

Chapter 7

Class Action Developments Overseas

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§ 7:1 Overview

During the twentieth century, not many jurisdictions outside the United States had adopted a procedure for class actions.¹ The few notable product liability class action cases filed outside the United States were primarily cases against pharmaceutical and tobacco product manufacturers. Now, into the second decade of the twenty-first century, the landscape has changed dramatically. The number of countries with class action or similar procedures has increased; and more importantly, proposals to adopt or expand existing procedures are being widely discussed in legislative bodies around the world. Different concepts and various rationales for class actions, or similar forms of collective redress, are being regularly debated in conferences, legal and industry journals and newsletters, on Internet blog sites, and

1. See Mark A. Behrens, Gregory L. Fowler & Silvia Kim, *Global Litigation Trends: Trying to Take the "Good" and Not the "Bad" from the American Civil Law System*, 17 MICH. ST. J. INT'L L. 194 (2009) (listing United States, Australia, Brazil, Chile, China, India, Canada, and South Africa as examples of countries with class actions) [hereinafter Behrens, Fowler & Kim]. Countries that have adopted legislation since 2000 include: Argentina (2008), Costa Rica (2008), Denmark (2007), Finland (2007), Japan (2006), Netherlands (2005), Sweden (2002), Indonesia (2002), and Spain (2000).

in the lay press. As more jurisdictions adopt class action procedures or make it easier to maintain such actions, the number and significance of class actions will increase.

This chapter is not intended to provide a comprehensive review of the state of class action laws outside the United States. Given the current pace at which class action legislation is being proposed in Europe, Latin America, and Asia, such a review would be out of date by the time it was printed. Further, given the breadth of the subject, it is better left to a stand-alone source.² Instead, this chapter will examine common themes and trends observed in class action law and debates around the world. In most countries, the interest in class action procedures parallels increased efforts to protect and empower consumers, and to improve access to justice. But the specific needs and goals in each country will vary, as will the ultimate structure of the procedure adopted. Our goal is to highlight class action developments in the most active jurisdictions, and explore how class actions might extend to and impact product liability claims.

§ 7:2 Overseas Class Action Models

Given the volume of class actions in the United States, some influence of the U.S. litigation culture on the class action debates overseas is unavoidable. Rightly or wrongly, many countries cite the U.S. system and its “litigation culture” as an example of what they would like to avoid.³ Notwithstanding, it is a system that many non-U.S. plaintiffs have used in so-called “foreign-cubed” claims, which involve a foreign plaintiff, a foreign defendant company and a foreign market. The availability of the attractive U.S. forum, coupled with the unavailability of a forum in the plaintiffs’ home jurisdiction, may have appeased some demands for collective redress abroad. But this is changing.

In June 2010, the U.S. Supreme Court limited the extra-territorial effects of Rule 10b-5 of the U.S. Securities Exchange Act of 1934.⁴ The

2. See DEBORAH R. HENSLER & CHRISTOPHER HODGES, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, available at <http://globalclassactions.stanford.edu/>; see also CHRISTOPHER HODGES, THE REFORM OF CLASS AND REPRESENTATIVE ACTIONS IN EUROPEAN LEGAL SYSTEMS (Hart Publishing 2008).

3. See, e.g., The European Commission, Commission Staff Working Document, *Towards a Coherent European Approach to Collective Redress* ¶ 21 (Feb. 4, 2010), available at http://ec.europa.eu/dgs/health_consumer/dgs_consultations/ca/collective_redress_consultation_en.htm [hereinafter EC Working Document].

4. *Morrison, et al. v. Nat’l Austl. Bank Ltd., et al.*, No. 08-1191, slip op., June 24, 2010.

Court's decision in *Morrison v. National Australia Bank Ltd.* holds that the Act only applies to claims arising out of securities purchased or sold in the United States or listed on a U.S. exchange.⁵ Many believe that the Court's decision will limit the availability of securities class actions in the United States for foreign plaintiffs and thereby increase the pressure in other countries to introduce or expand class actions generally.⁶

§ 7:2.1 Generally

The class action as a means of collective and representative redress, while a familiar concept to American lawyers, is not necessarily the model accepted in other jurisdictions.⁷ Civil justice systems around the world have devised different ways to litigate similar claims of multiple parties. In most cases, the purpose of the procedure is the same and seeks to resolve disputes by or against a group of similarly situated individuals who are too numerous to appear personally. The need for a collective model may be because the amount in controversy is too low to justify the costs of individual suits (so-called "negative value" suits) or there is a need to save judicial resources. While the ultimate goals may be similar, the procedures vary widely. Thus, the term "class action" is used broadly in this chapter and refers to many different schemes.⁸

When comparing the different models, both in existing procedural codes and those currently under consideration by legislatures around the world, it is helpful to examine them across defining features such as the type of claim that may be resolved by the procedure (that is, the scope), who has standing to bring the claim and represent the class,

5. *Id.* at 24.

6. *See, e.g.*, Luke Green, *Morrison v. National Australia Bank—The Dawn of a New Age?*, RISKMETRICS GROUP BLOG (June 25, 2010, 5:54 PM), available at <http://blog.riskmetrics.com/slw/2010/06/morrison-v-national-australia-bank—the-dawn-of-a-new-age.html>.

7. In some jurisdictions, the stated goal is to avoid a U.S.-style model perceived to have led to waste and abuse of the system. *See, e.g.*, EUROPEAN COMMISSION, SUMMARY OF THE LEUVEN BRAINSTORMING EVENT ON COLLECTIVE ACTIONS (June 29, 2007), available at http://ec.europa.eu/consumers/redress_cons/docs/summary_leuven_event.pdf.

8. *See* Laurel J. Harbour & Marc E. Shelley, *The Emerging European Class Action: Expanding Multi-Party Litigation to a Shrinking World*, 18:4 PRAC. LITIGATOR 23, 24 (2007); Richard O. Faulk, *Armageddon Through Aggregation? The Use and Abuse of Class Actions in International Dispute Resolution*, 10 MSU-DCL J. INT'L L. 205, 224 (2001) ("Many nations now permit 'group actions' which allow multiple claimants to aggregate their causes of action and which enable them to pursue those claims in a single forum.").

whether the model requires class members to affirmatively include or exclude themselves in the procedure, and the manner in which the court decides whether the claim is suitable to proceed as a class action.

[A] Scope

In common law countries, particularly the United States, the class action rule often does not provide for a specific limitation on the type of claim that may be used. Instead, the rule may provide for a standard for admissibility or certification by which the claim is judged. If the criteria are met, the claim may proceed. Over time, case law has emerged to guide courts on the types of claims that tend to be inappropriate for collective resolution. For example, because the U.S. rule requires common issues to predominate over individual issues, class action jurisprudence tends to exclude claims for personal injury that raise questions of individual medical histories and causation.⁹

In some civil law jurisdictions (particularly, in Latin America), the potential “classes” in a class action are broken down into three categories based on the type of right or interest being protected: collective rights, homogeneous individual rights, and diffuse rights.¹⁰ Collective rights are rights that belong to a group whose members suffered injuries that share a common link. For example, in the case of a mislabeled product, although only the consumers who bought the product with the wrong labeling information were likely affected, relief in this type of action also benefits a greater collectivity, that is, future consumers of the product. In contrast, homogeneous individual rights are divisible in nature and belong only to an identifiable group of persons whose injuries arise from a common origin. For example, a group of passengers injured in an airplane crash or a group of bank customers who were wrongly charged a processing fee. Thus, unlike collective rights, the remedy for a violation of a homogeneous individual right only benefits the members of the group. Finally, diffuse rights are held by an unidentifiable group of persons joined by factual or legal circumstances, such as an indivisible right to a clean environment, and the relief is not to the individual members. The potential

9. See, e.g., *Jolly v. Eli Lilly & Co.*, 44 Cal. 3d 1103, 1123 (Cal. 1988) (“mass-tort actions for personal injury most often are not appropriate for class action certification.”).

10. See COLOMBIA’S POPULAR ACTION LAW No. 472 of 1998; BRAZIL’S CONSUMER DEFENSE CODE, Law No. 8078 of September 11, 1990, article 81; and PROPOSAL FOR A MODEL CODE FOR CLASS ACTION PROCEEDINGS FOR LATIN AMERICA from the Latin American Procedural Law Institute.

standing and admissibility requirements sometimes vary depending on the different categories of rights.

[B] Standing

The basic idea is that a group of claimants are represented in the case by an individual or an organization. In some jurisdictions, *only* organizations, such as consumer associations who have taken on the task of protecting consumer interests, may bring class actions. In some countries where this procedure is being used, there are requirements to become a registered consumer association with standing to bring representative claims. For example, in Spain¹¹ only a small universe of officially registered associations are permitted to file such claims. Until recently, the same was also true in Italy.¹² In Brazil,¹³ although registration at least one year prior to filing suit is required, the court may dispense with this requirement whenever it considers it appropriate. The net result is that two people can form an association one day and file a claim the next. There are other mechanisms, such as a model based on Group Litigation Orders (GLO) in England and Wales,¹⁴ and test case model in Germany¹⁵ and Finland.¹⁶ In general terms, these actions are all litigated by a representative for the benefit of a wider group of plaintiffs.

[C] Opt-In or Opt-Out Model

Another class action debate involves whether to adopt an opt-in or opt-out model.¹⁷ The fear with an opt-out class, for potential defendants, is the creation of a massive claim to defend at the time of filing; for claimants, on the other hand, the concern is often potential infringement of constitutional rights because no one may initiate an action on another's behalf. The constitutionality of an opt-out model has been vigorously debated in Europe. Notwithstanding, opt-out models already exist in some European countries and in the Netherlands

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11. Civil Procedure Act, 1/2000 (Spain).
 12. Consumer Code, art. 139 (Italy). This limitation was expanded under the new Collective Redress Action, Art. 140bis, to give standing to individuals and ad hoc consumer associations as well.
 13. Consumer Defense Code, art. 82 (Brazil).
 14. Civil Procedure Rules 1998, pt. 19, sec. III (U.K.).
 15. BUNDESMINISTERIUM DER JUSTIZ, THE GERMAN CAPITAL MARKETS MODEL CASE ACT, BGBl. I 2005 at 50 (Aug. 19, 2005), English translation, *available at* www.bmj.bund.de/kapmug [hereinafter BUNDESMINISTERIUM DER JUSTIZ].
 16. Group Action Act, 444/2007 (Finland).
 17. See John H. Beisner, U.S. Chamber Institute for Legal Reform, "Opt-In" vs. "Opt-Out" Procedures in Collective and Representative Litigation (July 28, 2010), *available at* www.instituteforlegalreform.com/images/stories/documents/pdf/international/optoutpaper.pdf.

and Sweden, some have expressed a view that an opt-in model reduces the procedure's utility.¹⁸

Perhaps more important than whether the system is opt-in or opt-out, is the time frame in which the opting takes place. In some systems, such as the one found in Brazil, the period for opting-in takes place after the liability phase trial, when the outcome is already known. While this is referred to as an opt-in system, it creates similar issues for defendants as an opt-out system where the class size is not clearly determinable. Moreover, it requires the defendant to defend an action without the benefit of relying on potential contributory conduct by the plaintiff that might otherwise be available in an individual claim based on the same facts. It also permits potential class members to wait and see whether the result is successful before binding themselves to the outcome (so-called "one-way *res judicata*"). Regardless of which system is chosen, it is clear that in order to protect the rights of all parties, all parties must be known (or at least defined) and bound at the time of judgment.

[D] With or Without Certification

The U.S. model provides for a two-stage approach that involves an upfront certification of the class followed by a trial on the merits. An alternative model, as found in Brazil and as often proposed in civil law jurisdictions, has no certification phase. The court assesses the defendant's liability first. Then, if liability is found, the court defines the class of injured claimants and invites them to file a claim for individual recovery based on the liability ruling within a stated window of time. In this process, there are no specific requirements that the class be ascertainable, and in fact, most of the U.S. requirements for defining and certifying the class are missing.

Another concern is the issue of one-way *res judicata*. A potential class member can decide whether to opt in to the claim after the court has ruled on the merits in the first stage.¹⁹ This is the current Brazilian model. The impetus for using it in Europe is tied to the perceived lack of a procedure to aid in the distribution of damages

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18. See, e.g., PER HENRIK LINDBLOM, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, GROUP LITIGATION IN SWEDEN 37 (Dec. 6, 2007), available at www.law.stanford.edu/library/globalclassaction/PDF/Sweden_National_Report.pdf [hereinafter LINDBLOM]; see also Per Henrik Lindblom, Academy of European Law Conference in Italy: Group Litigation in Scandinavia (Oct. 12, 2008).
 19. See, e.g., Ada Pelligrini Grinover, *The Defense of the Transindividual Interests: Brazil and Iberoamerica* 8, __ ANNALS AM. ACAD. POL. & SOC. SCI. __ (forthcoming) (describing the Brazilian system as being a "res judicata secundum eventum litis," which means that if the collective action ruling is unfavorable to the class then class members are only

stemming from previous scandals, such as Parmalat in Italy²⁰ and price fixing claims against mobile phone operators in France,²¹ where defendants were first found liable in other proceedings.

All of these issues frame the class action debates taking place in countries outside the United States.

§ 7:2.2 Securities Forerunner

Despite the class action debates outside the United States, class actions are rarely used in product liability claims in other countries. In 2008, class actions made news in the Netherlands, where the Collective Settlement Act—one of the few opt-out models in Europe—was in the headlines because the Act enabled settlement of an approximately \$350 million securities claim brought by non-U.S. investors against Royal Dutch Shell PLC in relation to a 2004 restatement of reserves.²² The case was filed in January 2006 in the United States, but U.S. law presented several obstacles for Shell's foreign shareholders to join the proceedings. Instead, the parties devised a settlement under the Dutch Act, signaling what some are calling a new global litigation strategy for the future.²³ As of 2010, the Amsterdam Court of Appeal had declared five settlement agreements binding under the Dutch Act.²⁴

precluded from re-filing as collective plaintiffs, but they may file individual actions based on the same facts), *available at* www.law.stanford.edu/display/images/dynamic/events_media/Brazil_National_Report.pdf [hereinafter Grinover].

20. See Peter Gumbel, *How It All Went So Sour*, TIME, Nov. 21, 2004 (detailing history of Parmalat financial scandal), *available at* www.time.com/time/magazine/article/0,9171,901041129-785318,00.html; ELISABETTA SILVESTRI, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, THE GLOBALIZATION OF CLASS ACTIONS: ITALIAN REPORT 1 (discussing need for group action in Italy to afford access to justice in aftermath of several huge financial and securities frauds), *available at* www.law.stanford.edu/library/globalclassaction/PDF/Italian_National_Report.pdf [hereinafter SILVESTRI].
21. See VÉRONIQUE MAGNIER, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, CLASS ACTIONS, GROUP LITIGATION & OTHER FORMS OF COLLECTIVE LITIGATION PROTOCOL FOR NATIONAL REPORTERS: FRANCE 20 (discussing claims brought against Vivendi Universal, S.A., 2005 decision by Competition Commission that three mobile phone operators were guilty of price-fixing, and calls by consumer groups for more effective group litigation), *available at* www.law.stanford.edu/library/globalclassaction/PDF/France_National_Report.pdf [hereinafter MAGNIER].
22. Michael D. Goldhaber, *Shell Games*, FOCUS ON EUROPE (Winter 2008).
23. *Id.*
24. The De Brauw Blackstone Westbroek Law Firm, Legal Alert: Recognition of a U.S. Class Action Settlement in the Netherlands (Royal Ahold N.V.) (June 28, 2010).

Securities litigation has been viewed as a springboard for the adoption of broader class action litigation in some countries. In November 2005, the German Parliament introduced the Capital Markets Model Case Act²⁵ to improve management of mass securities litigation. The genesis of this legislation was the Deutsche Telekom case, which involved over 2,000 actions filed by 16,000 plaintiffs and 800 lawyers against Deutsche Telekom. The shareholders accused the company of providing inflated financial information when it issued new shares in June 2000.²⁶ Under the Act, claimants must opt in and each file an individual lawsuit. Common issues of fact or law will be tried in one model proceeding, and the judgment will be binding on all claimants who filed an action. The Act was scheduled to sunset in 2010 and the legislature was to evaluate whether it should be renewed in its current form or broadened for use in other civil litigation.²⁷ As some had predicted,²⁸ the law was extended in its current form through October 31, 2012 in order to give the government additional time to analyze what modifications, if any, should be made to the law.²⁹

In Taiwan, the legislature enacted the Securities Investors and Futures Traders Protection Act, which became effective in January 2003.³⁰ This law established (1) a fund to compensate investors from investments in insolvent firms, and (2) the Securities and Futures Investors Protection Center (IPC) to manage the fund. The IPC also has the sole responsibility to either file securities class actions or initiate arbitration on behalf of defrauded investors whenever there is a single event that injures more than twenty investors.³¹ From 2003 until 2007, “the IPC . . . brought 36 securities class actions on behalf of more than 57,470 investors [sic], seeking NT\$ 21.731 billion (about US\$ 658 million) in civil damages.”³²

25. BUNDESMINISTERIUM DER JUSTIZ, *supra* note 15.

26. *Bad Connection*, THE ECONOMIST, Apr. 10, 2008, available at www.economist.com/business/displaystory.cfm?story_id=11021139; see also Mark Wegener & Peter Fitzpatrick, *Europe Gets Litigious*, 28 LEGAL TIMES 44 (2005).

27. BUNDESMINISTERIUM DER JUSTIZ, *supra* note 15.

28. Honorable Thomas Kehren, *Handling of Class Actions: The Perspective of a Judge*, International Association of Lawyers Conference in Frankfurt, Germany (March 2010).

29. See Bundesanzeiger Verlag Nr. 39 from July 29, 2010, at 979, available at www.bgbl.de; see also Beisner, *supra* note 17, at 4.

30. Yu-Hsin Lin, *Modeling Securities Class Actions Outside the United States: the Role of Nonprofits in the Case of Taiwan*, 4 N.Y.U. J. L. & BUS. 143, 168–70 (2007) [hereinafter Yu-Hsin Lin].

31. *Id.* at 169.

32. *Id.* at 181.

While securities litigation is beyond the scope of this chapter, it is instructive to note the type of class actions that have taken hold overseas, as these cases may be the catalyst for expanding class actions to areas such as product liability.

§ 7:3 Australia and Canada

Australia and Canada have become active in the class action arena. Both countries are debating further expansion of their models, which are considered more plaintiff-friendly than the U.S. model.

§ 7:3.1 Australia

The federal courts of Australia first adopted class actions in March 1992 as part of a reform package to enhance product liability litigation.³³ The procedure is similar to the U.S. Federal Rule of Civil Procedure 23³⁴ in that it permits representative actions on virtually any cause of action. There must be at least seven class members who have claims against the same person or persons arising out of “the same, similar or related circumstances,” and there must be at least one “substantial common issue of law or fact” among the class members.³⁵ It is an opt-out system. Class members who do not opt out are bound by the decision. Unlike the U.S. model, there is no certification stage; rather, defendants have the burden of proof to challenge the propriety of the class form at any stage.³⁶ Another difference is that the “substantial common issue” need not *predominate* as the U.S. rules require. Significantly, Australian courts are comparatively less likely to de-certify a class because the action “is more properly described as a mass of individual claims with some common connections.”³⁷

Initially, there was little class action activity; today, however, Australia is thought to be one of the most active jurisdictions for class actions outside of the United States.³⁸ Securities class actions, in particular, have recently taken hold in Australia due to settlements in a few high-profile cases and increased “shareholder vigilance.”³⁹ But

33. S. Stuart Clark & Christina Harris, *Class Actions in Australia: (Still) A Work in Progress*, vol. 31, No. 1, AUSTRALIAN BAR REV. 63, at 63–64 (July 2008) [hereinafter Clark & Harris].

34. FED. R. CIV. P. 23.

35. Federal Court of Australia Act § 33C(1); *see also* Clark & Harris, *supra* note 33, at 71.

36. Federal Court of Australia Act §§ 33M, 33N; *see also* Clark & Harris, *supra* note 33, at 67.

37. Clark & Harris, *supra* note 33, at 68.

38. *Id.* at 63 (citing S. Tucker, *Culture of Class Actions Spreads Across Australia*, FIN. TIMES, Mar. 9, 2006, at 12).

39. Clark & Harris, *supra* note 33, at 85–87.

there have also been product liability class actions involving pharmaceuticals, medical devices, tobacco products, and others, including food products. Many of these have been so-called copycat claims imported from the United States.⁴⁰

Although many of these cases settle, so far, at least two drug or medical device class actions have been tried to verdict, *Courtney v. Medtel Pty Ltd.*,⁴¹ and *Peterson v. Merck Sharpe & Dohme (Australia) Pty Ltd.*⁴² In *Courtney*, the plaintiff claimed that his pacemaker was not of merchantable quality at the time of its implantation. Mr. Courtney was awarded AUS\$9,988 as compensation,⁴³ and he settled the outstanding claims of the other class members.⁴⁴ In *Peterson*, the first Vioxx case tried outside of the United States, a federal judge ruled that Merck & Co. Inc. violated Australia's Trade Practices Act and that the painkiller Vioxx doubled the risk of heart attack among patients.⁴⁵ Mr. Peterson was awarded AUS\$288,000 in damages and the decision is expected to result in hundreds of additional claimants seeking recovery.⁴⁶

In September 2009, the Attorney General's Access to Justice Task Force issued its recommendations for the federal government to develop a "strategic framework" for improving access to justice in the federal civil justice system.⁴⁷ Among its recommendations, the Task Force proposed a review of the federal class action regime that would consider:

- limiting interlocutory proceedings in class actions;
- limiting or removing the court's ability to terminate a class action if the certification requirements are not met (as noted above, these are not proved at the outset in a preliminary stage but are instead affirmatively raised by a defendant);

40. *Id.* at 64–65.

41. *Courtney v. Medtel Pty Ltd.* (2003) 126 F.C.R. 219 (Austl.).

42. *Peterson v. Merck Sharpe & Dohme (Austl.) Pty Ltd.* [2010] FCA 180 (Mar. 5, 2010).

43. *Courtney v. Medtel Pty Ltd.* (2003) 126 F.C.R. 219, 260 (Austl.).

44. Clark & Harris, *supra* note 33, at 69 (discussing *Courtney*).

45. Peterson, ¶¶ 4 and 11.

46. Jesse Greenspan, *Australian Ruling Opens Door for 100s of Vioxx Claims*, LAW 360, Mar. 5, 2010.

47. Australian Government, Attorney-General's Department, A Framework for Access to Justice in the Federal Civil Justice System (Sept. 2009), available at [www.ag.gov.au/www/agd/rwpattach.nsf/VAP/4CA02151F94FFB778ADAEC2E6EA8653D?~A+Strategic+Framework+for+Access+to+Justice+in+the+Federal+Civil+Justice+System+-+A+guide+for+future+action.pdf/\\$file/A+Strategic+Framework+for+Access+to+Justice+in+the+Federal+Civil+Justice+System+-+A+guide+for+future+action.pdf](http://www.ag.gov.au/www/agd/rwpattach.nsf/VAP/4CA02151F94FFB778ADAEC2E6EA8653D?~A+Strategic+Framework+for+Access+to+Justice+in+the+Federal+Civil+Justice+System+-+A+guide+for+future+action.pdf/$file/A+Strategic+Framework+for+Access+to+Justice+in+the+Federal+Civil+Justice+System+-+A+guide+for+future+action.pdf).

- granting greater power to regulatory agencies and allowing *cy pres* remedies;
- allowing opt-in class actions funded by litigation funders; and
- eliminating the principle from case law that currently requires all members of the class to have claims against all defendants.

Fueling some of the access to justice activity in Australia is the increased availability of third-party litigation funding. Thanks to a 2006 decision by the High Court of Australia,⁴⁸ private, for-profit litigation funders may now be established in Australia, and at least five appear to be operating so far.⁴⁹ Since mid-2005, “all of the securities class actions commenced in Australian courts . . . are being funded by commercial litigation funders.”⁵⁰

Changes are also occurring at the state level. In 2007, the Victorian Law Reform Commission (VLRC) prepared a number of law reform proposals including many of the same principles identified by the Task Force recommendations listed above.⁵¹ The VLRC additionally proposed the following:

- the creation of a justice fund to improve access to courts by providing funding to plaintiffs and plaintiff classes;
- the introduction of previously unavailable pre-trial examinations, or depositions; and
- the drafting of new rules for experts that would abolish privilege for any communications with a testifying expert.

These proposals were subject to comments by stakeholders and a revised report was delivered on May 28, 2008.⁵² The 750-page report contains 177 recommendations on a variety of issues, including most of the proposals set out in the previous draft. The Victorian Attorney

48. See *Campbell Cash & Carry Pty Ltd. v. Fostif Pty Ltd.* (2006) 229 A.L.R. 58 (finding that the fears about the adverse effects on litigation as a result of litigation funding are not enough to establish a public policy prohibiting them, thereby paving way for creation of litigation funding industry).

49. STANDING COMMITTEE OF ATTORNEYS-GENERAL, LITIGATION FUNDING IN AUSTRALIA, DISCUSSION PAPER 4 (2006), available at [www.lawlink.nsw.gov.au/lawlink/legislation_policy/ll_lpd.nsf/vwFiles/Litigation_Funding_Discussion_paper_May_06.doc/\\$file/Litigation_Funding_Discussion_paper_May_06.doc](http://www.lawlink.nsw.gov.au/lawlink/legislation_policy/ll_lpd.nsf/vwFiles/Litigation_Funding_Discussion_paper_May_06.doc/$file/Litigation_Funding_Discussion_paper_May_06.doc).

50. Clark & Harris, *supra* note 33, at 90.

51. See ALLENS ARTHUR ROBINSON, VLRC CIVIL JUSTICE REFORM REPORT: CLASS ACTIONS (June 2008), available at www.aar.com.au/pubs/ldr/focjrjun08.htm.

52. VLRC, CIVIL JUSTICE REVIEW: REPORT (May 28, 2008), available at www.lawreform.vic.gov.au/wps/wcm/connect/justlib/law+reform/home/completed+projects/lawreform+-+civil+justice+review_+report.

General has indicated that the government supports the general themes of the report and is considering the recommendations.

New South Wales, which did not have a class action regime, adopted a law in late 2010 that is based on the current Federal Court and Victorian Supreme Court models and would also create similar features as those recommended by the Task Force and VLRC.⁵³

§ 7:3.2 Canada

Although Québec adopted class actions in 1978, it was not fully accepted in the rest of Canada until the 1990s. Today, most of the provinces and the Federal Court permit class actions.⁵⁴ While the standards vary across the federal system and provinces, courts in Canada have been fairly receptive to certifying mass torts and product liability cases.⁵⁵ Some commentators have suggested that the reason for this is that in provinces such as Ontario and British Columbia, there is no requirement that the common issues must predominate as in U.S. Rule 23(b)(3).⁵⁶ It suffices that a class action is a *preferable* means of resolving the common issues. While this is arguably a weaker standard than predominance and superiority, these are factors some courts consider to determine preferability. In fact, recent cases decided by Québec's Court of Appeal have given increased weight to the predominance language, which is included in the Québec statute, thereby slightly increasing the difficulty of certifying a class action in that province.⁵⁷

Data related to class actions have been extremely limited; and none of the available data provide very precise numbers.⁵⁸ However, according to one recent summary of class actions, at least 287 proposed class proceedings were filed in Ontario between 1993 and April 2001.

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53. Ross Drinnan and Jenny Campbell, *Client Update: New Class Action Regime for NSW*, August 10, 2010, available at www.aar.com.au/pubs/ldr/culdraug10.htm?email=true.
54. W.A. Bogart, Jasminka Kalajdzic & Ian Matthews, The Globalization of Class Actions Conference at Oxford University: Class Actions in Canada: A National Procedure in a Multi-Jurisdictional Society? (Dec. 2007), available at www.law.stanford.edu/library/globalclassaction/PDF/Canada_National_Report.pdf [hereinafter Bogart, Kalajdzic & Matthews].
55. *Id.* at 4.
56. *Id.* n.15 (citing Ward K. Branch, *Class Actions in Canada* 5-1 to 5-17 (Release no. 19, July 2007) (Aurora, Ont.: Canada Law Book, 2007)).
57. Bogart, Kalajdzic & Matthews, *supra* note 54, at 7.
58. *Id.* at 15 (citing Garry D. Watson & Charles Wright, *Class Actions in Ontario and British Columbia 1993–2001: An Analysis of the First Eight Years of the Class Actions in Canada's Common Law Provinces*, First Annual Class Actions Symposium, Class Actions: "Where are We and Where are We Going?" Osgoode Hall Law School of York University, Toronto, Canada (2001)).

According to the Canadian Class Proceedings Registry, sixty-two class actions were commenced in the first six months of 2007, the vast majority of which originated in Ontario, British Columbia, or Québec.⁵⁹ Extrapolating these estimates, one scholar suggested that nationally, 120 to 150 class proceedings were expected in 2007, a significant increase when compared to only some fifteen class actions per year were being filed a decade before.⁶⁰

This increased activity in Canada has led to the problem of competing national class actions certified by different provinces.⁶¹ In 2008, an Ontario court faced a question of certification in two class actions, each filed on behalf of individuals who were prescribed the drug Vioxx. The court concluded that a consortium of plaintiffs' law firms pursuing one of the cases was better suited to prosecute the claim than the Merchant Law Firm that filed the other.⁶² Accordingly, the Ontario court stayed the Merchant Law Firm's class action in favor of the consortium claim.

Meanwhile, a Saskatchewan court certified an identical class action brought by the Merchant Law Firm. Based on a newly amended law, the class representative successfully petitioned to expand the class to include residents outside of Saskatchewan who choose to participate.⁶³ The consortium counsel from Ontario petitioned the Saskatchewan court to stay its decision to expand the class definition until the Ontario court ruled on its motion to certify. Nevertheless, the Saskatchewan court granted the Merchant Law Firm's motion to certify a class of residents in all provinces except Québec.⁶⁴ On July 28, 2008, the Ontario court, in turn, granted the consortium's motion to certify a class of residents in all provinces except for Saskatchewan and Québec.⁶⁵ However, on March 30, 2009, the Saskatchewan Court of Appeals reversed the trial court's certification decision.⁶⁶

The appellate court's decision avoided the problem of having two identical and overlapping nationwide Vioxx class actions in Canada. In a separate case decided later in 2009, the Supreme Court of Canada

59. Bogart, Kalajdzic & Matthews, *supra* note 54, at 15.

60. *Id.* at 16.

61. This summary is based upon the class action alert published by Jeff Galway and Gordon McKee of the Blakes law firm, JEFF GALWAY & GORDON MCKEE, BLAKES, THE FUTURE OF CLASS ACTIONS IN CANADA: ADDED COMPLEXITY AND COSTS FOR CORPORATE DEFENDANTS (Aug. 2008), available at www.blakes.com/english/view_disc.asp?ID=2496.

62. *Id.*

63. *Id.*

64. *Id.*

65. *Id.*

66. Merck Frosst Can. Ltd. v. Wuttunee, 2009 SKCA 43, slip op. (Court of Appeal, Mar. 30, 2009).

acknowledged the problem created by national but parallel class actions, but held that it was not the “Court’s role to define the necessary solutions.”⁶⁷ The Canadian Bar Association has responded by creating a National Task Force on Class Actions, which developed a draft Judicial Protocol to aid courts in different provinces in coordinating the hearing or settlement of parallel cases.⁶⁸ The public consultation on the draft began in July 2011 and, once finalized, will be submitted to the Bar for its approval.

§ 7:4 Israel

Like Australia and Canada, the Israeli Class Actions Law, enacted on March 12, 2006, also created a relatively active class action venue.⁶⁹ While class actions were already available, they existed under several separate statutes. The new law creates a consolidated model. The certification prerequisites are largely unchanged in the new law. Plaintiffs must demonstrate the following:

- a personal cause of action;
- a reasonable probability that common questions of law or fact will be decided in favor of the putative class members;
- that the class action is an efficient and fair means of adjudicating the claim;
- that there is adequate representation for the plaintiffs; and
- that plaintiff has acted in good faith.⁷⁰

The law creates an opt-out model, except in special circumstances where the personal claim for each class member is substantial, such as some personal injury claims.⁷¹

One of the more notable additions provided in the new law is the “Fund for the Financing of Class Actions” as part of the Israeli annual state budget to assist class representatives in financing class actions that are of public and social importance.⁷² The law also allows the

67. Canada Post Corp. v. Lépine, 2009 SCC 16 (Apr. 2, 2009).

68. The Canadian Bar Association, at www.cba.org/CBA/ClassActionsTaskForce/Main/.

69. AMICHAH MAGEN & PERETZ SEGAL, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, THE GLOBALIZATION OF CLASS ACTIONS NATIONAL REPORT: ISRAEL 7, available at www.law.stanford.edu/library/globalclassaction/PDF/Israel_National_Report.pdf; see also ISRAELI CLASS ACTIONS LAW (2006), available at www.law.stanford.edu/library/globalclassaction/PDF/IsraeliClassActionLaw_2006.pdf.

70. Class Actions Law § 8 (Israel).

71. *Id.* § 12.

72. *Id.* § 27.

court to award class counsel a “partial attorney fee” if the court deems it appropriate.⁷³ However, the provisions for funding class actions had not yet come into practice since there have been no regulations guiding the fund’s operation. In May 2010, the Israeli Ministry of Justice issued regulations to do so.

According to one Israeli lawyer, there has been a significant increase in the number of motions for class certification since the enactment of the new Class Action Law.⁷⁴ On October 7, 2008, the Tel Aviv District Court awarded ILS 55 million—the highest compensation ever awarded in a class action—against Tnuva, Israel’s largest milk distributor, for allegedly concealing that fact that it had mixed silicon into its products.⁷⁵ Citing to the Supreme Court’s decision affirming class certification, the District Court held that despite the absence of any physical damage, Tnuva’s actions violated the consumers’ freedom of choice because “it is the right of consumers to decide what to put into their mouths and bodies and what to avoid.” In determining the amount of the award, the District Court relied on section 20 of the Class Action Law, which “grants the court broad discretion regarding calculation of damages and its allocation among class members.”⁷⁶

In another headline-grabbing class action filed against McDonald’s Israeli franchiser in April 2008, plaintiffs presented a similar legal theory by alleging that McDonald’s misled consumers about the sodium content of their food, even though this information had been provided until 2005.⁷⁷ McDonald’s conceded that the sodium content reported until then was incorrect, but denied that this created an injury.⁷⁸

In 2011, a putative class action was filed in the Jerusalem District Court against the Central Bottling Company Group Ltd., which is the Israeli franchisee for Coca-Cola.⁷⁹ The plaintiff, a Muslim, claimed that the recipe for Coca-Cola, which is a well-guarded secret, allegedly contains alcohol. Because alcohol is forbidden by Islam, the plaintiff claims he has unknowingly consumed alcohol for years by drinking

73. *Id.* § 23(c).

74. Yael Navon, INT’L LAW OFFICE, TNUVA MILK DRINKERS AWARDED IS55 MILLION IN CLASS ACTION (Nov. 6, 2008), *available at* www.internationallawoffice.com/Newsletters/Detail.aspx?g=0a3f1424-8317-4a15-8f11-76625771a24e.

75. *Id.*

76. *Id.*

77. Nurit Roth, *McDonald’s Israel Hit with Class Action Over Sodium*, HAARETZ, Apr. 8, 2008, *available at* www.haaretz.com/hasen/spages/972841.html.

78. *Id.*

79. Yossi Nissan, *Israeli sues Coca Cola for containing alcohol*, GLOBES ONLINE, Feb. 20, 2011, *available at* www.globes.co.il/serveen/globes/docview.asp?did=1000624838&fid=1725.

Coca-Cola and the company is therefore guilty of consumer fraud and causing mental anguish. He is seeking ILS 1,000 (approximately \$280) for each of the 1.2 million Muslims living in Israel.

§ 7:5 England and Wales

Prior to the introduction of the Group Litigation Order, collective litigation in England and Wales was sanctioned only through the use of a test case, consolidation, or a representative action under Rules of the Supreme Court Order 15 (now Civil Procedure Rule 19.6, as of 2000).⁸⁰ However, a representative action is narrow in scope and requires all represented persons to have the same interest in the claim (for example, “a common interest arising . . . under a common document” or “a common grievance”).⁸¹ The relief obtained must be equally beneficial to all, which has meant that individual damages were usually unavailable. Consequently, the procedure has been underused, notwithstanding decisions that have attempted to expand its scope to apply to torts and to instances where a declaration of individual damages might be awarded.⁸²

Because this device was considered inadequate for significant multi-party cases, which increased during the 1980s and 1990s, in May 2000, Group Litigation Orders (GLOs) were introduced to improve the management of claims with common questions of fact or law.⁸³ If the court approves a GLO, it appoints a Managing Judge and establishes a Group Register. In managing the GLO, the court may designate one or more cases to proceed as test cases, appoint a lead Solicitor, and establish a cut-off date for individuals to add their claims to the Group Register. So far, seventy-five GLOs have been registered.⁸⁴

As of 2003, consumer organizations have the ability to seek authority from the Competition Appeals Tribunal (CAT) to bring claims on behalf of wronged consumers.⁸⁵ The U.K. consumer organization “Which?” brought the first such action against the sportswear

80. See CIVIL JUSTICE COUNCIL, IMPROVING ACCESS TO JUSTICE THROUGH COLLECTIVE ACTIONS, available at www.civiljusticecouncil.gov.uk/files/Improving_Access_to_Justice_through_Collective_Actions.pdf.

81. *Id.* at 27.

82. *Id.* at 27–28.

83. Civil Procedure Rules 1998, pt. 19, sec. III (U.K.). See also DR. CHRISTOPHER HODGES, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, COUNTRY REPORT: ENGLAND AND WALES, available at www.law.stanford.edu/library/globalclassaction/PDF/England_Legislation.pdf.

84. Her Majesty’s Courts Service (U.K.), available at www.justice.gov.uk/guidance/courts-and-tribunals/courts/group-litigation-orders.htm.

85. Competition Act 1998, § 47B (U.K.); see also Rules and Guidance of the Competition Appeal Tribunal, available at www.catribunal.org.uk/rules/default.aspx.

company JJB regarding price fixing of football shirts. In January 2008, the case reportedly concluded in a settlement for £18,000, representing around £10 per shirt. Julian Connerty, who represented Which?, said: "What this case proves is that the question of an opt-in versus an opt-out system is key: having an opt-in system makes it very difficult for the claimant and for Which?"⁸⁶

For now, an opt-out system is not on the way. On August 5, 2008, the Civil Justice Council submitted its 483-page report on its recommendations to the Lord Chancellor.⁸⁷ Despite its length, the report is helpfully distilled into eleven recommendations, which generally conclude that collective actions brought by individuals or organizations should be permitted on an opt-out or opt-in basis on a wide range of subjects. It further recommends an upfront certification process that is subject to appeal and full costs shifting. Also, like the VLRC recommendations in Australia, unallocated damages are directed to a trustee for *cy pres* distribution. The final recommendations, published on December 8, 2008, were rejected by the government on July 20, 2009.⁸⁸ The government concluded that it would be better to proceed in targeted areas where there is evidence of need, rather than to create a general right of collective action.

In late 2009, the government attempted to do so by proposing a new Financial Services Bill that sought to introduce opt-out class actions for financial services claims, among other new protections for consumers.⁸⁹ The bill had only completed the committee stage when the general elections were scheduled, causing all pending legislation either to be quickly adopted or to fail with the dissolution of Parliament. Because class action litigation was a controversial issue, the opt-out provision was removed in the final version adopted on April 8, 2010.⁹⁰

This does not mean the government has abandoned class action reform altogether. It intends to develop a framework document setting out the issues to be addressed when introducing a collective action

86. Caroline Binham, *JJB to Pay Out After Football Shirts Claim*, THE LAWYER (Jan. 9, 2008), available at www.thelawyer.com/cgi-bin/item.cgi?id=130660&d=415&h=417&f=416.

87. CIVIL JUSTICE COUNCIL, IMPROVING ACCESS TO JUSTICE THROUGH COLLECTIVE ACTIONS, available at www.civiljusticecouncil.gov.uk/files/Improving_Access_to_Justice_through_Collective_Actions.pdf.

88. Press Release, U.K. Ministry of Justice, *Government Response to Civil Justice Council Report on Collective Actions* (July 20, 2009), available at www.justice.gov.uk/latest-updates/response-civil-justice-report-collective-actions.htm.

89. Lisa Rickard, *Tort Lawyers Set Their Sights on Britain*, WALL ST. J., Mar. 30, 2010.

90. See Martin Day, *United Kingdom: An Overview of the Financial Services Act 2010*, MONDAQ.COM, May 25, 2010.

model. As part of this effort, the Ministry of Justice will work with the Civil Justice Council and Civil Procedure Rule Committee to develop a set of generic procedural rules that any collective action scheme should have.

§ 7:6 Africa

§ 7:6.1 Nigeria

Nigeria, a common law jurisdiction, takes much of its jurisprudence from the laws of England and Wales, but unlike England and Wales, Nigerian procedure permits class actions that are arguably more like those in the United States, at least in principle. In fact, the certification standard found in Nigerian procedure is far more permissive on its face. Order 12, Rule 8 of the 2000 Federal High Court Rules states that one or more persons may bring a claim for injunctive or monetary relief on behalf of a group of claimants with the same interest. Many of the Nigerian states have similar rules; Order 13, Rule 12 of the 2004 Lagos State rules in particular is very similar to the Federal rules.

Notwithstanding the availability of class actions, there had purportedly been no class action lawsuit successfully concluded in the courts of Nigeria until July 2010.⁹¹ At that time, a federal trial court awarded plaintiffs NGN 15.4 billion (approximately \$70 million) as compensatory and punitive damages against Shell International Company Ltd. and several of its affiliates in Nigeria for damages caused by an oil spill in 1970 in Rivers State.⁹² Notwithstanding, the conclusion of this class action may be an outlier since the defendant reportedly did not submit evidence.⁹³

§ 7:6.2 South Africa

South Africa's legal system also borrows from its colonial past, incorporating elements of both British common law and Dutch civil law, as well as indigenous legal traditions. Section 38 of its 1996 Constitution permits class actions for groups of individuals who are seeking redress for infringement of a right protected by the Bill of

91. Tochukwu Onyuke, *Class action lawsuits: A global trend for accountability and better service delivery*, BUSINESSDAY, Nov. 3, 2010, available at www.businessdayonline.com/NG/index.php?option=com_content&view=article&id=15955:class-action-lawsuits-a-global-trend-for-accountability-a-better-service-delivery-2&catid=133:insight-from-outside&Itemid=557.

92. Chido Nwangwu, *Shell gets N15b oil pollution ruling against its Nigeria operations*, USAFRICAONLINE, July 6, 2010, available at www.usafricaonline.com/2010/07/06/shell-15b-oil-pollution-nigeria-operations-chido-and-abinwa-2010/.

93. *Id.*

Rights.⁹⁴ The class may be represented in the action by one of its members or by “anyone acting in the public interest.”⁹⁵ Notwithstanding this provision, there are no procedural rules for judges to follow and they must instead rely on their discretion and case law. For other types of cases, the High Court Rules only provide that any number of persons may be joined together in claims having the same question of law or fact.⁹⁶

In addition to claims for violations of constitutional rights, as of April 2011, the Consumer Protection Act (2008) permits class actions for injuries caused by violations of consumer protection laws. Specifically, section 76(1)(c) of the Act states that “a court can award damages against a supplier for collective injury to all or a class of consumers generally, to be paid on any conditions that the court considers just and equitable to achieve the purposes of the Act.”⁹⁷ However, the regulations still do not address the procedure by which class actions will be litigated in South African courts.

§ 7:7 Scandinavian Countries

Class actions were first introduced to Scandinavia with Sweden’s Group Proceedings Act, adopted in 2002, effective as of January 1, 2003.⁹⁸ Both Norway’s Civil Dispute Act,⁹⁹ adopted in June 2005, and Denmark’s Class Action Act,¹⁰⁰ adopted in January 2007, introduced class actions to their respective countries on January 1, 2008. Interestingly, Finland elected to adopt a different model in February 2007, effective October 2007.¹⁰¹

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94. Pieter Conradie, Global Legal Group, *The International Comparative Legal Guide to: Class and Group Actions 2010*, Chapter 23: South Africa (2010).
95. *Id.* (discussing secs. 38(c) and (d)).
96. *Id.*
97. See Eric Levenstein, *The Consumer Protection Act: An Opportunity For Class Action Suits in South Africa*, MONDAQ, Aug. 9, 2011, available at www.mondaq.com/x/141880/Consumer/The+Consumer+Protection+Act+An+Opportunity+For+Class+Action+Suits+In+South+Africa.
98. See LINDBLOM, *supra* note 18, at 6.
99. See CAMILLA BERNT-HAMRE, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, CLASS ACTIONS, GROUP LITIGATION & OTHER FORMS OF COLLECTIVE LITIGATION IN THE NORWEGIAN COURTS, available at www.law.stanford.edu/library/globalclassaction/PDF/Norway_National_Report.pdf [hereinafter BERNT-HAMRE].
100. See DANISH MINISTRY OF JUSTICE, LAW DEPARTMENT REPORT, NEW RULES ON CLASS ACTIONS UNDER DANISH LAW (June 26, 2007), available at www.justitsministeriet.dk/fileadmin/downloads/rules.pdf [hereinafter DANISH MINISTRY REPORT].
101. KLAUS VIITANEN, STANFORD LAW SCHOOL, GLOBAL CLASS ACTION CLEARINGHOUSE, COLLECTIVE LITIGATION IN FINLAND 23, available at www.law.stanford.edu/library/globalclassaction/PDF/Finland_National_Report.pdf [hereinafter VIITANEN].

§ 7:7.1 Sweden, Denmark, and Norway

The model in Sweden, Denmark, and Norway requires that the court first assess whether the class fulfills the statutory requirements for admitting a class action (similar to the “certification” stage under Federal Rule of Civil Procedure 23).¹⁰² A class action is generally permitted for most types of claims and for both injunctive and monetary relief, provided that the claims of several individuals are based on identical or materially similar factual or legal grounds. The action must be manageable and a superior way of handling the litigation, compared with alternatives such as joinder of claims and test cases. The class must be “appropriately defined.” The representative, which may be an individual or organization whose charge is to promote the interests at issue in the case, must be able to guard the interests of the class and also account for its potential liability.

To join the class, individuals must opt in. One notable difference among these models is that, unlike Sweden, both Norway and Denmark permit opt-out class actions in some instances.¹⁰³ Class actions on an opt-out basis are permitted if the claims would involve amounts or interests so minor that they are unlikely to be raised by way of individual actions and preclude the need for dealing with them individually. For these opt-out classes, class members are not liable for the costs imposed on the class representative.

Even though Sweden already appears to be the most active Scandinavian country for class action litigation, there have been calls for expansion. In October 2008, the Swedish Ministry of Justice released its four-year, 293-page evaluation of the Class Action Act.¹⁰⁴ Notwithstanding the report’s conclusion that the Act has been successful in providing access to justice and avoiding abuse, the report proposed to amend the Act in a number of ways. Importantly, it recommended clarifying the criteria for class certification and the availability of an interlocutory appeal by either party. However, it also recommended allowing U.S.-style contingency fees up to 30% of the disputed amount and an increase of legal aid to facilitate the financing for the plaintiffs, which courts are already starting to permit in practice.¹⁰⁵ Finally, the report did not propose changing to an opt-out model, despite some

102. See Administration of Justice Act, § 254a (Den.); see also DANISH MINISTRY REPORT, *supra* note 100, at 6–8.

103. See LINDBLOM, *supra* note 18, at 30 n.28 (comparing Act to the Norwegian rules); see also DANISH MINISTRY REPORT, *supra* note 100, at 5.

104. SWEDISH MINISTRY OF JUSTICE, CLASS ACTION COMMITTEE REPORT, DS2008:74.

105. The first class action initiated in Sweden was brought by Bo Åberg against Aer Olympic. The plaintiff sought compensation on behalf of a class of passengers for cancelled flights and unused tickets due to the airline’s

vocal proponents of doing so.¹⁰⁶ Ultimately, in 2009, the Swedish government rejected the proposal to expand the law and preserved the status quo.

In comparison, there has not been as much activity under Denmark's new Act, but one Danish lawyer predicted that claims brought under the new law "will first and foremost be consumer claims organized by the Consumer Ombudsman," such as claims involving allegedly defective goods.¹⁰⁷ But as of 2010, only two class actions have been filed, and neither concern defective goods.¹⁰⁸ The first claim under the new Act is brought by a group of investors against the Danish Bank Trelleborg based on losses sustained from a failed investment.¹⁰⁹ The second claim is also against a bank, Jyske Bank, which claimants allege is similarly liable for losses they sustained as a result of a poorly managed hedge fund.¹¹⁰ There have been rumors of other cases and Danish courts have created a website to assist potential class members to identify pending class action lawsuits.¹¹¹

§ 7:7.2 Finland

Until recently, collective redress in Finland was available only through representative actions by the Consumer Ombudsman or organizations for injunctive relief,¹¹² or through the use of test cases with the support of the National Consumer Agency, although without true *res judicata* effect.¹¹³ The new Group Action Act is considered to be Finland's class action procedure and is allowed only for mass consumer disputes where the facts are identical and it is reasonable to handle the dispute as a single trial.¹¹⁴

bankruptcy. The District Court of Stockholm certified the class in May 2003. The parties ultimately reached a settlement in February 2007, and the court also approved the contingency fee agreement between the plaintiff and its counsel.

106. See, e.g., LINDBLOM, *supra* note 18, at 37.

107. Lex Mundi, *Europe Braces for Class and Group Actions*, INSIDE COUNSEL, Dec. 2007, at 63 (quoting Jens Rostock Jensen of the Kromann Reumert law firm).

108. Dan Terkildsen & David Frølich, *New Possibilities for and First Experiences with Class Actions in Denmark*, INT'L LITIG. Q., Summer 2010, at 1.

109. *Id.* at 7 (referencing the availability of additional information about the Trelleborg Bank case at www.btaktier.dk).

110. *Id.*

111. Danish Class Actions Home Page, *available at* www.domstol.dk/Selvbetjening/gruppe/Pages/default.aspx.

112. VIITANEN, *supra* note 101, at 4.

113. *Id.* at 9.

114. FINNISH GROUP ACTION ACT (Ryhmäkannelaki) (444/2007); VIITANEN, *supra* note 101, at 3.

A group action may only be brought by the Consumer Ombudsman and begins with an application for summons, which must include the reasons why the case should be heard as a group.¹¹⁵ If the requirements for a group action are met, the court shall provide notice to all class members setting a time limit to opt into the class. The Group Action Act does not separately provide for any remedies; therefore, all legal remedies in ordinary cases are available to the parties.

Since its adoption, no group actions have been filed; however, nearly ten cases were reportedly settled based on the fear of class actions.¹¹⁶

§ 7:8 Southern/Western Europe

§ 7:8.1 Overview

Since the introduction of class actions across Scandinavia, the European class action debate has become most active in France and Italy. In Italy, a bill aimed at consumer credit, banking, insurance, and financial institutions was nearly adopted before the dissolution of Parliament and the 2006 elections.¹¹⁷ In France, in the wake of President Chirac's announced support for class actions, a draft bill was introduced, which also came close to adoption before it was withdrawn in January 2007.¹¹⁸ Until recently, the apparent preferred model in both France and Italy is a two-stage approach that typically puts the question of liability first, and, as stated earlier, appears to be driven foremost by the desire to distribute damage awards more efficiently.¹¹⁹

§ 7:8.2 Belgium

In late 2009, the Belgian Government prepared a draft bill that would introduce a class action system in Belgium. The bill was drafted by the Minister of Justice and the Minister of Consumer Affairs, with the assistance of two law professors. The bill included a presumption of an opt-out model and the court's discretion to award *cy pres* remedies. The bill was never submitted to Parliament and discussion on it slowed in May 2010, when the Belgian Government fell and the June elections failed to create a coalition. At the time of this writing,

115. FINNISH GROUP ACTION ACT, §§ 4, 5; VIITANEN, *supra* note 101, at 4.

116. Interview by Edilex News Service with Mrs. Outi Haunio-Rudanko, Deputy Executive of the Consumer Agency, in Finland (July 2, 2008).

117. See EU COMMISSION ON CONSUMER AFFAIRS, NATIONAL CONSUMER ORGANIZATION REPORT: ITALY, Feb. 2007, at 10, available at http://ec.europa.eu/consumers/overview/country_profile/IT_web_country_profile.pdf.

118. MAGNIER, *supra* note 21, at 5.

119. See SILVESTRI, *supra* note 20; MAGNIER, *supra* note 21.

Belgium still does not have a government, and it is unclear whether the class action issue will be a priority once it does. Nevertheless, interest appears to remain strong among certain bar associations in the country.

§ 7:8.3 *France*

In July 2007, President Sarkozy announced that the adoption of class actions would be a priority. Several class action proposals were introduced, although none was successfully adopted by the close of 2007. Nevertheless, the interest in class actions in France has not yet subsided and new proposals have been introduced every year since the president's announcement.

In May 2010, the Senate Working Group released twenty-seven recommendations for the introduction of class actions into French law.¹²⁰ The recommendations include, among other things, introducing class actions for consumer disputes based only on contract, and for economic damages, which means it would exclude compensation for personal injuries and awards of punitive damages.¹²¹ In December 2010, Senators Béteille and Yung introduced two Members' Bills with identical text in order to introduce the 2010 proposals of the Senate Working Group on class actions they co-chaired. The bills remained pending during 2011 but at the time of writing, they have not yet been placed on the Senate's agenda for debate. In addition, a proposal to add class actions to a bill on consumer rights was considered but rejected by the Economic and Monetary Affairs Committee in July 2011.

§ 7:8.4 *Italy*

Immediately after Italy's 2006 elections there was considerable legislative activity related to civil procedure. A law decree abolished both the prohibition on lawyer advertising and against contingency fees, among other things.¹²² From the end of 2006 until late 2007, there were eleven separate draft bills presented to Parliament proposing the introduction of class action legislation.

During December 2007, a class action proposal was adopted as an amendment to the 2008 Finance Act, and introduced article 140bis

120. Sénateurs Laurent Béteille et Richard Yung, *Rapport D'Information N° 499*, Session Ordinaire de 2009–2010, available at www.senat.fr/rap/r09-499/r09-4991.pdf.

121. *Id.* at 5–7; see also Dominique de Combles de Nayves & Benoit Javaux, *The International Comparative Legal Guide to: Class and Group Actions 2010*, Chapter 14: France, Global Legal Group 2011.

122. EUROPEAN COMMISSION, BERSANI DECREE (tit. 1 of Law 4 Aug. 2006 nr. 248), available at http://ec.europa.eu/comm/competition/sectors/professional_services/conferences/20061230/lirosi.pdf.

(“Collective Redress Action”) in the Consumer’s Code.¹²³ Under the statute’s broad language, standing to file class actions would be given not only to registered consumer associations, but to almost any consumer association. Class actions would apply to standard form contract disputes, or as a consequence of tort liability, unfair trade practices, or anti-competitive behavior. Class actions would consist of a two-stage procedure similar to a number of the previous proposals. In the first stage, the focus would be on whether a tort has occurred. In the second stage, the parties would have an opportunity to mediate a settlement and define the class of claimants. The law would provide for an opt-in mechanism, and consumers would be allowed to opt in at any time before a final decision, even if the case is on appeal.

Shortly before the effective date, the newly elected Berlusconi government suspended the new class action Act, citing the need to improve the text and expand the possible defendants to include public entities.¹²⁴ Finally, on July 23, 2009, an amendment proposed by the government was passed by both chambers and became effective August 15, 2009. The new law modifies the December 2007 law by requiring:

- (1) a stronger certification stage followed by the right to an interlocutory appeal,
- (2) class members to join the class within 120 days of certification,
- (3) jurisdiction to be given to the court in the capital city of the region where the defendant has its headquarters, and
- (4) claims to be based on torts occurring after the effective date of the law (August 15, 2009)—notwithstanding that the law is still suspended until January 1, 2010.¹²⁵

As of January 2010, the bill is law, despite early threats of constitutional challenges by the various consumer organizations that are disappointed in the final version of the bill (particularly the bill’s prospective-only application). Several class actions have been filed, predominantly against banks.¹²⁶ One of the more notable decisions

123. Finance Act 2008, bill no. 244/2007 (Italy), Provisions regulating the drafting of the annual and multi-year State budget.

124. Law Decree No. 112 of June 25, 2008 (Italy); *see also* Francesco Manacorda, *Quelle Cause Collettive Mai Decollate Davvero (Those class actions never really started)*, LA STAMPA, June 16, 2008.

125. *See Great Margins of Utility: Interview with Gian Battista Origoni*, IL SOLE 24 ORE, Aug. 4, 2009.

126. *See* Renzo Comolli, Massimiliano De Santis & Francesco Lo Passo, *Italian Class Actions Eight Months In: The Driving Forces*, NERA Economic Consulting, Sept. 16, 2010.

issued concerned a claim against the manufacturer of a home flu test, Voden Medical Instruments S.p.A. The claim alleged that the test was not as reliable as advertised. In December 2010, the court ruled that the consumer fraud claim could proceed as a class action, but it denied admissibility of the product liability claim.

§ 7:9 Eastern and Central Europe

§ 7:9.1 Bulgaria

When Bulgaria joined the European Union (EU) in January 2007, it was under pressure from the European Commission (EC) to implement a new civil procedure code, which it enacted on March 1, 2008.¹²⁷ The new civil code includes a provision for collective claims on behalf of groups of individuals injured by the same infringement.¹²⁸ This model permits any person or organization to file a claim on behalf of all injured persons for damages.¹²⁹ After the court verifies the admissibility of the action and assesses the capacity of the class representative, it sets a time limit for notification of other class members to join, and the case proceeds to trial.¹³⁰

On March 12, 2008, the first class action suit was filed in the Sofia City Court.¹³¹ This claim, filed against twenty-one tobacco companies, alleged violations of certain labeling and marketing requirements for various cigarette brands, thereby depriving the consumer of the opportunity to make an informed choice. However, in May 2011, the Bulgarian Supreme Court affirmed the trial court's decision not to admit the case as a class action.

§ 7:9.2 Lithuania

As part of the new Lithuanian Civil Procedure Code in 2003, a rule was included to allow for the filing of group actions. However, because the rule did not also include a specific procedure to govern group actions, it is practically impossible to maintain a group or class action

127. Elitsa Savova, *Bulgarian Lawyers Warn About New Civil Procedure Code Flaws*, SOFIA ECHO, Feb. 4, 2008, available at www.sofiaecho.com/article/bulgarian-lawyers-warn-about-new-civil-procedure-code-flaws/id_27378/catid_66; Petar Bonchovski, *Development in the public law framework of doing business in Bulgaria*, IFLR1000.com, available at www.iflr1000.com/default.asp?page=38&CH=3&sIndex=2&CountryID=32.

128. Civil Procedure Code (2008), ch. 33, art. 379(1) (Bulg.).

129. *Id.* at art. 379(3).

130. *Id.* at art. 382.

131. Galina Gerginova, *Cigarettes and Lawsuits*, *Lawsuits and Cigarettes*, CASH WEEKLY, May 9, 2008.

in Lithuania.¹³² In September 2010, the Ministry of Justice published a paper outlining its conception of a class action model. The Cabinet of Ministers submitted a revised version of its concept paper on class actions in early July 2011 and set a deadline of January 1, 2012 for the Ministry of Justice to prepare draft legislation.

§ 7:9.3 Poland

Poland also recently joined the EU's "class action club" After the president signed its new Class Action Bill into law in January 2010,¹³³ The law permits a class action where at least ten claimants have claims that share common facts and legal grounds. The group's representative must either be a member of the group or the municipal consumer ombudsman. After the claim is filed, the court sets a window within which other claimants must opt in if they want to join, and the defendants have an opportunity to object. There is an admissibility stage where the court determines if the case should proceed as a class action. That decision is subject to an interlocutory appeal. In addition, the law permits legal fees to be a percentage of the award, but no cap on the amount is set. However, class members may be required to provide security for costs of up to 20% of their claim's value.¹³⁴ The law went into effect on July 19, 2010.

So far, at least thirty-nine class actions have been filed under the new Act, of which twenty-two were dismissed for technical reasons, sixteen are pending and a settlement was reached in the remaining case.¹³⁵ To our knowledge, none of these cases concern product liability, although the new model is being used for personal injury claims. For example, one of the early, more prominent claims is against the government by patients in state-owned hospitals who allege that they developed infections and diseases as a result of unsanitary conditions.¹³⁶ Another claim was also against the government based on the alleged failure to guard against flood waters, which

132. Rytis Paukste and Egle Ivanauskaite, *The International Comparative Legal Guide to: Class and Group Actions 2010, Chapter 18: Lithuania*, Global Legal Group 2010.

133. Andrzej Tomaszek, *Pełnomocnik powoda w polskim postępowaniu grupowym* ("A Plaintiff's Attorney in the Polish Class Action"), MONITOR PRAWNICZY, June 15, 2010.

134. *Id.*

135. J.C., *Pojedyncze Pozwy Zbiorowe* ("Few Class Actions"), POLITYKA, # 22 (2080), Aug. 10–16, 2011.

136. Mariusz Jałoszewski, *Pozew Tylko dla Wybranych* ("Claims for the Chosen Few Only"), METRO, Aug. 26, 2010; see also www.pozew-zbiorowy.com.pl/zlozone_pozwy/1-3-zarazeni-zoltaczka-skladaja-pozew-zbiorowy-przeciwko-skarbowi-pastwa.html.

resulted in damage to personal property in the surrounding area.¹³⁷ The District Court in Krakow certified this class—reportedly the first of its kind—on May 20, 2011.¹³⁸

§ 7:10 European Union

The European Union has been considering some form of collective redress for several years. Should an EU-level directive on class actions be enacted, the Member States would be required to either conform existing laws accordingly or perhaps implement new national laws. Because of this looming possibility, some Member States may prefer to delay initiatives at the national level pending a resolution at the EU-level.

Then European Commissioner for Consumer Protection, Meglena Kuneva, stated in her Consumer Policy Strategy for 2007–2013 that the Commission would consider “action on collective redress mechanisms for consumers both for infringements of consumer protection rules and for breaches of EU anti-trust rules.”¹³⁹ During the summer of 2007, the Commission held a one-day meeting on collective redress in Leuven, Belgium. Then in November 2007, a two-day conference was held in Lisbon, Portugal, to consider the issue further. Commissioner Kuneva reiterated her position. But while assuring attendees that there would be no U.S.-style class actions in Europe, she noted the need for the protection of rights in the single market and lamented the fact that only half of the Member States have a form of collective redress; she invited stakeholders to voice their opinions.¹⁴⁰

In early 2008, the Directorate General for Consumer Protection (“DG SANCO”) launched a consultation process on collective redress, which culminated in its Green Paper on Consumer Collective Redress, released on November 27, 2008.¹⁴¹ The Green Paper invited comment on the four possible options then under consideration:

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137. *Id.*; see also *Class Action Against Pension Reforms*, BIZPOLAND.PL, Apr. 7, 2011, available at www.bizpoland.pl/news/index.php?contentid=207274.
138. See Kubas Kos Gaertner, News Page, available at www.kkg.pl/en/aktualnosci/.
139. For this speech, along with a summary of the Commission’s efforts on collective redress, see European Commission, Consumer Affairs, Collective Redress Page, available at http://ec.europa.eu/consumers/redress_cons/collective_redress_en.htm.
140. Meglena Kuneva, EU Commissioner for Consumer Protection, Remarks at the Conference for Collective Redress in Lisbon, Portugal: Healthy Markets Need Effective Redress (Nov. 10, 2007), available at http://ec.europa.eu/commission_barroso/kuneva/speeches/speech_10112007_en.pdf.
141. EUROPEAN COMMISSION, EU DIRECTORATE GENERAL FOR HEALTH AND CONSUMERS, GREEN PAPER ON CONSUMER COLLECTIVE REDRESS, Nov. 27, 2008, available at http://ec.europa.eu/consumers/redress_cons/collective_redress_en.htm.

- (1) take no action and wait for further information on the impact of the measures being debated at the national level;
- (2) establish a collective redress network to encourage cooperation among Member States;
- (3) adopt a mixture of nonbinding and binding instruments short of a collective action model that could include improving ADR mechanisms and extending small claims procedures to mass claims; and
- (4) introduce an EU model on judicial collective redress through representative actions, group actions or test cases.¹⁴²

Interested parties were invited to comment by March 1, 2009. On May 8, 2009, the Directorate General released its Consultation Paper summarizing the comments it received and briefly reopened a period for additional public comments.

In addition, the Directorate General for Competition (“DG COMP”) was proceeding separately, focused only on judicial collective action solutions for antitrust violations. DG COMP released its Green paper in April 2007, followed by a White Paper in April 2008.¹⁴³ In early 2009, the European Parliament’s Economic and Monetary Affairs Committee recommended that the Competition proposal be held pending the outcome of the review of the Consumer Protection proposal to improve coordination.

Following the EU elections and the installation of new commissioners within DG SANCO and DG COMP in February 2010, a new joint consultation process between the two Directorates, with the help of DG JUST (Justice, Fundamental Rights and Citizenship), was initiated. The new effort was at the EU President’s request to work toward a more coordinated policy on collective redress across sectors.¹⁴⁴ On February 4, 2011, the Commission released its working document, “Towards a Coherent European Approach to Collective Redress” reflecting its shift to a more “horizontal approach” (that is, across all sectors).¹⁴⁵ The public consultation was conducted between February and April 2011. The Commission published the responses it received—306 by Members States, consumer associations,

142. *Id.*

143. For a copy of the EU Directorate General for Competition’s Green Paper and White Paper, see European Commission, Action for Damages, Documents Page, available at <http://ec.europa.eu/competition/antitrust/actionsdamages/documents.html>.

144. See, e.g., European Commission, Commission Work Programme 2010, Mar. 31, 2010, available at http://ec.europa.eu/atwork/programmes/docs/cwp2010_en.pdf.

145. EC Working Document, *supra* note 3.

corporations, law firms and others; and 18,388 from citizens¹⁴⁶—and is now consulting with committees of the EU Parliament as it prepares its recommendation, which is expected in late 2011 or early 2012.

§ 7:11 Latin America

§ 7:11.1 Overview

Several Latin American countries have some form of collective redress. Brazil in particular has experienced considerable class action litigation already, and the adoption or expansion of class actions has generated interest throughout Latin America. Notably, the Ibero-American Procedural Law Institute has developed a model class action law for civil law countries that has been actively promoted in Latin America and parts of Europe.¹⁴⁷ The model bill omits a certification requirement and grants standing to individuals, organizations, legal entities, and public officials, such as the public prosecutor or consumer ombudsman. The model bill also proposes to allow “passive” class actions whereby a claim adjudicated against one member of an industry could bind other members of that industry, even though they were not parties to the case.¹⁴⁸

§ 7:11.2 Brazil

Beyond the promotion of the Ibero-American model, there have been numerous recent class action proposals in Brazil ranging in purpose and in their respective progress in the legislative process. For example, one bill proposed to grant standing to file class actions to any member of the Legislative Branch (federal, state, and municipal), but it was withdrawn in response to opposition. A similar proposal passed the House and Senate in 2007, but it was amended and ultimately only the Public Defender was given standing to file class actions. Another bill proposed giving judicial power in connection with collective actions to the Public Prosecutor. Yet another bill

146. For the responses, see European Commission, Directorate General for Health and Consumers, Replies to the Consultation Page, *available at* http://ec.europa.eu/dgs/health_consumer/dgs_consultations/ca/replies_collective_redress_consultation_en.htm.

147. Grinover, *supra* note 19.

148. For example, there is at least one known instance where a court in Spain permitted a “passive” class action. A consumer association had sought a declaratory judgment regarding the illegality of abusive clauses in standard form contracts used by banks. On May 11, 2005, the Court of Appeals of Madrid confirmed the lower court’s declaration of their illegality and, relying on the Spanish Civil Procedure Act, art. 221.2, additionally declared that its decision had *res judicata* effect on non-defendant parties who had also incorporated similar clauses.

proposed extending standing to associations and labor unions, while also broadening the extraterritorial effect of court decisions to extend beyond the territorial jurisdiction of the court.

A Ministry of Justice Task Force led by the Secretary of Law Reform at the Ministry of Justice, Mr. Rogerio Favretto, prepared a draft Brazilian Model Code for Collective Actions.¹⁴⁹ In March 2009, the Task Force circulated its proposal to create opt-out class actions, which was introduced as a bill in the House of Representatives on April 27, 2009.¹⁵⁰ The bill would have granted standing to political parties to file class actions and made the rules for consumer association standing even less stringent. Most shockingly, it would have empowered the judge to shift the burden of proof, change procedural rules as he or she felt appropriate, and pierce the corporate veil if not doing so would prevent redress. After significant debate, the bill was ultimately rejected in March 2010.

While debates continue over expanding the use of class actions in Brazil, they have already been used as a means for achieving other types of legislative changes through judicial action. As one example, a consumer association filed a class action against a beer company, requesting that a non-alcoholic beer be removed from the market.¹⁵¹ Despite the product's conformity with the applicable regulations that allowed for a marginal alcohol content, the consumer association claimed that any presence of alcohol rendered the label misleading and the product dangerous to consumers.¹⁵² The court granted the association's request for an injunction ordering the defendant to take the product off the market. This decision was appealed and the injunction was stayed.¹⁵³

§ 7:11.3 Ecuador

There is no class action procedure in Ecuador, but a new constitution and Civil Procedure Code allow individuals and interest groups to file claims seeking redress for environmental damages that affect the population as a whole. Under article 396 of the Constitution, liability for environmental damage is objective and there is no statute of

149. See Press Release, Ministry of Justice (Braz.) MJ estuda mudanças na legislação sobre tutela coletiva ("MJ Studying Changes in the Law on Collective Protection") (Aug. 15, 2008), available at www.mj.gov.br/data/Pages/MJ65097B8FITEMID5C548FC9147C4306B72B3AEC0328F71EPTBRIE.htm.

150. Brazilian House Bill 5139/2009 (Apr. 28, 2009).

151. Luiz Migliora, Walter Cofer & Gregory L. Fowler, *Trial and Error: Class Actions in Brazil and the US, and the Global Trends*, 6 *LATIN LAW* 38 (Sept. 2007).

152. *Id.*

153. *Id.*

limitations. All damages to the environment shall also imply the obligation to restore the ecosystems entirely and to indemnify the affected persons and communities. In such claims, the defendant bears the burden to prove there is no environmental damage.

A now famous environmental class action was filed in Ecuador against Chevron by indigenous residents of Ecuador's oil fields.¹⁵⁴ The claim was originally filed in 1993 in New York as *Aguinda v. Texaco, Inc.*,¹⁵⁵ alleging that Chevron/Texaco is liable for dumping billions of gallons of toxic oil wastes upstream from the class members. The claim was dismissed on *forum non conveniens* grounds in 2002, and it was resumed in Ecuador in May 2003.¹⁵⁶ The claimants, who are being assisted by U.S. lawyers, seek a judicial determination of the costs of a comprehensive environmental remediation, which includes the removal of all air pollution, restoration of natural resources, and medical monitoring for the affected class members.¹⁵⁷ In February 2011, Judge Nicolás Zambrano in Lago Agrio, Ecuador, ordered the company to pay \$8.6 billion in damages, and double the award if the company does not issue a public apology within fifteen days of the order.¹⁵⁸ The company was also ordered to pay \$860 million to Amazon Defense Coalition, the NGO representing the plaintiffs.

Both the company and the plaintiffs are reportedly appealing. The plaintiffs claim the amount awarded is still inadequate. The company is challenging what it believes to be fraudulent conduct and corrupt actions by the plaintiffs' counsel. The company filed a civil racketeering suit against the plaintiffs' lawyers in the U.S. District Court for the Southern District of New York and in March 2011 obtained a preliminary injunction against the enforcement of the Ecuador judgment in the United States.¹⁵⁹ In addition to the claims of fraud, the action against Chevron is noteworthy with respect to the funding arrangement that was revealed as part of the action in the Southern

154. Michael Isikoff, *A \$16 Billion Problem*, NEWSWEEK, July 26, 2008, available at www.newsweek.com/id/149090 [hereinafter Isikoff]; Judith Kimerling, *Transnational Operations, Bi-National Injustice: Chevrontexaco and Indigenous Huaorani and Kichwa in the Amazon Rainforest in Ecuador*, 31 AM. INDIAN L. REV. 445 (2006/2007) [hereinafter Kimerling].

155. See *Aguinda v. Texaco, Inc.*, No. 93 Civ. 7527, 1994 WL 142006 (S.D.N.Y. Apr. 11, 1994), *adhered to by* 850 F. Supp. 282 (S.D.N.Y. 1994), *dismissed by* 945 F. Supp. 625 (S.D.N.Y. 1996), *vacated sub nom. Jota v. Texaco Inc.*, 157 F.3d 153 (2d Cir. 1998), *on remand*, 2000 U.S. Dist. LEXIS 745 (S.D.N.Y. Jan. 31, 2000).

156. Kimerling, *supra* note 154, at 475.

157. *Id.* at 476.

158. Simon Romero and Clifford Krauss, *Ecuador Judge Orders Chevron to Pay \$9 Billion*, N.Y. TIMES, Feb. 14, 2011.

159. *Chevron Corp. v. Steven Donziger, et al.*, Case No. 1:11-cv-00691 (S.D.N.Y. Mar. 7, 2011).

District of New York. Burford Capital, an investment firm based on the British island of Guernsey, invested \$4 million in the case in exchange for a 1.5% recovery.¹⁶⁰ However, the seventy-five-page litigation funding agreement creates a “distribution waterfall” and only after eight levels of funders, attorneys, experts and advisors have been paid will the balance—“if any”—be paid to the claimants.¹⁶¹

§ 7:11.4 Argentina

In March 2008, Argentina’s Senate passed the amendment to the Consumer Defense Act, which the House of Representatives approved in December 2007.¹⁶² The Act codifies the availability of class actions, which the Constitution technically already permits, by granting standing to consumer associations to bring collective actions on behalf of consumers. The model includes an opt-out procedure, and *res judicata* effect is given to judgments favorable to plaintiffs when raised by other consumers or users who share similar circumstances. Finally, it establishes punitive damages of up to \$5 million pesos (US \$1.2 million) per plaintiff when “a product manufacturer fails to fulfill his obligations.” The model also allows administrative authorities to award damages to consumers without the normal civil proceedings required in courts. The measure became effective on April 7, 2008. There is still no law establishing a procedure for class actions in Argentina, although the Supreme Federal Court has provided some non-binding guidance for courts to follow.¹⁶³ As of this writing, there are eight pending federal bills to establish class action procedures.

§ 7:11.5 Mexico

In November 2007, the Federal Congress in Mexico announced that it would begin discussions regarding the adoption of class actions.¹⁶⁴ In response, there have been several prominent proposals to introduce collective actions, one of which resembled Rule 23 of the U.S. Federal Rules of Civil Procedure. Another proposal was drafted by

160. Roger Parloff, Have you got a piece of this lawsuit? CNNMoney.com, June 28, 2011, available at <http://features.blogs.fortune.cnn.com/2011/06/28/have-you-got-a-piece-of-this-lawsuit-2/>.

161. *Id.*

162. See Hector A. Mairal, *Collective and Class Actions in Argentina*, at 16, www.law.stanford.edu/library/globalclassaction/PDF/Argentina_National_Report.pdf (discussing proposal by Representative Juan Manuel Urtubey, 33 TRAMITE PARLAMENTARIO 19/4/07), to be published at __ ANNALS AM. ACAD. POL. & SOC. SCI. __ (forthcoming).

163. Halabi, Ernesto v. Fed. Exec. Branch, Law 25,873 Decree 1,563/04, Federal Supreme Court of Argentina, Feb. 24, 2009.

164. Ricardo Rios Ferrer, et al., *Class Actions in Latin America: A Report on Current Laws, Legislative Proposals and Initiatives* (forthcoming).

Professor Alberto Benitez of the ITAM University,¹⁶⁵ and proposed to give standing to the Consumer Protection Agency and to consumer associations meeting certain lenient requirements. The proposal did not provide for class certification procedures, and would have allowed for the use of statistical evidence and estimations in calculating damages. Private interests and the Federal Government in Mexico took issue with many provisions of the Benitez bill and it was ultimately rejected.

Other proposals for class actions have been presented in Mexico, with varying provisions for whether to have an opt-in or opt-out model, which parties would have standing, whether to create a form of certification, and how *res judicata* should be applied. Discussions among the consumer associations, academics, private entities, and government representatives continued for several years.¹⁶⁶ Meanwhile, in March 2010, the Federal Congress approved a constitutional amendment to enable federal class action legislation intended to preempt state and municipal class action legislation, such as the one proposed in Mexico City. The amendment also required the Federal Congress to enact a class action procedure law by July 2011.

In April 2011, a bill introduced by Senator Jesus Murillo Karam was adopted by both houses of Congress and the law was published in the Official Journal of the Federation in late August 2011. The law will take effect on March 1, 2012. This bill contains a certification phase and provides for opt-in classes. The opt-in period, however, extends for eighteen months after a first phase trial on liability. Class members who opt-in may then file individual claims for damages based on the class judgment.

§ 7:11.6 Chile

Chile has had a class action law since 2004. It provides for a certification phase, which includes criteria such as numerosity, predominance, superiority, and adequacy of representation. Like the U.S. law, the Chilean law allows for an appeal of a certification ruling, with an automatic stay of proceedings pending the appeal.¹⁶⁷ Since the law was enacted, numerous class actions have been filed, but only one has been decided by a trial court, and that case remains on appeal. As a result, the current procedural rules have been criticized as slow and

165. *Id.*

166. Lucero Almanza, (Negocios) Preven Afianzar Accion Colectiva, INVERIA, Oct. 8, 2008, available at http://mx.invertia.com/noticias/noticia.aspx?idNoticia=200810081627_INF_321439.

167. Chilean Law No. 19.955, which amends Consumer Protection Law No. 19.196, published on July 14, 2004, available at www.leychile.cl/Navegar?idNorma=227543.

cumbersome.¹⁶⁸ Some recent class actions filed by the Chilean consumer protection agency, SERNAC, alleging fraud by retail outlets in connection with credit card interest rates, have drawn media attention to the class action procedure as a means of consumer redress.¹⁶⁹ On August 16, 2011, the Chilean Congress passed a bill intended to streamline class actions. The bill eliminates the evidentiary phase during certification proceedings and eliminates two certification criteria—numerosity and superiority. It also eliminates the right to a stay of proceedings pending an appeal of a trial court decision to certify the claim.¹⁷⁰ This new bill has been heralded as a means to improve the speed of consumer redress in Chile by making the class actions more “agile.”¹⁷¹

§ 7:11.7 Peru

Until recently, the Peruvian Code of Civil Procedure and Consumer Defense Code only allowed government agencies, and private associations with specific authorization from the Consumer Protection Agency to file representative actions. Such actions were limited to “diffuse” public interests, referring to matters of interest to the population as whole, and not the interests of a defined class. In September 2010, a new Consumer Code was adopted that will enable true class or collective actions and extend standing to the Consumer Protection Agency (“INDECOPI”), public prosecutors, and consumer and bar associations.¹⁷² On April 14, 2011, INDECOPI issued implementing regulations for the management of actions filed under the new law.

168. Chilean Senate Economy Committee, Bulletin No. 7256-03, entitled “Relativo al procedimiento aplicable para la protección del interés colectivo o difuso de los consumidores” (“Concerning the procedure for the protection of collective or diffuse interests of consumers”), Oct. 6, 2010, available at http://sil.senado.cl/cgi-bin/index_eleg.pl?7256-03.

169. Alexei Barrionuevo, *Rise of consumer credit in Chile and Brazil leads to big debts and lender abuses*, N.Y. TIMES, July 23, 2011, available at www.nytimes.com/2011/07/24/business/global/abuses-by-credit-issuers-in-chile-and-brazil-snare-consumers.html?pagewanted=1&r=2.

170. Relativo al procedimiento aplicable para la protección del interés colectivo o difuso de los consumidores (“Concerning the procedure for the protection of collective or diffuse interests of consumers”), no. 7256-03 (2010), available at http://sil.senado.cl/cgi-bin/index_eleg.pl?7256-03.

171. Senado aprueba proyecto de ley que agiliza acciones colectivas (“Senate passes bill to speed up collective actions”), LA TERCERA, Aug. 16, 2011, available at www.latercera.com/noticia/politica/2011/08/674-386712-9-senado-aprueba-proyecto-de-ley-que-agiliza-acciones-colectivas.shtml.

172. Walter Gutiérrez, *¿Y el código de consume?* (“What About the Consumer Code?”), EL COMERCIO, Sept. 1, 2010.

§ 7:12 Asia

§ 7:12.1 Overview

In addition to Taiwan's securities class actions discussed earlier,¹⁷³ other Asian countries have begun adopting class action procedures in recent years. Of course, some Asian countries have followed in their English common law tradition, and representative actions based on Rules of the Supreme Court Order 15 continue to exist, such as in Hong Kong,¹⁷⁴ India,¹⁷⁵ Malaysia,¹⁷⁶ and Singapore¹⁷⁷ (in addition to these Asian countries, New Zealand's representative action rule is also based on the English model¹⁷⁸). Indonesia also allows class actions in consumer protection cases.¹⁷⁹ However, the spread of the class action device, as seen in Europe and Latin America, does not seem to have occurred in Asia yet—although this could change rapidly, as illustrated by the rise of legal challenges and consumerism in China.¹⁸⁰ It is also worth examining recent discussions in Hong Kong, Korea and Japan for signs of expansion.

§ 7:12.2 People's Republic of China

Chinese law has permitted collective redress in one form or another for some time.¹⁸¹ However, the increase in the number of multi-party disputes led to the enactment of the Civil Procedure Law of 1991, for which China reportedly was influenced by the U.S. experience.¹⁸² The law provides two categories of class actions: (1) where the number of litigants is ascertainable and there are ten or more claimants, and

173. See *supra* section 7:2.2.

174. Order 15, Rule 12, of the Rules of the High Court (1988).

175. See *S.P. Gupta v. Union of India*, 1981 Supp. SCC 149, A.I.R. 1982 SC 149.

176. Order 15, Rule 12(1), of the Rules of the High Court (1980).

177. Order 15, Rule 12, of the Rules of Court (1996).

178. Rule 78 of the High Court Rules (1882).

179. Article 46(b), (c) of the Consumer Protection Law (2000) and Regulation of the Supreme Court of the Republic of Indonesia Number 1/2002.

180. See, e.g., Jerome A. Cohen, *China's Legal Reform at the Crossroads*, 169 *FAR E. ECON. REV.* 23 (Mar. 2006) (discussing the strengthening of China's judiciary and the continued challenges facing Chinese courts as a result of the rapid rate of economic development and social change in the last few decades); Mao Ling, *Clinical Legal Education and the Reform of the Higher Legal Education System in China*, 30 *FORDHAM INT'L L.J.* 421 (2007) (examining the trend in Chinese law schools to follow U.S. education models in response to the country's legal reforms and economic expansion).

181. For an excellent overview of Chinese class action law, see Note, *Class Action Litigation in China*, 111 *HARV. L. REV.* 1523 (1998) [hereinafter *Class Action Litigation in China*].

182. *Id.* at 1525.

(2) where the number of litigants is not known at the time of filing.¹⁸³ If unknown, the court issues a public notice to inform all persons who are similarly affected so that they may register with the court. The decision is binding on all parties who register and are represented in the claim, and it is applicable to those who do not register but institute legal proceedings within the statute of limitations.¹⁸⁴ Notwithstanding these rules, courts have had little other guidance, and “thus appear free to continue to experiment with class action procedures.”¹⁸⁵

While class actions are not rare in China, most cases eventually settle and recent figures on the number and type of class actions filed are difficult to come by. However, one report concluded that as of 1998, class actions had been filed over “low quality products, consumer fraud, environmental pollution, economic contracts, and local government actions.”¹⁸⁶ A class action against Dell made headlines in 2006. Consumers reportedly filed class actions in Xiamen and Shanghai for Dell’s allegedly fraudulent substitution of a different chip in its laptops than as advertised.¹⁸⁷ On consumer fraud grounds, the plaintiffs sought compensation equal to twice the value of the goods and legal fees.

Also in 2006, the All China Lawyers Association (ALCA) released its practice guidelines for lawyers involved in collective cases.¹⁸⁸ The ALCA’s *Guiding Opinion on Lawyers Handling Collective Cases* focuses on the “comparatively complicated social, economic, and political causes” presented in class actions.¹⁸⁹ Accordingly, the guidelines seek to address issues of professional ethics, case management, and coordination with judicial agencies, the government, and the media in order to “safeguard social stability while also safeguarding the lawful rights of the mass client.”¹⁹⁰ To accept a class action, “two or more politically and professionally qualified, well-experienced

183. *Id.* at 1526.

184. *See* Article 55 of Civil Procedure Law of People’s Republic of China; *see also* *Class Action Litigation in China*, *supra* note 181, at 1527.

185. *Class Action Litigation in China*, *supra* note 181, at 1527.

186. *Id.* at 1528.

187. *Chinese Consumers Sue Dell*, CONSUMERAFFAIRS.COM, Aug. 10, 2006, available at www.consumeraffairs.com/news04/2006/08/dell_china.html; *Dell Faces Class-Action Lawsuit in China*, PEOPLE’S DAILY ONLINE, Aug. 4, 2006, available at http://english.peopledaily.com.cn/200608/04/eng20060804_289910.html.

188. *See* Edward Wong, *Courts Compound Pain of China’s Tainted Milk*, N.Y. TIMES, Oct. 17, 2008 [hereinafter Wong].

189. *Guiding Opinion of the All China Lawyers Association Regarding Lawyers Handling Cases of a Mass Nature* (Mar. 20, 2006), translation prepared by the Congressional-Executive Commission on China. The authors would like to thank their friends at the law firm of King & Wood who shared this translation.

190. *Id.*

lawyers” must complete an intake record after receiving the approval of at least three law firm partners who will jointly accept the retainer, designate a person to undertake the case, and develop a work plan. After accepting a class action, a lawyer must “promptly and fully communicate with the relevant justice bureau” and “promptly report the situation to the relevant government bureaus.”¹⁹¹ Finally, the guidelines reiterate that class action lawyers must comply with the guidance and supervision of the judicial administration authorities and the bar associations.¹⁹²

The availability of class actions has received increased international discussion with the simultaneous increase in the number of food and drug safety problems in China. The most notable of these problems concerned melamine-tainted milk, which reportedly caused the death of at least six children and illness to 300,000 people.¹⁹³ Whatever explanation or defense there may be for this tragedy, class actions would no doubt follow if a similar scandal broke in the United States, as suggested by Prof. Zhang Xinbao, a law professor at the People’s University of China.¹⁹⁴ Prof. Zhang has expressed doubts that class actions will follow in China under the ACLA’s 2006 *Guiding Opinion*, ironically, because of the number of potential claimants and the perceived threat to social stability.¹⁹⁵ Thus far, courts have declined to hear at least two related lawsuits.¹⁹⁶

At least one class action lawsuit was filed by dozens of families against a Chinese dairy, although it was quickly denied by the Hebei Supreme Court on December 8, 2008.¹⁹⁷ According to press reports, the claimants are seeking eight different compensation packages, based on the severity of illnesses. The total amount sought for medical fees and other damages is 6.82 million yuan (\$1 million at the time), plus 6.91 million yuan (\$1.02 million) for psychological damage.¹⁹⁸ For the first time, the Xinhua District Court in Shijiazhuang, the capital of Hebei Province, finally agreed to allow a lawsuit to proceed

191. *Id.*

192. *Id.*

193. Henry Sanderson, *China Court Refuses to Accept Tainted Milk Lawsuit*, ASSOCIATED PRESS, Dec. 8, 2008 [hereinafter Sanderson]; see also Leslie Schulman, *China Lawyers Allege Political Pressure After Aiding Parents of Sick Infants in Milk Scandal*, JURIST LEGAL NEWS & RES., Oct. 8, 2008, available at <http://jurist.law.pitt.edu/paperchase/2008/10/china-lawyers-allege-political-pressure.php>; Peter Ford, *What China’s Tainted Milk May Not Bring: Lawsuits*, CHRISTIAN SCI. MONITOR, Sept. 22, 2008, available at www.csmonitor.com/2008/0923/p01s01-woap.html.

194. Wong, *supra* note 188.

195. *Id.*

196. *Id.*

197. Sanderson, *supra* note 193.

198. *Id.*

on March 25, 2009.¹⁹⁹ However, the judge in that case refused to accept the claim as a class action and required each victim to file an individual claim.²⁰⁰ In addition, four parents who were unable to obtain redress in China eventually took their case to Hong Kong, believing it to be a friendlier forum because of its Western-style judicial system.²⁰¹

In February 2009, the Beijing Municipal Bureau of Labor and Social Security announced the creation of a national compensation fund for victims of the tainted milk.²⁰² Under this proposal, Sanlu and twenty-one other dairy companies will contribute to the fund to pay for medical care for the children until their eighteenth birthday. However, some families are concerned that their childrens' health care needs will be lifelong and are challenging the government compensation plan in court.²⁰³

The Chinese legal community will likely continue to debate how to address class action issues as they arise in other cases. For example, Prof. Zhang was reportedly spearheading an effort to host a conference in April 2011 with national and local government officials and judges for the purpose of discussing proposed guidelines to overcome the current obstacles and facilitate the filing of mass tort claims. But in the meantime, it appears that the road to judicial redress in mass torts has not yet been fully extended to injured Chinese consumers.

§ 7:12.3 Hong Kong

In November 2009, the Law Reform Commission's Class Actions Subcommittee released a consultation paper "to consider whether a scheme for multi-party litigation should be adopted in Hong Kong and, if so, to make suitable recommendations generally."²⁰⁴ The subcommittee concluded, among other things, that the introduction of class actions could enhance access to justice.²⁰⁵ The subcommittee's conclusion was based on the assertion that there is an imbalance between consumers and corporate defendants and the current scheme

199. Michael Wines, *Local Court Is China's First to Accept a Tainted-Milk Suit*, N.Y. TIMES, Mar. 25, 2009.

200. Lauren Katz, *Class Actions with Chinese Characteristics: The Role of Procedural Due Process in the Sanlu Milk Scandal*, 2 TSINGHUA CHINA L. REV. 421, 426–27 (2010) [hereinafter Katz].

201. Min Lee, *China Tainted-Milk Victims Sue in Hong Kong*, ASSOCIATED PRESS, May 4, 2010.

202. Katz, *supra* note 200, at 426.

203. *Id.* at 449.

204. The Law Reform Commission of Hong Kong, *Consultation Paper—Class Actions*, Nov. 5, 2009, at 244, available at www.hkreform.gov.hk/en/publications/classactions.htm.

205. *Id.* at 81.

is inadequate to provide redress or handle large-scale multi-party litigation.²⁰⁶ It therefore recommended, among other things, the creation of an opt-out class action. The Subcommittee solicited comments until February 4, 2010, but it has not released any further report or provided any formal proposal.

§ 7:12.4 Japan

The 2006 amendments to Japan's Consumer Contract Act (CCA) provide consumers with a limited class action measure or group litigation.²⁰⁷ At the time it was amended, the CCA protected consumers by enabling them to avoid contractual obligations where the terms were unconscionable or where limitations of liability were unenforceable. But the injunctive relief offered under the CCA was available only to consumers who suffered a direct injury. Effective June 7, 2007, the CCA permits consumer groups to seek injunctive relief on behalf of all consumers to protect them equally from violations of the CCA.²⁰⁸

§ 7:12.5 Korea

Korea appears to be following the examples of Japan and Taiwan with regard to collective redress. Effective January 2008, Korean consumer groups or public interest organizations are permitted under the amended Consumer Protection Act to file a suit on behalf of consumers for injunctive relief to cease allegedly unlawful company business activities.²⁰⁹

This model is similar to Japan's Consumer Contract Act and Germany's Capital Markets Model Case Act adopted a few years earlier. Korea's amended Act does not allow damage compensation relief.

Korea previously enacted the Securities-Related Class Action Bill on December 22, 2003—the same year as Taiwan's Securities Act²¹⁰—that applies only to claims related to, for example, insider trading and

206. *Id.*

207. International Affairs Office, *Consumer Policy Regime in Japan*, Sept. 2006, available at www.consumer.go.jp/english/cprj/index.html; see also Ikuo Sugawara, *The Current Situation of Class Action in Japan*, available at www.law.stanford.edu/display/images/dynamic/events_media/Japan_National_Report.pdf (to be published at __ ANNALS AM. ACAD. POL. & SOC. SCI. __ (forthcoming)).

208. *Id.*

209. Sang-Ho Han, Kwan-Seok Oh & Lance B. Lee, *Korea*, GETTING THE DEAL THROUGH—PROD. LIAB. (Aug. 2008).

210. See Yu-Hsin Lin, *supra* note 30, at 168–70.

accounting fraud. The law took effect in January 2005, and the first class action under this law was filed in the Suwon District Court against Jinsung T.E.C. for losses allegedly caused by the company's accounting fraud.²¹¹ On June 24, 2009, the court appointed Seoul Invest to represent a class of potentially 1,500 stockholders. The claim can proceed only if more than fifty shareholders join the class, which most observers expected to happen but no further information is available.

§ 7:13 Forecasting the Future for Class Actions Overseas

We have witnessed the growth and development of class actions in countries around the world since the beginning of the twenty-first century. This has been particularly true in Europe, Latin America, and, to a lesser degree, Asia. This trend coincides with a wave of consumer movements and demands for greater access to justice to protect consumer rights.²¹² In some countries that already permit class actions and have seen an increase in such litigation—for example, Australia and Brazil—there are proposals for expansive reform. Within most class action debates, while there is an express desire to avoid American-style compensation, there is also a belief that class actions provide the best means of improving access to justice.²¹³ Stay tuned.

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211. Kim Rahn, *First Class-Action Suit in Offing*, THE KOREA TIMES, June 25, 2009, available at www.koreatimes.co.kr/www/news/nation/2009/06/113_47475.html.
 212. Rod Freeman, *How the Class Action Pendulum Swings in Europe*, 47:3 FOR THE DEFENSE 67 (Mar. 2005); Lloyd's, *Directors in the Dock: Is Business Facing a Liability Crisis?* (May 2008) ("There is widespread agreement among business leaders that a US-style compensation culture is spreading, especially within Europe.").
 213. See Behrens, Fowler & Kim, *supra* note 1 (discussing how the United States did not intend the abusive consequences of its class action rule and noting that an examination of the historical debate in the United States suggests how, over time, a model's ambiguity can create opportunities to expand down a slippery slope); see also Anne Marie Borrego, *An Unwelcome American Export*, 29:12 AM. LAW. S15 (Winter 2008) (discussing fear of the spread of the U.S. litigation culture).

