which it sits, based on principles emerging from *Erie RR Co v Tompkins*, 304 US 64 (1938).

Federal common law principles may be applied in specialised cases.

A party may seek to enforce under the Federal Arbitration Act an international arbitral award obtained under the New York or Panama Convention.

8 Separation of recognition and enforcement

To what extent is the process for obtaining judicial recognition of a foreign judgment separate from the process for enforcement?

A foreign judgment cannot be enforced in the US before being recognised by a US court. The 1962 and 2005 Model Acts deal with the recognition of foreign judgments. See *Electrolines, Inc v Prudential Assurance Co*, 677 NW 2d 874, 882 (Mich Ct App 2003): '[A] foreign country money judgment cannot be enforced until it has been recognized and that the [Recognition Act] is not an enforcement act. The [Recognition Act] only serves the purpose of providing a court with a means to recognize a foreign money judgment.' Once a judgment has been recognised by a US court and is no longer subject to review, the judgment creditor can commence the enforcement process.

9 Defences

Can a defendant raise merits-based defences to liability or to the scope of the award entered in the foreign jurisdiction, or is the defendant limited to more narrow grounds for challenging a foreign judgment?

Depending upon which US state the recognition proceeding is filed in, defendants may avail themselves of specific defences recognised by common law or contained in the 1962 or 2005 Model Acts, or both (see question 11). Where a foreign judgment runs contrary to US constitutional principles, US courts will generally refuse to recognise and enforce it. See, for example, *Osorio v Dole Food Co*, 665 F Supp 2d 1307 (SD Fla 2009), aff'd sub nom *Osorio v Dow Chem Co*, 635 F3d 1277 (11th Cir 2011). In *Osorio*, the court refused to recognise the foreign judgment on multiple independent grounds, including lack of impartial tribunals, lack of due process, and various conflicts with US and state public policy issues. Id at 1352; see also William E Thomson and Perlette Michèle Jura, US Chamber Institute for Legal Reform, *Confronting the New Breed of Transnational Litigation: Abusive Foreign Judgments* (2011), available at www.instituteforlegalreform.com/resource/confronting-the-new-breed-of-transnational-litigation-abusive-foreign-judgments/.

US courts, like many courts worldwide, will strive to avoid relitigating the merits of cases in the context of judgment recognition but as the Supreme Court cautioned in *Hilton*, that goal must be balanced against the need to protect US citizens in the administration of justice. *Hilton*, 159 US at 163–64:

'Comity' in the legal sense, is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws.

International arbitral awards obtained under the New York or Panama Conventions are subject to specific defences to enforcement as laid out by the texts of those conventions.

10 Injunctive relief

May a party obtain injunctive relief to prevent foreign judgment enforcement proceedings in your jurisdiction?

There is currently disagreement across US states on this point.

11 Basic requirements for recognition

What are the basic mandatory requirements for recognition of a foreign judgment?

A final, conclusive and enforceable judgment, often required to be a civil judgment for a fixed sum of money, is the starting point for recognition by a US court. See, for example, 2005 Model Act section 3(a)(2); 1962 Model Act section 3. Unlike some countries, this requirement is not usually interpreted to mean that the foreign judgment is no longer subject to any appeals in the foreign jurisdiction, though in many US states if a foreign judgment is still subject to appeal, a related recognition action will likely be stayed pending resolution of the appeal in the foreign jurisdiction.

Typical mandatory grounds for non-recognition

In states that follow the 1962 and 2005 Model Acts, mandatory non-recognition of a foreign judgment is generally required where:

- the judgment was rendered under a judicial system that does not provide impartial tribunals or procedures compatible with the requirements of due process of law;
- the foreign court did not have personal jurisdiction over the defendant; or
- the foreign court did not have jurisdiction over the subject matter.

For further information, see the Uniform Foreign Money-Judgments Recognition Act (1962) section 4(a) and the Uniform Foreign-Country Money Judgments Recognition Act (2005) section 4(b).

Typical discretionary grounds for non-recognition

The 2005 Model Act provides that courts in a state adopting the Act need not recognise a foreign judgment if:

- (i) the defendant in the proceeding in the foreign court did not receive notice of the proceeding in sufficient time to enable the defendant to defend;
- (ii) the judgment was obtained by fraud that deprived the losing party of an adequate opportunity to present its case;
- (iii) the judgment or the [cause of action] [claim for relief] on which the judgment is based is repugnant to the public policy of this state or of the United States;
- (iv) the judgment conflicts with another final and conclusive judgment;
- (v) the proceeding in the foreign court was contrary to an agreement between the parties under which the dispute in question was to be determined other than by proceedings in that foreign court;
- (vi) in the case of jurisdiction based only on personal service, the foreign court was a seriously inconvenient forum for the trial of the action;
- (vii) the judgment was rendered in circumstances that raise substantial doubt about the integrity of the rendering court with respect to the judgment; or
- (viii) the specific proceeding in the foreign court leading to the judgment was not compatible with the requirements of due process of law.

For further information, see the Uniform Foreign-Country Money Judgments Recognition Act (2005) section 4(c). The 1962 Model Act includes the first six of the above discretionary grounds for non-recognition. US states that have not adopted either version of the model act are governed by common law principles, which also tend to embrace grounds similar to those listed above.

12 Other factors

May other non-mandatory factors for recognition of a foreign judgment be considered and if so what factors?

While *Hilton* contained a reciprocity requirement, such a requirement is expressly retained by only a minority of states. In addition, some US courts have specified that the principle of comity must be applied in a manner consistent with 'the rights of [US] citizens, or of other persons who are under the protection of [US] laws'. *Hilton*, 159 US at 163–64; see also

De Brimont v Penniman, 7 F Cas 309 (CCSDNY 1873) ('[comity] does not require [recognition], but rather forbids it, when such a recognition works a direct violation of the policy of our laws, and does violence to what we deem the rights of our own citizens.')

13 Procedural equivalence

Is there a requirement that the judicial proceedings where the judgment was entered correspond to due process in your jurisdiction, and if so, how is that requirement evaluated?

Yes, both Model Acts provide for mandatory non-recognition of foreign judgments where the judgment was rendered under a judicial system that does not provide impartial tribunals or procedures compatible with the requirements of due process of law. These same requirements exist under common law principles governing recognition and enforcement.

As the court explained in *Osorio*, 'a judicial safety valve is needed for cases [...] [in] which a foreign judgment violates international due process, works a direct violation of the policy of our laws, and does violence to what we deem the rights of our citizens.' See *Osorio*, 665 F Supp 2d 1307 (No. 07-22693) (Order on Motion for Reconsideration at 7).

14 Personal jurisdiction

Will the enforcing court examine whether the court where the judgment was entered had personal jurisdiction over the defendant, and if so, how is that requirement met?

A defendant may seek to defeat enforcement of a foreign judgment on the basis that the foreign tribunal lacked personal jurisdiction over the defendant. A foreign judgment is not conclusive in a US court if the foreign court did not have personal jurisdiction over the defendant. See *Bank of Montreal v Kough*, 430 F Supp 1243, 1246 (ND Cal 1977). Many US courts consider whether the foreign court properly exercised jurisdiction under its own laws and whether it had personal jurisdiction under US principles. If the foreign or US standards for jurisdiction are not satisfied, the judgment will not be recognised in a US court.

That said, there are certain ways in which the defence of lack of personal jurisdiction can be waived. See, for example, the Uniform Foreign-Country Money Judgments Recognition Act (2005) section 5.

A judgment debtor may be faced with the quandary of appearing in a foreign action where they believe the odds are stacked against them, thereby potentially submitting to personal jurisdiction, or refusing to appear and permitting the expected judgment to be entered, while preserving a stronger position for challenging jurisdiction. This 'catch-22' may put foreign defendants at a distinct disadvantage as regards jurisdiction.

15 Subject-matter jurisdiction

Will the enforcing court examine whether the court where the judgment was entered had subject-matter jurisdiction over the controversy, and if so, how is that requirement met?

A defendant may seek to defeat enforcement of a foreign judgment on the basis that the foreign tribunal lacked subject-matter jurisdiction over the action. Both Model Acts provide that lack of subject-matter jurisdiction is a defence against recognition of a foreign judgment. See also *Osorio*, 665 F Supp 2d at 1326 (holding that defendants invoked their opt-out rights under local law, thereby divesting the local trial court of jurisdiction and preventing enforcement of foreign judgment under Florida law). It is also possible to argue under common law rules that the foreign court did not have the power to render the decision in the case. See *Hilton*, 159 US at 166-67; Restatement (Third) of Foreign Relations section 482 cmt c (1987).

16 Service

Must the defendant have been technically or formally served with notice of the original action in the foreign jurisdiction, or is actual notice sufficient? How much notice is usually considered sufficient?

In general, the guiding principle in determining whether a litigant in the foreign court proceedings had notice of the proceedings so as to allow recognition and enforcement of the foreign judgment is whether a reasonable method of notification was employed and reasonable opportunity to be heard was afforded to the person or entity affected. See *Somportex Limited v Philadelphia Chewing Gum Corp*, 453 F 2d 435, 443 (3rd Cir 1971); *Gardner*

v Letcher, Slip Copy, 2014 WL 3611587 (D Nev 2014): 'Here it is undisputed that no summons was served and that the "Summary of the Document to be Served" form was not completely filled out. There is also no evidence that service was accomplished by other means that would have satisfied the Hague Convention. Therefore, service under the Hague Convention was void and the Swiss court did not have personal jurisdiction over Defendant'; Uniform Foreign Money-Judgments Recognition Act (1962) section 4(b): a foreign judgment need not be recognised if 'the defendant in the proceedings in the foreign court did not receive notice of the proceedings in sufficient time to enable him to defend'; and Uniform Foreign-Country Money Judgments Recognition Act (2005) section 4(c) (same).

17 Fairness of foreign jurisdiction

Will the court consider the relative inconvenience of the foreign jurisdiction to the defendant as a basis for declining to enforce a foreign judgment?

Yes. However, objecting to a foreign judgment on the basis that the forum was inconvenient is not a defence that is frequently invoked. The 1962 Model Act, which is still followed by several US states, provides that a US court may deny recognition where 'the original action should have been dismissed by the court in the foreign country on grounds of forum non conveniens.' See also Uniform Foreign-Country Money Judgments Recognition Act (2005), section 4(b)(6): 'in the case of jurisdiction based only on personal service, the foreign court was a seriously inconvenient forum for the trial of the action.'

18 Vitiating by fraud

Will the court examine the foreign judgment for allegations of fraud upon the defendant or the court?

Yes. Courts may refuse to recognise a judgment after showing that the foreign judgment was obtained fraudulently. See *United States v Throckmorton*, 98 US 61, 65 (1878); *Bridgestone/Firestone, Inc Tires Prod Liab Litig*, 470 F Supp 2d 917 (SD Ind 2006) (refusing to recognise Mexican judgment where plaintiff colluded with judicial officer), rev'd on other grounds, 533 F 3d 578, 593-94 (7th Cir 2008); in re *Topcuoglu's Will*, 174 NYS 2d 260 (NY Surr Ct 1958) (refusing to recognise Turkish judgment procured through fraud); *Matter of Estate of Weil*, 609 NYS 2d 375 (1994) (refusing to recognise Israeli probate judgment procured through fraud); Uniform Foreign Money-Judgments Recognition Act (1962) section 4(b)(2); and Uniform Foreign-Country Money Judgments Recognition Act (2005) section 4(c)(2).

19 Public policy

Will the court examine the foreign judgment for consistency with the enforcing jurisdiction's public policy and substantive laws?

Yes, US courts may refuse to recognise judgments that contravene public policy. See, for example, Uniform Foreign Money-Judgments Recognition Act (1962) section 4(b)(3); Uniform Foreign-Country Money Judgments Recognition Act (2005) section 4(c)(3).

20 Conflicting decisions

What will the court do if the foreign judgment sought to be enforced is in conflict with another final and conclusive judgment involving the same parties or parties in privity?

Under the law of every state adopting one of the Model Acts, '[a] foreign judgment need not be recognised if [...] the judgment conflicts with another final and conclusive judgment[.]' See, for example, the Uniform Foreign Money-Judgments Recognition Act (1962), section 4(b)(4); the Uniform Foreign-Country Money Judgments Recognition Act (2005), section 4(c)(4); and the Restatement (Third) of Foreign Relations Law section 482(2)(e) (1987).

For example, in *Byblos Bank Europe, SA v Syrketi*, 10 NY 3d 243 (NY 2008), the New York Court of Appeals noted that New York courts may in the exercise of discretion refuse to enforce a foreign judgment that 'conflicts with another final and conclusive judgment'. Ultimately, the *Byblos* court held that the New York trial court did not abuse its discretion under New York's Recognition Act in denying recognition of a Belgian judgment, which disregarded and conflicted with a previously rendered Turkish judgment.

Update and trends

Discussions about implementing a uniform recognition and enforcement standard have been somewhat revived and the increasing number of suspect foreign judgments filed in US courts has started to prompt several scholars and organisations to question whether more stringent standards should be in place for foreign judgment recognition and enforcement.

21 Enforcement against third parties

Will a court apply the principles of agency or alter ego to enforce a judgment against a party other than the named judgment debtor?

This is a complex issue that is not treated uniformly in all states.

22 Alternative dispute resolution

What will the court do if the parties had an enforceable agreement to use alternative dispute resolution, and the defendant argues that this requirement was not followed by the party seeking to enforce?

All states that follow or have enacted the 1962 or 2005 Model Acts recognise that '[a] foreign judgment need not be recognised if [...] the proceeding in the foreign court was contrary to an agreement between the parties under which the dispute in question was to be settled otherwise than by proceedings in that court.' See Uniform Foreign Money-Judgments Recognition Act (1962) section 4(b)(5); Uniform Foreign-Country Money Judgments Recognition Act (2005) section 4(c)(5): 'A court of this state need not recognise a foreign-country judgment if [...] the proceeding in the foreign court was contrary to an agreement between the parties under which the dispute in question was to be determined otherwise than by proceedings in that foreign court'; and the Restatement (Third) of Foreign Relations Law section 482(2)(f).

Courts applying this section of the Model Acts have generally applied it in cases in which parties had previously agreed to a particular forum, or had agreed to arbitrate. See, for example, *Tyco Valves & Controls Distribution GmbH v Tippins Inc*, No. CIV A 04-1626, 2006 WL 1914814 at *7 (WD Pa 10 Oct 2006) (declining to enforce German judgment because it was contrary to agreement between the parties to arbitrate); *Nicor International Corp v El Paso Corp*, 318 F Supp 2d 1160, 1167 (SD Fl 2004) (applying Texas common law and finding that proceedings in the Dominican Republic were not entitled to recognition because they were contrary to an agreement to arbitrate); *The Courage Co v The Chemshare Corp*, 93 SW 3d 323, 336 (Tx Ct App 2002) (refusing to recognise or enforce Japanese judgment because the parties had agreed to arbitrate); and *Montebueno Marketing, Inc v DelMonte Corporation-USA*, 2014 WL 1509250 (9th Cir 2014): 'The district court [correctly] found that the Philippine litigation that produced

the foreign judgment here was "contrary to" an arbitration agreement between Montebueno and Del Monte.'

23 Favourably treated jurisdictions

Are judgments from some foreign jurisdictions given greater deference than judgments from others? If so, why?

While the Model Acts do not provide for disparate treatment between foreign countries' judgments, US courts may find, in practice, that certain countries' legal systems are less reliable than others. Conversely, courts may also find that a foreign country's legal system is consistently reliable and compatible with US due process of law. See, for example, *Soc'y of Lloyd's v Ashenden*, 233 F 3d 473, 476 (7th Cir 2000): 'The courts of England are fair and neutral forums' and '[t]he origins of our concept of due process of law are English' (quoting *Riley v Kingsley Underwriting Agencies Ltd*, 969 F 2d 953, 958 (10th Cir 1992)).

In addition, in US states that still require reciprocity of judgment recognition, foreign states not providing for reciprocal treatment are de facto disfavoured.

24 Alteration of awards

Will a court ever recognise only part of a judgment, or alter or limit the damage award?

Case law is still developing on alteration of awards. A few courts have suggested that this may be possible. See, for example, *Ackermann v Levine*, 788 F 2d 830 (2d Cir 1986) ('We note that courts are not limited to recognising a judgment entirely or not at all. Where a foreign judgment contains discrete components, the enforcing court should [endeavour] to discern the appropriate "extent of recognition."'). However, foreign judgments suffering from certain types of defects are impossible to 'partition' so as to grant partial recognition. For example, foreign judgments procured by fraud or rendered under a system lacking due process or impartial tribunals cannot be remedied by partition.

25 Currency, interest, costs

In recognising a foreign judgment, does the court convert the damage award to local currency and take into account such factors as interest and court costs and exchange controls? If interest claims are allowed, which law governs the rate of interest?

Yes. Varying standards are applied by US courts to determine the date of conversion, which will affect the exchange rate between US dollars and the foreign currency in which the judgment was rendered. The 'breach-day' rule fixes the exchange rate at the date the foreign judgment was rendered. The 'judgment-day' rule applies the date of the US judgment. Recently, other approaches have been adopted or encouraged such as the 'payment-day' rule (fixing at the date when the judgment is satisfied) and

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the Restatement (Third) Foreign Relations Laws' less rigid standard that permits courts to award payment in whichever way will best make whole the prevailing party. See Restatement (Third) of Foreign Relations Law section 423 (1987).

26 Security

Is there a right to appeal from a judgment recognising or enforcing a foreign judgment? If so, what procedures, if any, are available to ensure the judgment will be enforceable against the defendant if and when it is affirmed?

Yes. Judgment debtors have the right to appeal a US court decision on recognition and enforcement. A trial court may require the judgment debtor to post an appeal bond before issuing a stay of execution of its ruling.

27 Enforcement process

Once a foreign judgment is recognised, what is the process for enforcing it in your jurisdiction?

The 2005 Model Act provides that recognised judgments are 'enforceable in the same manner and to the same extent as a judgment rendered in this state'. While the 2005 Model Act does deal with some of the particulars of judgment enforcement, all states except for California, Vermont, and Massachusetts have enacted the Uniform Enforcement of Foreign Judgments Act. The Enforcement Act applies to both judgments of US

sister states and to those of 'any other court which is entitled to full faith and credit' of the relevant state.

Where states have adopted the Enforcement Act in conjunction with one of the Model Recognition Acts, a path to enforcement of a foreign judgment is more clearly prescribed than where the enforcing state has not done so. It must be noted, however, that 'a foreign-country money judgment cannot be enforced until it has been recognised and that the [Recognition Act] is not an enforcement act' (*Electrolines, Inc v Prudential Assurance Co*, 677 NW 2d 874, 882 (Mich Ct App 2003)), and that 'the [Recognition Act] and the [Enforcement Act] operate in tandem, with recognition of a foreign money judgment under the [Recognition Act] the precursor to enforcement under the [Enforcement Act]' (Id at 883).

28 Pitfalls

What are the most common pitfalls in seeking recognition or enforcement of a foreign judgment in your jurisdiction?

Judgment creditors bringing suspect foreign judgments that lack indicia of fairness or due process should not presume that the foreign judgments will be rubber stamped by US courts. See, for example, *Osorio v Dole Food Co*, 665 F Supp 2d 1307 (SD Fla 2009).

Gibson Dunn represented Dole Food Company in two cases cited in this chapter: *Osorio v Dole Food Co*, 665 F Supp 2d 1307 (SD Fla 2009); and *Osorio v Dow Chem Co*, 635 F3d 1277 (11th Cir 2011).

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