Understanding One Another—Litigating in Spain and the U.S.A.

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Table of Contents

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When contemplating or responding to litigation in either an American or a Spanish court, litigants must assemble and organize a legal team prepared to address a wide variety of possible challenges and issues, including:

- the exercise of *in personam* and subject matter jurisdiction,
- the form and manner of service of process,
- dismissal based on *forum non conveniens*,
- in contract disputes, the rules applicable to choice of forum and choice of the substantive law governing the dispute,
- the procedures and limitations on joinder of claims and parties,
- whether types of damages, *esp.*, punitive or exemplary damages, are available,
- whether liability claims are recognized in one jurisdiction, but not the other; and
- the types and reach of tools available to obtain discovery from the litigants and third parties.

While joinder of all of the claims the parties have against each other into a single proceeding is a typical feature of the American court system, a dispute may proceed in several courts of the Spanish system, where there are specialized courts devoted to commercial, criminal, and constitutional issues. Appeals may be commenced while matters are proceeding in a Court of First Instance. Litigation may start in a single court in one of the two countries, then proceed simultaneously in both.

This can be costly and strain a party's capacity to address the different demands of litigation in these two countries. It may recommend the selection of a single outside counsel with knowledge of local law and the ability to litigate in the United States and in Spain. However, a successful team can be assembled in the form of an *ad hoc* "partnering" between the client's regular outside counsel and local counsel in the distant forum, as well.

Some issues may not be well suited to adjudicating in one's "home" forum or the forum selected in an agreement drawn up long before an issue was perceived or a dispute arose. In the *Nike* dispute, for example, there both breach of contract claims as well as contested rights to a trademark registered in Spain. The trademark cancellation and nullification actions were appropriately heard in Spanish courts familiar with the framework of Spanish trademark law and procedure.

Obviously, a thorough discussion of even a few of these issues would be an ambitious undertaking. This article is more modest, and is organized around a commercial dispute that Beaverton, Oregon-based Nike, Inc. adjudicated in the United States District Court for the District of Oregon and simultaneously in several Spanish courts in Barcelona and Madrid. A brief introduction regarding Nike's expansion of its business into the Kingdom of Spain is followed by a discussion of some of the turns the litigation took with Nike's former Spanish distributor.

This is interspersed with a discussion of several, relatively recent Federal trial court opinions and appellate cases involving litigation between other American and (though not exclusively) Spanish parties. The objective in doing so is to provide some observations concerning challenges one may expect to encounter in transnational commercial litigation. Finally, the article will return to the events that led to the resolution of the *Nike* litigation in the American court, and, years later, in Spain.

I. Nike's Growth into the Spanish Market

Nike, Inc. traces its roots back to the 1960s when it began as Blue Ribbon Sports, a distributor for a Japanese running shoe manufacturer. In 1971, Phil Knight paid a graphic arts university student $35 to prepare some charts and graphs and to present ideas for a footwear logo.

When reviewing the Swoosh design among the student's five or so proposals, Knight reportedly commented, "I don't love it, but maybe it will grow on me." Presumably, it has had that effect. Nike, Inc.'s FY2011 annual report records revenues of US$20.9 billion. The European Brand Institute recently released its "eurobrand2011" report valuing Nike's corporate brand at US$18.7 billion (€17.138m), and ranking it as the 23rd most valuable in the U.S. and 41st worldwide.

The company registered the now-famous "Swoosh" trademark, and it began manufacturing its own brand of athletic footwear. The company changed its name to Nike, Inc. in 1978. The following year, athletic apparel and, later, sport bags were added to the footwear product line.

In 1981, Nike International, Ltd. was created as the company expanded its sales and marketing outside of the United States. Nike International, Ltd. is a wholly owned subsidiary of Nike, Inc. Nike International, Ltd. entered into the distribution and trademark licensing agreements with local companies in European countries, including Spain.

In the mid-1980s, Nike entered into a footwear distribution agreement with a Spanish sporting goods retailer, Comercial Iberica de Exclusivas Deportivas, S.A. ("Cidesport"). In a second agreement, Nike licensed the use of its trademarks to Cidesport for apparel and sport bags.

The provisions of the apparel licensing agreement included a requirement that the licensee employ its best efforts to obtain and transfer to Nike all rights to marks that potentially conflicted with Nike's marks. The agreement with Cidesport specifically mentioned a Spanish trademark that a Spanish sock manufacturer had registered in the 1930s.

Nike unsuccessfully sought to acquire the mark. The trademark ("No. 88,222") is an image of the Greek statute known as "The Winged Victory of Samothrace" on a pedestal bearing the word "Nike." Though registered in Spain since the 1930s, the fact that the Spanish sock mark had never been used later became an important factor in Nike's eventual success in an action to nullify the registration of that mark.

For several years, Nike supplied footwear to Cidesport under the distribution agreement. Through third parties, Cidesport manufactured and sold Nike apparel and sport bags bearing Nike's designs and trademarks under the license. Several months before the end of the term of the independent distributor/licensee arrangement, the parties began to negotiate performance targets for sales of Nike brand apparel and purchase of Nike brand footwear.

One of the issues was compliance with the provision requiring Cidesport to transfer rights to any marks. Nike learned that Cidesport had acquired rights to the use of the No. 88,222 mark, but instead of conveying those rights to Nike, Cidesport's directors transferred the rights to a third party.

Nike decided to replace Cidesport with a wholly owned subsidiary, American Nike, S.A. The distribution and apparel license agreements provided a procedure to wind down the relationship. However, when Nike began making preparations to conduct its business through American Nike, S.A., Cidesport threatened to commence a lawsuit in the Spanish courts if Nike refused to continue to deliver footwear and to extend the distribution agreement.

II. Litigation Is Commenced in the American Court Specified in the Parties' Contracts

Nike responded by filing a lawsuit for breach of contract and declaratory relief in the forum specified in the parties' agreements, that is, the United States District Court for the District of Oregon. Nike sought a declaration that Cidesport had breached the agreements, and that Nike had no continuing obligation to deliver footwear to its former distributor.

Nike employed several means, including the procedures under the Hague Convention, when it served a Summons and Complaint upon its former distributor/licensee and several of its directors, all of whom are Spanish citizens. Under Federal Rule of Civil Procedure 4(f)(1), "an individual . . . may be served at a place not within any judicial district of the United States: (1) by any internationally agreed means of service that is reasonably calculated to give notice, such as those authorized by the Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents."

Spain is a signatory to the Hague Convention on Service Abroad of Judicial Documents in Civil or Commercial Matters. See *Intelsat Corp. v. Multivision TV, LLC*, 736 F. Supp. 2d 1334, 1342-43 (S.D. Fla., 2010) (discussing split in Federal circuits whether initial service of process by delivery through the postal service complies with Article 10(a) of the Hague Convention when the plaintiff delivered the process to a Spanish defendant's place of business by Federal Express, and a receptionist signed for the deliveries).

Following the Hague Convention is not the exclusive manner of completing valid service of process. Where an international agreement allows, but does not specify, other means, effective service may be accomplished by observing the provisions of Spanish law governing service of process on Spanish nationals issued out of a non-Spanish court at the request of a foreign litigant. See *In Grand Entertainment Group, Ltd. v. Star Media Sales, Inc.*, 988 F.2d 476, 487-88 (3rd Cir. 1993) (interpreting the successor to Federal Rule of Civil Procedure 4(f)(2)(A); cited with approval in *J.B. Custom, Inc. v. Amadeo Rossi, S.A.*, 2011 WL 2199704 at 4 (N.D. Ind., June 6, 2011)).

While a challenge to the jurisdiction of a foreign court may have merit, an American corporation doing business in Spain, or a Spanish corporation doing business in the United States, should be prepared to engage in the litigation. The consequences of declining to do so can be severe.

In *Northrup King Co. v. Compania Productora Semillas Algodoneras Selectas, S.A.,* 51 F.3d 1383 (8th Cir., 1995), a Spanish corporation (COPSA) headquartered in Sevilla, distributed cottonseeds that it had purchased from an American supplier, Coker, for over 25 years. After Northrup King purchased some of Coker's assets, including several varieties of cottonseed, COPSA's president and a vice president visited Northrup King's headquarters in Minnesota to negotiate for the continued sale of cottonseeds.

COPSA refused to pay for the seeds, and Northrup King filed a breach of contract claim in the United States District Court for the District of Minnesota. Northrup King submitted a Request for Service Abroad of Judicial and Extrajudicial Documents, pursuant to Article 3 of the Hague Convention on Service Abroad of Judicial Documents in Civil or Commercial Matters, February 10, 1969, 790 UST 361. In accordance with Article 6 of the Convention, the Spanish Ministry of Justice returned a completed certificate stating that the documents had been served.

The Federal district court found the transactions at issue were 'directly related to and essentially arose from' COPSA's contacts with the Minnesota forum, and denied COPSA's challenge to the exercise of *in personam* jurisdiction. COPSA declined to file an Answer to the Complaint.

Northrup King moved for entry of an Order of default. In resisting the motion for default, COPSA attempted to revive its challenge to *in personam* jurisdiction. The trial judge refused to revisit the prior rulings

on those issues. In the subsequent appeal, the United States Court of Appeals for the Eighth Circuit affirmed the trial court's finding that the exercise of jurisdiction over COPSA did not violate the due process standards applicable to *in personam* jurisdiction. *Northrup King, supra,* 51 F.3d at 1389.

COPSA asserted a number of defects in the service of process under the Convention and Spanish procedural law. The Convention requires that the Central Authority (in that instance, the Spanish Ministry of Justice) serve the documents by a method specified by its own law or by a method requested by the sender that complies with local law. The Convention reserves to the Central Authority the right to object to documents submitted for service if they do not comply.

The Federal appellate court noted, COPSA did "not contend that it lacked actual notice of the proceedings or that the alleged technical deficiencies prejudiced it in any way." *Id*. at 1390. The American trial judge's decision rejecting the challenges to the form and manner of service of the Summons and Complaint and the subsequent default order was upheld upon the grounds that "[t]he Spanish Central Authority's return of a completed certificate of service" was *prima facie* evidence that

- the Authority's service on COPSA was made in compliance with the Convention" (*id.* at 1389); and
- the Spanish Ministry of Justice did not object to the form of the documents, and by its subsequent certification of the service, the Central Authority indicated the documents complied and the service had been made "as Spanish law required." *Id.* at 1390.

The recommended course of action is always to anticipate risks and attempt to control uncertainties and costs associated with litigation. Nike attempted to do so by including provisions in its contracts where the parties consented to the venue and exercise of *in personam* jurisdiction by the United States District Court for the District of Oregon in the event a of dispute. "[P]arties to a contract may agree in advance to submit to the jurisdiction of a given court, to permit notice to be served by the opposing party; or even to waive notice altogether." *Nat'l. Equip. Rental, Ltd. v. Szukhent*, 375 U.S. 311, 316 (1964).

However, once a dispute actually arises:

- parties may be unwilling to accede to the jurisdiction of the forum identified in the forum selection clause of their contract; or
- the issues in dispute (such as rights to property or trademarks) may be matters more suitably adjudicated in the country where the property is located or the marks are registered; or
- a party resisting the exercise of the forum court's jurisdiction may simply decide not to comply with a foreign forum court's orders – particularly where it has no assets within the forum (or where reaching those assets presents substantial procedural hurdles and delay).

A. The Spanish defendants unsuccessfully sought dismissal of Nike's case, then filed a parallel lawsuit in the Spanish courts

The Spanish defendants responded to Nike's Complaint with a motion to dismiss challenging the Federal court's exercise of jurisdiction, and, in the alternative, asking for dismissal on *forum non conveniens* grounds. The Federal district court denied those motions to dismiss.

Shortly after the Federal court's ruling, the Spanish defendants filed a Complaint in the Court of First Instance in Barcelona alleging that the distribution agreement had been renewed beyond the termination date, and that Nike had breached the agreement by failing to deliver footwear orders. The Spanish defendants obtained a temporary injunction purporting to require Nike to deliver footwear and enjoining the operations of Nike's newly formed Spanish subsidiary, American Nike, S.A. In the months that followed, Cidesport sold

off the genuine Nike footwear it had in its inventory, and it continued to acquire and sell apparel bearing genuine Nike designs.

The Cidesport defendants' commencement of the parallel lawsuit was clearly intended to afford opportunities to urge the application of Spanish law, and to bolster their challenge to the non-competition provisions in the parties' contracts as unenforceable restraints of trade. Oregon law will uphold enforcement of non-competition provisions if they are narrowly drawn and limited in geographical scope and duration, and Nike's distribution and licensing agreements included choice of law provisions specifying that the substantive law of the State of Oregon would govern the parties' relationship.

Therefore, Nike was obliged to appear and present evidence of Oregon law to the Spanish court. Civil Procedure Law Article 281(2) requires a party invoking foreign law in a Spanish court to prove the contents and force thereof by means of the evidence admissible under Spanish law. "Where there is no absolute confidence and certainty in the application of Foreign Law, Spanish Courts shall pass judgment according to Spanish Law." (7 September 1990 (RJ 1990, 6855), 28 October 1968 (RJ 1968, 4850), 4 October 1982 (RJ 1982, 5537), 15 March 1984 (RJ 1984, 1574), 11 May 1989 (RJ 1989, 3758)).

Choice of law rules in many jurisdictions typically require there to be a substantial relationship between the law of the state chosen and the parties or the transaction. The *Restatement (Second) of Conflicts of Laws* §187 provides that "[t]he law of the state chosen by the parties to govern their contractual rights and duties will be applied," save for two exceptions: (1) "the chosen state has no substantial relationship to the parties or the transaction and there is no other reasonable basis for the parties' choice," or (2) "application of the law of the chosen state would be contrary to a fundamental policy" of the forum state.

A recent decision by a Federal district court found a reasonable basis in the parties' choice of New York law even though "New York ha[d] little to do with the activities of the parties under the Agreement." *Tierra Right of Way Services, Ltd. v. Abengoa Solar, Inc.*, 2011 WL 229207 at 4 (D. Ariz., Jun. 9, 2011). The plaintiff, an Arizona corporation, challenged an arbitration provision in its contract with the defendant, a company organized under Delaware law.

In response to the plaintiff's argument that the contractual choice of New York substantive law and arbitration law was unconscionable, the court noted that "many contracting parties select New York law due to that state's reputation as an international commercial center or to standardize contracting when the parties do business nationwide." Since Abengoa's parent company was "based in Spain and has offices—and likely conducts business—in multiple states and around the globe, Abengoa's desire to have the Agreement governed by the laws of New York is not unreasonable." 2011 WL 2292007 at 4.

Ordinarily, there is "a strong presumption in favor of the plaintiff's choice of forum." *Piper Aircraft Co. v. Reyno,* 454 U.S. 235, 255 (1981). In the *Nike* case, Cidesport's *forum non conveniens* motion was denied. However, mention of that motion affords an opportunity to use a recent case to illustrate the importance of being prepared to present and communicate information about one country's judicial system to a foreign court—often in the form of expert declarations. It also bears mentioning that where many of these threshold issues are presented at the outset of a case and under limited time deadlines, local counsel's knowledge of, and relationships with, qualified experts in a variety of areas of substantive and procedural law can be invaluable.

A motion for *forum non conveniens* dismissal often turns on the movant's showing regarding an adequate alternative forum to adjudicate the claims.

> The party moving to dismiss based on *forum non conveniens* bears the burden of showing (1) the existence of an alternative adequate forum and (2) that the balance of private and public interest factors favor dismissal. *Dole Food Co., Inc. v. Watts,* 303 F.3d 1104, 1117 (9th Cir. 2002). The

> private interest factors include the residence of the parties and witnesses, availability of compulsory processes for attendance of witnesses, costs of bringing willing witnesses and parties to the place of trial, access to physical evidence, enforceability of judgments, and all other practical problems. *Gulf Oil Corp. v. Gilbert,* 330 U.S. 501, 508, 67 S. Ct. 839, 91 L.Ed. 1055 (1947). Public interest factors include the burden on local courts, the local interest in having the matter decided locally, familiarity with governing law and avoidance of unnecessary problems in conflicts of law or application of foreign law.

Id. at 508-09. *Beltappo, Inc. v. Rich Xiberta, S.A.*, 2006 WL 314338 at 9 (W.D. Wash., Feb. 7, 2006) (denying Spanish wine cork producer's motions to dismiss for lack of *in personam* jurisdiction and *forum non conveniens*).

There is a lengthy discussion of the *forum non conveniens* factors in a recent decision dismissing products liability litigation filed in the American courts by 204 plaintiffs in 116 separate lawsuits after a McDonnell Douglas model MD-82 aircraft operated by Spanair crashed after takeoff from Madrid Barajas International Airport in Madrid, Spain on August 20, 2008. *In re Air Crash at Madrid, Spain, on August 20, 2008*, 2011 WL 1058452, 1 (C.D. Cal., Mar. 22, 2011).

Most of the 100 victims were Spanish citizens. None were American. According to the memorandum opinion, the cause of the accident was undisputed. The plane crashed because leading-edge slats and trailing-edge flaps that pilots must extend at takeoff were retracted. "The dispute is over who or what is responsible for the slats' and flaps' improper configuration." 2011 WL 1058452 at 1.

The cases were consolidated by a Multidistrict Litigation panel and transferred to the Federal District Court for the Central District of California. *In re: Air Crash at Madrid, Spain, on August 20, 2008*, 672 F. Supp. 2d 1378 (J.P.M.L., 2010). The defendants then moved to dismiss the case under the doctrine of *forum non conveniens*. The defendants argued that the courts provided an adequate alternative forum, and the Kingdom of Spain had a strong interest in the outcome of this litigation given that the aircraft operator, pilots, and most victims are Spanish citizens and that the accident occurred at a Spanish airport on Spanish soil.

In some cases, the dispute over the adequacy of the alternative forum concerns whether the moving party is subject to jurisdiction in the foreign forum, statute of limitations issues or whether the foreign forum recognizes the claims for relief, certain defenses and provides a remedy. However, in the *In re Air Crash at Madrid, Spain* case, the defendants stipulated to submit to the jurisdiction of the Spanish courts, and there was no dispute that the Spanish judicial system recognized negligence and strict liability claims and allowed recovery for economic and non-economic damages. 2011 WL 1058452 at 4.

The Spanish plaintiffs resisted the motion on grounds of delay. Madrid's Examining Court No. 11 conducted a criminal investigation following the accident. In October 2008, that court charged two Spanair mechanics and the head of the maintenance department with 154 counts of manslaughter and 18 counts of negligent injury. Under Spanish law, criminal proceedings are employed to address civil claims for damages that proximately resulted from a defendant's criminal offense. At the time the Federal district court decided the *forum non conveniens* motion, the criminal proceedings were still in the investigative phase.

Pointing to another criminal investigation that took 11 years to conclude after an unrelated air crash in Spain, the plaintiffs argued that the Spanish courts did not provide an adequate alternative forum in this particular case (1) because adjudication of the civil claims would be indefinitely stayed pending resolution of the criminal proceedings, and (2) because the plaintiffs would not be able to pursue claims against those defendants if they participated in the ongoing criminal proceedings.

Citing the expert evidence offered by the parties, the Federal district court ruled that Spain provided an adequate alternative forum:

> Even assuming the criminal proceedings relevant here will take similarly long, and thus assuming that final judgment in the civil proceedings cannot be entered for 11 years, this does not make the Spanish forum unavailable. Indeed, though not desirable, complex litigation of the sort presented in this case could take nearly as long to resolve in this forum.

2011 WL 1058452 at 6.

Having concluded that the Spanish courts offered an adequate alternative forum, the Federal district court then weighed the private and public interest factors, and concluded those favored dismissal.

Immediately after the Federal district court issued its ruling, the plaintiffs sought reconsideration. The 3rd Mercantile Court of Barcelona initially denied a stay of the civil proceedings, but then set aside that order and instituted an immediate stay of all proceedings. The Spanish court found the claims in the criminal case and the civil case were "identical," and entered a stay where "what is decided in [one case] become the logical antecedent of the decision in the other." Article 43 of the Spanish Civil Procedure Code, "establish[es] the possibility of suspending civil proceedings when it is necessary, in order to decide the litigation, to rule on any matter which, in turn, is the subject of other proceedings pending before either the same court or a different one."

Notwithstanding the entry of the stay that the plaintiffs had predicted would delay their civil claims for years, the Federal district court decided to affirm its prior dismissal order. "[E]ven granting that extraordinarily long delays *can* in some circumstances render a foreign tribunal effectively unavailable, and even assuming that it is possible that proceedings in Plaintiffs' civil cases would be stayed until the criminal case is resolved, there is no indication that Plaintiffs will experience such long delays as to render the Spanish tribunal unavailable within the meaning of *forum non conveniens* jurisprudence." *In re Air Crash at Madrid, Spain*, 2011 WL 2183972 at 7 (C.D. Cal., May 16, 2011) (emphasis in original).

III. Litigants Are Expected to Comply with the Forum Court's Discovery Rules and Procedures

The parties in the *Nike* litigation in the Federal court in Oregon embarked on an initial round of discovery depositions taken under the Federal Rules of Civil Procedure. There are a number of differences in the discovery devices available under Spanish and American law. Discovery by party depositions of witnesses is not practiced in the Spanish courts. However, Spain is a signatory to Chapter II of the Convention on the Taking of Evidence Abroad in Civil and Commercial Matters, 23 U.S.T. 2555 (1968).

When the Convention procedures are invoked by a party to obtain discovery, the trial court is to take into account the particular facts of the case, sovereign interests, and the likelihood that Convention procedures will prove effective. *Societe Nationale Industrielle Aerospatiale v. U.S. Dist. Court for the Southern Dist. of Iowa,* 482 U.S. 522, 541 (1987). Yet those procedures are not considered mandatory, exclusive, or even a matter of "first resort" before a party pursues discovery under the Federal Rules of Civil Procedure. *Id.* at 544.

The Spanish defendants' attorneys were served with Notices of Depositions issued under the Federal Rules of Civil Procedure. The corporate and individual defendants in the *Nike* litigation refused to appear for depositions outside of Spain. However, most, but not all, of the defendants submitted to depositions taken in Spain. Nor did they insist that their depositions be taken in accordance with the procedures in the Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters. 23 UST 2555; *Work v. Bier*, 106 F.R.D. 45, 48 (D. D.C. 1985) ("It seems clear that where depositions of party witnesses are sought to be taken within the geographic boundaries of a State which is a party to the Hague Evidence Convention, such discov-

ery must be in accord with the procedures required by that Convention, in order to protect the territorial sovereignty of that Nation.")

Had they done so, a clash might have ensued between the Federal Rules and the Convention, as well as raising sovereignty issues. See *In re Honda Am. Motor Co. Dealership Relations Litig.*, 168 F.R.D. 535, 538 (D. Md. 1996) ([I]f a federal court compels discovery on foreign soil, foreign judicial sovereignty may be infringed, but when depositions of foreign nationals are taken on American or neutral soil, courts have concluded that comity concerns are not implicated.") Though it did not involve Spanish litigants, some of the rulings made in *Schindler Elevator Corp. v. Otis Elevator Co*, 657 F. Supp. 2d 525 (D. N.J., 2009) illustrate issues that may be encountered when discovery is pursued through oral depositions under the Federal Rules of Civil Procedure.

The plaintiff in *Schindler Elevator* brought a declaratory judgment action in the Federal district court in New Jersey seeking to invalidate a patent owned by the defendant, Otis, for an elevator component. Otis filed a motion joining plaintiff's Swiss affiliate, Schindler Aufzuge, A.G. ("Aufzuge"), and asserted counterclaims for infringement against plaintiff and Aufzuge. Aufzuge filed a motion to dismiss for lack of *in personam* jurisdiction supported by a senior vice president's declaration representing the absence of Aufzuge contacts with the State of New Jersey.

The Federal court permitted discovery limited to the jurisdictional issue. Otis served a notice under Federal Rule of Civil Procedure 30(b)(6) requiring Aufzuge to present a spokesperson in New Jersey to submit to an oral deposition. Aufzuge refused to comply unless Otis utilized the procedures under the Hague Convention.

Aufzuge argued that depositions following the Hague procedures would not cause undue delay, and that proceeding with depositions would subject the deponent to criminal prosecution under the Swiss penal code. The Federal magistrate judge ruled that voluntarily submitting a witness declaration that included the statement, "if called as a witness, I could and would testify competently" to the matters set forth, constituted a waiver of any objection the Swiss defendant might otherwise have to submitting to a question-and-answer deposition under the Federal Rules of Civil Procedure. *Schindler Elevator, supra,* 657 F. Supp. 2d at 533 (citing *Adams v. Unione Mediterranea di Scurta*, 2002 WL 472252, 84 (E.D. La., Mar. 28, 2008).

The determination of the appropriate discovery methods to employ in a case before the Federal court is a matter of the court's discretion, and American courts have tended to exercise that discretion broadly. The court observed that "[t]he Convention is not mandatory and serves only as a permissive supplement to the Federal Rules of Civil Procedure." *Schindler Elevator, supra,* 657 F. Supp. 2d at 528 (citing *Societe Nationale Industrielle Aerospatiale, supra,* 482 U.S. at 536); see also *In re Air Cargo Shipping Services Antitrust Litigation, M.D.L. No. 1775*, 2010 WL 1189341 (E.D. N.Y., Mar. 29, 2010); *Milliken & Co. v. Bank of China*, 758 F. Supp. 2d 238. 250 (S.D. N.Y. 2010).

The "party seeking to apply the Convention procedures bears the burden to show that the 'particular facts, sovereign interest, and likelihood [of resorting to Hague procedures] will prove effective.'" *Schindler Elevator, supra,* 657 F. Supp. 2d at 528-29. The magistrate agreed with Otis that Hague Convention procedures for taking a deposition in Switzerland, in German, by a third-party (a judicial official) where there was no guarantee that Otis would be permitted to pose any direct questions to the witness, and the judicial official would issue a report from handwritten notes (rather than a transcription) "raise[d] legitimate concerns about the sufficiency of a Hague deposition and the spectre of prejudice to Otis." *Id*. at 531.

The magistrate concluded that Swiss penal laws were not implicated because the deposition was not noticed to be taken in Switzerland, and the subject matter was the witness's own business, not potentially confidential information about a third party. Therefore, the magistrate found that proceeding with the deposition

would not subject the witness to potential penal sanctions under Swiss law, nor would Swiss law apply to prevent the witness from disclosing information about his or her own business affairs. *Id.* at 533-34.

B. Federal court discovery rules are a two-way street. Spanish (and other foreign) litigants can avail themselves of the broader discovery tools presented by the American federal courts

The American courts' rulings allowing discovery to proceed in the manner available in the American courts is frequently the subject of criticism by foreign parties. However, those procedures can be used by foreign litigants, as well. A Spanish motorcycle manufacturer, Yamaha Motor Espana, S.A. ("Yamaha"), recently obtained subpoenas from the Federal district court to obtain evidence from third parties for use in two lawsuits pending in the Spanish courts. *In re Application for Appointment of a Commissioner re Request for Judicial Assistance for the Issuance of Subpoena Pursuant to 28 U.S.C. 1782*, 2011 WL 2747302, 1 (N.D. Cal., July 13, 2011).

Yamaha claimed that an anonymous user of a blog publishing service had posted false, misleading information about a plant closing, and had made defamatory statements regarding Yamaha's directors and outside advisors. The anonymous blogger had also posted statements that Yamaha asserted would be evidence that the labor union was orchestrating a work slowdown.

The hosting service, Wordpress.com, refused Yamaha's requests to take down the blog. Yamaha sought to have subpoenas issued by the Federal district court to obtain discovery from Wordpress.com and its parent company, Automattic, Inc., regarding the "IP address(s) used to make the postings . . . as well as any other personally identifying details, such as name, e-mail addresses, physical addresses, age, etc. which could be used to identify" the anonymous blogger. 2011 WL 2747302 at 3.

The means to compel this discovery from third parties was beyond the jurisdictional reach of a Spanish court. However, there is no requirement that the information sought in a 28 U.S.C. §1782 request be discoverable under the law governing the foreign proceeding. See *Intel Corp. v. Advanced Micro Devices,* 542 U.S. 241, 253 (2004). The federal statute, 28 U.S.C. 1782(a), provides, in part, as follows:

> [t]he district court of the district in which a person resides or is found may order him to give his testimony or statement or to produce a document or other thing for use in a proceeding in a foreign or international tribunal, including criminal investigations conducted before formal accusation. The order may be made . . . upon the application of any interested person and may direct that the testimony or statement be given, or the document or other thing be produced, before a person appointed by the court. ..... To the extent that the order does not prescribe otherwise, the testimony or statement shall be taken, and the document or other thing produced, in accordance with the Federal Rules of Civil Procedure.

28 U.S.C. §1782(a).

A Federal district court is authorized to grant a §1782 application where (1) the person from whom the discovery is sought resides or is found in the district of the district court to which the application is made, (2) the discovery is for use in a proceeding before a foreign tribunal, and (3) the application is made by a foreign or internal tribunal or "any interested person." The purpose of the statute is to "provide federal court assistance in the gathering of evidence for use in a foreign tribunal," and to "'encourag[e] foreign countries by example to provide similar means of assistance to our courts.'"

Whether foreign or domestic, a litigant's refusal to comply with document requests made under the Federal Rules of Civil Procedure can result in sanctions.

The Cidesport defendants failed to respond to requests for production of documents, including requests for financial records related to sales of footwear and apparel. Whether as an act of defiance of the Federal District Court in Oregon or the product of a concern about the scope of the discovery request, refusals to comply with the discovery requests created a risk of sanctions.

Once an American or a Spanish court has affirmed its jurisdiction, parties must be prepared to comply with that court's procedural rules, including those governing discovery. In *Reino de Espana v. American Bureau of Shipping*, 2006 WL 3208579 (S.D. N.Y., Nov. 3, 2006), the defendant moved to compel production of e-mails concerning a shipwreck and oil spill off the coast of Spain. The defendant sought e-mail from separate computer systems of 13 governmental ministries. Locating responsive documents also required searches of the computers of 98 individuals at 15 governmental e-mail addresses.

The demand to search individual computers implicated Spanish privacy laws. Absent consent, this type of search would typically require a warrant or a court order. The Spanish government also objected that the requests were overly broad and burdensome. The Federal district court overruled the objections, and it entered an Order compelling production:

> This litigation is in the Southern District [of New York] instead of a court in Spain. Discovery is governed by the Federal Rules of Civil Procedure, not Spanish privacy laws and government privileges. It was incumbent upon Spain to identify and preserve relevant documentation related to its claims. The failure to conduct discovery in accordance with the Federal Rules and this Court's rules is sanctionable.

2006 WL 3208579 at 6.

In the *Nike* case, the Spanish defendants' resistance to document requests was superseded by a more overt refusal to comply with the Federal court's exercise of control over the parties and their claims.

IV. Once the Forum Court Is Satisfied That It May Properly Exercise Jurisdiction, a Party Acts at Its Own Peril if It Fails to Respect That Court's Jurisdiction

A. Sanctions imposed for contempt resulted in a default entered against the Spanish defendants

Nike sought its own injunction from the Federal court in Oregon that directed the Spanish defendants to dismiss with prejudice the parallel, retaliatory lawsuit they had filed in Spain after the Federal court denied the initial motions to dismiss. The injunction directed "any of the named plaintiffs" in the Spanish lawsuit "who are officers, agents, servants, employees, attorneys or in active concert of participation with them" to dismiss that lawsuit, as well.

The Spanish defendants decided to attempt to circumvent that injunction. Coupled with arguments that the Spanish court had exclusive jurisdiction, and representations that the Federal court's decisions affirming its subject matter and *in personam* jurisdiction were merely preliminary rulings, they filed a writ in the Court of First Instance asking the Spanish court to inform the American court that the Federal court's injunction could not "be applied in Spain," and to declare that the injunction was void, illegal, anti-constitutional or a crime against the independence of the Spanish court.

The judge of the Court of First Instance declined to grant relief. However, instead of complying with the Federal court's directive to dismiss, the Cidesport defendants decided to represent to the Federal district

court that the magistrate of the Court of First Instance had refused to dismiss the case. They portrayed the Spanish court's ruling as a finding that "while the Order of [the Federal district court judge] could be anti-constitutional in Spain, it did not affect the Spanish courts, and that therefore the court was not obliged to comply with said Order."

Nike obtained English translations of the motions and the Order, and provided expert declarations establishing that the Spanish magistrate had actually ruled that the Order was "exclusively a matter for the parties, in no way affecting this Court's independence, since its execution has not been sought in the proceedings being heard [in Spain] . . . ."

When this came to light, the Federal district court held a show cause hearing, held the Cidesport defendants in contempt, and struck their Answer as a sanction, and held them in default. That was not the end of the dispute, however.

B. The conclusion of litigation in one forum does not necessarily put an end to a dispute

After several years of litigation, the Ninth Circuit Court of Appeals overturned the district court's finding of jurisdiction. Despite the fact that Nike International, Ltd. maintains its principal place of business in Beaverton, Oregon, the appellate court ruled the citizenship of the parties was not diverse because Nike International was incorporated in Bermuda. *Nike, Inc. v. Comercial Iberica de Exclusivas Deportivas, S.A.*, 20 F.3d 987, 990-91 (9th Cir., 1994); 28 U.S.C. §1332.

The most significant developments (those that gave this dispute some notoriety), occurred in the Spanish courts. Having Spanish counsel fully involved and engaged in the over-all strategy allowed Nike to shift its efforts to the problem posed when, one week before start of the Barcelona Olympic Games on July 25, 1992, the Spanish Constitutional court declined to direct the Court of First Instance to lift the injunction or modify the injunction to allow Nike to post a bond (and suspend the effect of the injunction).

The injunction preventing the advertising or sale of apparel and sport bags bearing genuine Nike marks. Although footwear was not affected, the injunction interfered with Nike's planned introduction of new apparel lines and promotions scheduled in conjunction with the Olympic Games.

A host of appeals, criminal proceedings, unfair competition actions, and trademark nullification proceedings were litigated concurrently in the Spanish courts. Yet the injunction remained in effect until December 1993.

It was not until 2005 that the Spanish Supreme Court finally declared the No. 88,222 mark invalid and cancelled the registration for lack of real and effective use. In that ruling, the Spanish Supreme Court laid the foundation for damages ultimately awarded to Nike by finding that Cidesport had wrongfully benefitted from Nike's genuine marks.

C. Coordinating litigation strategies and their simultaneous execution in Spanish and American courts requires a commitment to ongoing communication

With language, cultural and different legal systems and traditions, understanding one another can pose obstacles to executing a successful legal strategy in the courts of Spain and in the United States. However, a party haled into, or commencing, a lawsuit in a foreign court can improve the likelihood of success by gathering a team with "on the ground" experience with the general trial courts, the appellate courts, and the courts of specialized jurisdiction.

A dedicated client liaison, with access to witnesses and documents, is important as well. Experts will be needed who are capable of explaining various aspects of a foreign legal system a court in a distant forum. And while having the right people in place is important, "understanding one another" requires an overarching commitment to frequent communication and a flexible, shared strategy.