SAS Institute Inc v World Programming Limited: Anti-enforcement Injunctions and Competing Judgments on Liability and Enforcement

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In the recent decision in *SAS Institute Inc v World Programming Limited* [2020] EWCA Civ 599 ("*SAS*"), the English Court of Appeal addressed issues including the *situs* of a debt, the proper approach to anti-enforcement injunctions, and how considerations of comity arise in the enforcement of foreign decisions.

Facts

In 2009, SAS, a North Carolina ("NC") corporation, sued WPL, a UK software-developer, in England for copyright infringement and breach of contract. The English High Court rejected both claims in 2013 ("the English liability judgment"). The English liability judgment turned on, *inter alia*, the application of the EU Software Directive, which rendered the contract terms relied on by SAS null and void. SAS' appeal failed.

In 2010, while the English liability proceedings remained pending, SAS commenced proceedings against WPL in NC on materially similar bases. SAS succeeded in its claims in 2015 (the "US liability judgment"), and compensatory damages were set at US$26M. Under NC legislation, the damages were trebled to US$79M. WPL's appeal was unsuccessful.

In 2017, SAS sought to enforce the US liability judgment in England. This was refused on grounds of issue estoppel, *Henderson v Henderson* abuse of process, and because enforcement would be contrary to the public policy protected by the Software Directive. The Court of Appeal refused SAS permission to appeal.

Apart from seeking to enforce the US liability judgment in England, SAS also applied to the California District Court for extraterritorial enforcement orders (the "Orders"). Specifically, assignment orders (ordering WPL to assign to SAS its right to payment from its customers until the US liability judgment was satisfied) and turnover orders (ordering WPL to transfer to a US Marshal monies arising from business conducted between WPL and its customers) were sought. The Orders would have affected customers from the US and other countries, but did not affect UK-based customers. SAS expressly reserved the right to seek orders which did extend to WPL's UK customers.

WPL sought and obtained, *ex parte*, an interim anti-suit injunction prohibiting SAS from taking further steps before US courts to procure the Orders or any similar relief. This interim injunction was granted pending an *inter partes* hearing before Mrs Justice Cockerill.

The High Court's Decision

Cockerill J held that anti-enforcement injunctions would only be granted in exceptional cases, typically requiring conduct akin to fraud. The Orders sought were exorbitant in that they went beyond any relief which an English court would grant, but were not "markedly exorbitant" because they did not require anything to be done by WPL in England. Further, while the Orders would have the effect of enforcing a US judgment which had been held to be contrary to English public policy, that did not interfere with the English enforcement judgment, which had decided only that the English court would not lend its enforcement processes to SAS. WPL appealed.

The Court of Appeal's Decision

The Court of Appeal's decision may be understood in three main segments.

The Situs of a Debt

First, Males LJ outlined the general rule that a debt is situated in the place of the debtor's domicile. However, this general rule is displaced if the debt is owed pursuant to an agreement providing for arbitration in England or the exclusive jurisdiction of the English courts. Applying these principles, debts due from US customers of WPL which were not subject to any contractual term providing for arbitration in England, or the exclusive jurisdiction of English courts, were situated in the US. Conversely, debts due from customers in the UK and, critically, subject to the jurisdiction of English courts, were situated in the UK. As for debts from WPL's customers in third countries, most of those debts were found to be situated in the UK because of a clause in the majority of WPL's contracts which provided for arbitration in England.

Cockerill J's decision had turned on her finding that the Orders were not "markedly exorbitant" because they did not require anything to be done by WPL in England. Males LJ disagreed, and eschewed the language of "marked" exorbitance. Specifically, Males LJ observed that the assignment order would *effectively* have required WPL to assign debts situated in England to SAS. Similarly, the turnover order would require WPL to give instructions to its banks in England to discharge debts situated in England which were owed by the banks to WPL. The Orders were therefore said to be exorbitant in that they affected property situated in England and over which the American courts did not have subject matter jurisdiction.

Anti-enforcement Injunctions

The second segment of *SAS* concerned the availability of anti-enforcement injunctions given that the Orders were found to be exorbitant. Males LJ held that while anti-enforcement injunctions would only rarely be granted, there was no distinct jurisdictional requirement that such injunctions be granted only in exceptional cases. In any event, this case was exceptional given its complex procedural history.

Comity

The third segment of the judgment outlined how comity shaped the anti-enforcement injunction eventually ordered. Of particular note is the Court's observation that comity requires the English court to have "sufficient interest" in the matter for an anti-suit injunction to be granted. Further, the Court described comity as a two-way street, such that it would be inconsistent with comity for another court to interfere with assets situated in the UK and subject to the jurisdiction of the English court.

These considerations led Males LJ to the following conclusions:

1. An anti-enforcement injunction against the debts due from WPL's customers in the US would be inappropriate because those debts were situated in the US. If anything, an anti-enforcement injunction against those debts would *itself* be an exorbitant exercise of jurisdiction by the English Court.
2. As for the debts due from WPL's customers in the UK, the Orders would be an exorbitant interference with the jurisdiction of the English court as i) the debts were situated in the UK, and ii) enforcement of the US liability judgment had explicitly been rejected in the UK. An injunction was therefore necessary to protect the territorial enforcement jurisdiction of the English court. However, as the Orders sought did not extend to the UK, the Court accepted an undertaking from SAS to give 14 days' notice if it intended to seek such extension. This undertaking protected WPL's position and rendered an injunction unnecessary.
3. In relation to the debts due from customers in other countries, the majority of such debts were deemed to be situated in the UK by virtue of the contracts between WPL and those customers providing for arbitration in England. The analysis at (b) above therefore applied. There being no undertaking provided, an anti-enforcement injunction was ordered.
4. The turnover order was exorbitant as it required WPL to turn over to a US Marshal funds held in its bank accounts in England, which comprised debts situated in England. Accordingly, an anti-enforcement injunction was ordered.

Customers in third countries whose contracts with WPL did *not* provide for arbitration in England fell outside category (c) above. Their debts were situated in

the country of their residence. Accordingly, an order requiring WPL to assign such debts to SAS might be regarded as exorbitant, but the English courts did not have a "sufficient interest" to intervene.

Comment

Only two English cases where anti-enforcement injunctions were granted were cited to the Court. In *Ellerman Lines Ltd v Read*, the foreign judgment had been procured by fraud, and in *Bank of St Petersburg OJSC v Archangelsky*, enforcement of the judgment was contrary to the applicable jurisdiction agreement. *SAS* is novel in that the injunction sought would only restrain certain *kinds* of enforcement, leaving SAS free to enforce its judgment in other ways. This nuance underpins three further observations:

First, *SAS* underscores how arbitration clauses or exclusive jurisdiction clauses ("EJCs") may serve as a shield against claims for extraterritorial enforcement. This is most apparent in how WPL's customers domiciled in third countries and whose contracts did *not* contain arbitration agreements seated in England were excluded from the scope of the injunctions ordered. This is a potentially under-recognised practical consideration in approaching arbitration agreements and EJCs.

Second, SAS sought to rely on the fact that the Orders it had sought in the US enforcement proceedings operated *in personam* against WPL, as opposed to *in rem* against the *debts* owed to WPL, to circumvent potential difficulties in extraterritorial enforcement. The Court gave short shrift to this argument, observing that such a distinction would have prized form over substance. This approach by the Court in scrutinising the substance rather than form of enforcement underscores the Court's vigilance against infringements of its jurisdiction.

Third, while *SAS* outlines a useful analytical framework for dealing with competing decisions on liability and enforcement, there remain concerns of potential forum shopping. This concern is most clearly shown by SAS commencing proceedings in North Carolina while the English liability proceedings were still underway. While such proceedings were challenged on *forum non conveniens* grounds, the American courts were not minded to give preclusive effect to the English judgments. The reasons given were, *inter alia*, that England was not the

appropriate forum (notwithstanding that SAS *itself* commenced proceedings in England), and that different considerations of public policy operated in NC as the Software Directive did not apply there. Questions of potential issue estoppels and/or abuse of process did not sway the American courts. This raises interesting questions of whether questions of comity can be circumvented by pointing to differing grounds of public policy. Further, the *effect* of a breach of comity *by the other jurisdiction* was left open by this judgment.

Conclusion

SAS provides a structured and robustly-reasoned approach to the complex issue of competing judgments and anti-enforcement injunctions. This approach first considers the *situs* of the assets being enforced against and whether the enforcement sought is against UK-situated assets. If it is, questions of whether the enforcement is sufficiently exorbitant to warrant an anti-enforcement injunction arise. That analysis is in turn contoured by questions of comity, and the requirement that the English Court has "sufficient interest" in the matter. This approach strikes an appropriate balance between protecting the territorial enforcement jurisdiction of the English courts, and giving due respect to the boundaries of other jurisdictions.

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