

# Contents

Preface 17

## Chapter 1 Introduction to International and Comparative Law 21

What Is International Law? 21

CASE 1-1 Ignacio Sequihua v. Texaco Inc. et al. 23

The Making of International Law 25

Sources of International Law 25

Treaties and Conventions 25

Custom 27

General Principles and *Jus Cogens* 28

The Scope of International Law in Actual Practice 28

The Practice in International Tribunals 28

The Practice in Municipal Courts 29

CASE 1-2 Sei Fujii v. State of California 30

International Persons 32

States 32

Territorial Sovereignty 34

Negative Servitudes: Air and Water Pollution 34

CASE 1-3 The Trail Smelter Arbitration 35

International Organizations 39

READING 1-1 Overview of the UN Global Compact and the Millennium Development Goals, and the Ten Principles 44

READING 1-2 The End of the Euro? Fears of Financial Contagion 48

CASE 1-4 Commission of the European Communities v. Federal Republic of Germany 51

The Institutions of the European Union 54

The Rights of Individuals Under International Law 62

CASE 1-5 De Sanchez v. Banco Central De Nicaragua 63

Comparison of Municipal Legal Systems 65

The Romano-Germanic Civil Law System 65

The Anglo-American Common Law System 68

The Islamic Law System 69

Chapter Questions 70

## Chapter 2 State Responsibility and Environmental Regulation 71

Introduction 71

State Responsibility 72

Doctrine of Imputability 72

Nonimputable Acts 72

CASE 2-1 Sandline International Inc. v. Papua New Guinea 73

CASE 2-2 Flatow v. The Islamic Republic of Iran 78

READING 2-1 State Responsibility, Corporate Responsibility, and Terrorism 83

Fault and Causation 87

Standard of Care 88

The National Standard of Care 88

The International Standard of Care 88

Expropriation 89

**In Brief: CASE 2-3 Acsyngo v. Compagnie De Saint-Gobain (France) S.A. 90**

Denial of Justice 93

**CASE 2-4 Chattin v. United Mexican States 93**

**Objections 96**

Lack of Standing 96

Lack of Nationality 96

Lack of a Genuine Link 97

Failure to Exhaust Remedies 97

**CASE 2-5 The M/V Saiga Case (Merits) 98**

Other Objections 103

**Relief 103**

**Insurance 103**

**CASE 2-6 Re Letelier and Moffitt 104**

Private Insurers 107

National Investment Guaranty Programs 107

Multilateral Investment Guaranty Programs 109

**Environmental Protection 109**

Regulation of Pollution 111

**CASE 2-7 Southern Bluefin Tuna Cases: Provisional Measures 112**

**READING 2-2 The U.S. View and the "Basic" View on the Kyoto Protocol and its Renewal 120**

Protection of Natural Resources 123

Liability for Environmental Damage 124

**Chapter Questions 125**

**Chapter 3 Dispute Settlement 127**

**Settlement of Disputes Through Diplomacy 127**

Negotiation 128

Mediation 128

Inquiry 128

**Settlement of Disputes in International Tribunals 129**

International Court of Justice 129

**READING 3-1 Iran and the United States at the ICJ: Oil Platforms Case (Islamic Republic of Iran v. United States of America) 133**

International Criminal Court 135

World Trade Organization Dispute Settlement Procedures 136

**CASE 3-1 Japan—Taxes on Alcoholic Beverages 138**

International Center for the Settlement of Investment Disputes 140

**CASE 3-2 In the Matter of the Loewen Group Inc. and Raymond L. Loewen, Claimants/Investors v. United States of America Respondent/Party 145**

Other Arbitration Tribunals 148

**Settlement of Disputes in Municipal Courts 148**

Jurisdiction in Criminal Cases 148

Jurisdiction in Civil Cases 149

Jurisdiction over Persons 149

**CASE 3-3 Bumper Development Corp. Ltd. v. Commissioner of Police of the Metropolis and Others (Union of India and Others, Claimants) 150**

**CASE 3-4 Shell v. R. W. Sturge, Ltd.** 154

**Immunities of States from the Jurisdiction of Municipal Courts** 159

    Sovereign or State Immunity 159

**READING 3-2 China and Sovereign Immunity** 162

**CASE 3-5 Abbott v. Republic of South Africa** 163

    Act of State Doctrine 167

**CASE 3-6 W.S. Kirkpatrick Co., Inc. v. Environmental Tectonics Co.** 167

**Choosing the Governing Law** 169

    Agreement of the Parties 170

    Statutory Choice of Law Provisions 170

    Most Significant Relationship 171

**CASE 3-7 Bank of India v. Gobindram Naraindas Sadhwani and Others** 172

    Governmental Interest 175

**Refusal To Exercise Jurisdiction** 176

**Opposition to the Exercise of Jurisdiction** 176

**CASE 3-8 Jorge Luis Machuca Gonzalez et al. v. Chrysler Corporation et al.** 177

**Proving Foreign Law** 180

**Recognition of Foreign Judgments** 181

**Chapter Questions** 181

**Chapter 4 The Multinational Enterprise 183**

**Introduction** 183

**Strategies for Doing Business Globally** 184

    Exporting and Importing 184

    Branches and Subsidiaries 184

**READING 4-1 China Merchants Bank** 185

    Licensing Intellectual Property and Franchising 185

**The Business Form** 186

    The Importance of the Separate Legal Identity of Juridical Entities 186

**The Multinational Organization** 186

    The Parent Company 186

**CASE 4-1 Case Concerning Barcelona Traction, Light and Power Co. (Second Phase)** 187

    The Subordinate Structure 192

**International Regulation of Multinational Enterprises** 193

**READING 4-2 The ISO 26,000 Standard for Global Business Conduct** 193

    Bribery and Corruption Rules 196

**Home State Regulation of Multinational Enterprises** 196

    Unfair Competition Laws 196

**CASE 4-2 Metro Industries v. Sammi Corp.** 200

**In Brief: CASE 4-3 Airbus Industrie G.I.E. v. Patel** 208

**READING 4-3 F. Hoffman-La Roche Ltd. v. Empagran** 209

    Tort and Products Liability Laws 210

**CASE 4-4 Dow Jones & Co. Inc. v. Gutnick** 211

**In Brief: CASE 4-5 World-Wide Volkswagen v. Woodson** 217

**CASE 4-6 Asahi Metal Industry Co., Ltd. v. Superior Court of California, Solano County United States Supreme Court 219**

Sharp Practices 224

**CASE 4-7 United States v. Blondek, Tull, Castle, and Lowry 225****READING 4-4 Current Events in International Law: The New Global Reach of Anti-Corruption Laws 229****Host State Regulation of Multinational Enterprises 231**

Consent to the Jurisdiction of the Host State 231

Common Enterprise Liability 231

**CASE 4-8 Touche Ross & Co. v. Bank Intercontinental, Limited 232**

Piercing the Company Veil 236

**Chapter Questions 236****Chapter 5 Foreign Investment 238****Foreign Investment Laws and Codes 239****READING 5-1 Pacific Rim Mining v. El Salvador: An ICSID Arbitration under the U.S.-Dominican Republic Central American Free Trade Agreement (DR-CAFTA) 240**

National Foreign Investment Policies 243

Regional Investment Policies 245

Screening Foreign Investment Applications 246

Formal and Informal Application Processes 248

Approval of Foreign Investment Applications 249

**In Brief: CASE 5-1 Arab Republic of Egypt v. Southern Pacific Properties, Ltd., et al. 249**

Business Forms 250

Limitations on Foreign Equity 252

Sectoral Limitations 252

**READING 5-2 Foreign Direct Investment in India 253**

Geographic Limitations 257

**CASE 5-2 Brady v. Brown 257**

Free Zones 262

**CASE 5-3 Nissan Motor Mfg. Corp., U.S.A. v. United States 264**

Foreign Investment Guarantees 268

**Supervision of Foreign Investment 270**

Start-Up Standards 270

Operational Reviews 270

Modification of Foreign Investment Agreements 271

**CASE 5-4 Arbitration Between Wintershall AG et al. and the Government of Qatar 271**

Protection of Subsidiaries 274

**CASE 5-5 The Bhopal Case 277**

Penalties for Noncompliance 281

**Securities Regulations 282**

Securities 282

Trading in Securities 283

Securities Exchanges 283

Issuance of Securities 284

Clearance and Settlement Procedures 286

Insider Trading Regulations 287

**CASE 5-6 Batchelder v. Kawamoto 288**

Takeover Regulations 292

<b>Enforcement of Securities Regulations Internationally</b>	<b>294</b>
International Enforcement Cooperation	295
The Convention on Insider Trading	296
Extraterritorial Application of U.S. Securities Laws	297
<b>Chapter Questions</b>	<b>298</b>

## **Chapter 6 Money and Banking 300**

### **Money 301**

The Value of Money	301
The Choice of Money	302
Maintaining Monetary Value	302

### **CASE 6-1 Republic of Argentina et al. v. Weltover, Inc. et al. 303**

#### **The International Monetary Fund (IMF) 307**

Origin of the IMF	307
-------------------	-----

### **READING 6-1 The U.S. Dollar as International Currency Reserve? 309**

IMF Quotas	310
Organization of the IMF	310

### **READING 6-2 IMF Quota Reform is Inadequate; Reaction to IMFC Communiqué 311**

### **READING 6-3 Calls for Debt Audit as IMF Austerity Fails 311**

#### **IMF Operations 313**

#### **Currency Exchange 313**

Currency Exchange Obligations of IMF Member States	313
Enforcement of Exchange Control Regulations of IMF Member States	314

### **CASE 6-2 Wilson, Smithett & Cope, Ltd v. Terruzzi 315**

Enforcement of Exchange Control Laws in the Absence of IMF Membership	319
---	-----

### **CASE 6-3 Menendez v. Saks and Company 319**

Enforcement of Other IMF Member State Currency Exchange Obligations	322
Exemptions for New Members from IMF Member State Currency Exchange Obligations	323

#### **Currency Support 323**

IMF Facilities	323
IMF Conditionality	324

#### **Development Banks 324**

Controversies at the World Bank	326
---------------------------------	-----

### **READING 6-4 The IMF and the World Bank: How Do They Differ? 328**

#### **The Bank for International Settlements 333**

The Central Banks' Bank	334
Promoter of International Monetary Cooperation	334
Agent for International Settlements	335
BIS and Basel III	335

#### **Regional Monetary Systems 336**

#### **National Monetary Systems 338**

National Monetary Organizations	338
Bank Deposits	339

### **READING 6-5 Islamic Banking 340**

Eurocurrency Deposits	342
The Interbank Deposit Market	342
The Foreign Exchange Market	343
Foreign Exchange Contracts	344

**In Brief: CASE 6-4 Hunt et al. v. Alliance North American Government Income Trust, Inc. et al. 344**

- Arbitrage 346
- The Transfer of Money 346
- Branch Banking 346

**CASE 6-5 In Re Sealed Case 347**

- Conflicts Between Host and Home State Regulations 351

**CASE 6-6 Vishipco Line et al. v. Chase Manhattan Bank, N.A. 351****CASE 6-7 Libyan Arab Foreign Bank v. Bankers Trust Company 355****Chapter Questions 357****Chapter 7 Trade in Goods 358****History of Contemporary International Trade Law 359**

- Protectionism 360
- The Bretton Woods System 362
- The 1947 General Agreement on Tariffs and Trade 363
- Multilateral Trade Negotiations 363
- The Uruguay Round 364

**The World Trade Organization 365**

- The WTO Agreement 367
- Membership of the WTO 367
- Structure of the WTO 369
- Decision Making within the WTO 372

**READING 7-1 The WTO from Seattle to Doha to Hong Kong to Geneva (and beyond) 372**

- Waivers 375
- Dispute Settlement 375
- Trade Policy Review 376

**The 1994 General Agreement on Tariffs and Trade 376**

- Direct Effect 376

**In Brief: CASE 7-1 Finance Ministry v. Manifattura Lane Marz Otto, SpA 378**

- Nondiscrimination 379

**CASE 7-2 Japan—Taxes on Alcoholic Beverages 381**

- Protection Only Through Tariffs 385
- Transparency 386
- Regional Integration 386
- Commodity Arrangements 387
- Escape Clause 388
- Exceptions 388
- Export Controls 389

**CASE 7-3 United States—Import Prohibition of Certain Shrimp and Shrimp Products 389**

- Other Multilateral Export-Control Programs 396

**Multilateral Trade Agreements 398**

- Customs Valuation 399
- Preshipment Inspection 400
- Technical Barriers to Trade 400
- Sanitary and Phytosanitary Measures 402
- Trade-Related Investment Measures 402

**CASE 7-4 Australia—Measures Affecting Importation of Salmon 403**

Import-Licensing Procedures 408

Anti-dumping 409

**CASE 7-5 Nippon Steel Corporation v. United States 410**

Subsidies and Countervailing Measures 414

**CASE 7-6 United States—European Communities—Measures Affecting Trade in Large Civil Aircraft 416**

Safeguards 421

Agriculture 422

Textiles and Clothing 424

Rules of Origin 425

Chapter Questions 427

**Chapter 8 Services and Labor 429**

Introduction 429

**General Agreement on Trade in Services 429**

The Framework Agreement 430

**CASE 8-1 European Communities—Regime for the Importation, Sale, and Distribution of Bananas 431**

GATS Annexes 439

GATS Schedules of Specific Commitments 439

**Regional Intergovernmental Regulations on Trade in Services 441**

EU Law on Trade in Services 441

Provisions Governing Trade in Services in the North American Free Trade Agreement (NAFTA) 444

**International Labor Law 445**

International Labor Organization 445

**READING 8-1 Equality at Work: Tackling the Challenges of Disability 447**

The Human Rights of Workers 451

**CASE 8-2 DUBERG v. UNESCO 452**

**Regional Intergovernmental Regulations on Labor 462**

Employment Laws in the EU 462

Employment Standards of the Organization for Economic Cooperation and Development (OECD) 465

Protection of Workers' Rights by the Council of Europe 466

Transnational Organized Labor 468

**Movement of Workers 468**

Visas 469

**CASE 8-3 State v. Nagami 470**

**READING 8-2 United States Visa Regulations 474**

**CASE 8-4 England and Another v. Attorney-General of St. Lucia 476**

Regulation of Foreign Workers 479

**CASE 8-5 Spiess et al. v. C. Itoh & Co. (America), Inc. 480**

Application of Home State Labor Laws Extraterritorially 483

**CASE 8-6 Morelli v. Cedel 483**

Chapter Questions 487

**Chapter 9 Intellectual Property 489**

Introduction 490

**The Creation of Intellectual Property Rights 490**

Copyrights 490

<b>CASE 9-1 Performing Right Society, Limited v. Hickey</b>	<b>494</b>
<b>CASE 9-2 Amar Nath Sehgal v. Union of India</b>	<b>499</b>
Patents	504
<b>CASE 9-3 Monsanto Co. v. Coramandal Indag Products, (P) Ltd.</b>	<b>507</b>
Trademarks	512
<b>READING 9-1 Starbucks and Ethiopia Dispute Coffee Trademark Issues</b>	<b>513</b>
<b>CASE 9-4 Experience Hendrix, L.L.C. v. Hammerton</b>	<b>516</b>
Know-How	523
<b>International Intellectual Property Organizations</b>	<b>524</b>
World Intellectual Property Organization	524
Council for Trade-Related Aspects of Intellectual Property Rights	526
<b>Intellectual Property Treaties</b>	<b>526</b>
Comprehensive Agreements	527
Artistic Property Agreements	528
Industrial Property Agreements	531
<b>The International Transfer of Intellectual Property</b>	<b>533</b>
<b>Licensing Regulations</b>	<b>534</b>
Territorial Restrictions	536
Export Restrictions	539
<b>CASE 9-5 L'Oréal v. eBay</b>	<b>540</b>
Cartels	542
Exclusive Licenses	543
<b>CASE 9-6 Ransome-Kuti v. Phonogram, Ltd.</b>	<b>543</b>
Sales and Distribution Arrangements	545
Price-Fixing	546
Noncompetition Clauses	546
Challenges to Validity	547
Tying Clauses	547
Quantity and Field-of-Use Restrictions	548
Restrictions on Research and Development	550
Quality Controls	550
Grant-Back Provisions	551
Restrictions That Apply After the Expiration of Intellectual Property Rights	552
Restrictions That Apply After the Expiration of the Licensing Agreement	553
<b>Compulsory Licenses</b>	<b>553</b>
Patents	554
Copyrights	554
<b>READING 9-2 Compulsory Licensing of Patents on Aids and other Drugs: WTO Rules and Actions by Certain Nations</b>	<b>555</b>
Chapter Questions	558

## **Chapter 10 Sales 559**

<b>United Nations Convention on Contracts for the International Sale of Goods</b>	<b>560</b>
<b>Transactions Covered in CISG</b>	<b>560</b>
Opting In and Out	562
<b>CASE 10-1 Asante Technologies, Inc. v. PMC-Sierra, Inc.</b>	<b>562</b>
Sales Defined	567
Goods Defined	567
Mixed Sales	568
<b>Contractual Issues Excluded from the Coverage of CISG</b>	<b>569</b>



- Illegality and Incompetency 569
- Third-Party Claims and Personal Injuries 570
- Preemption 570
- Interpreting CISG 572**
  - The Convention 572
  - General Principles 574
  - Rules of Private International Law 574
- Interpreting Sales Contracts 574**
  - Statements and Conduct of the Parties 575
  - Negotiations 575
  - Practices and Usages 575
- CASE 10-2 Treibacher Industrie, A.G. v. Allegheny Technologies, Inc. 576**
  - Form 579
- Formation of the Contract 580**
  - The Offer 580
  - Effectiveness of an Offer 582
  - Acceptance 582
  - Acceptance with Modifications 584
- CASE 10-3 Filanto, SpA v. Chilewich International Corp. 585**
- General Standards of Performance 587**
  - Fundamental Breach 588
  - Avoidance 588
  - Requests for Specific Performance 588
- Seller's Obligations 589**
  - Place for Delivery 589
  - Time for Delivery 589
  - The Turning Over of Documents 589
  - Conformity of Goods 589
- Buyer's Obligations 591**
  - Payment of the Price 591
- CASE 10-4 The Natural Gas Case 591**
  - Taking Delivery 594
- The Passing of Risk 594**
  - Agreement of the Parties 595
- CASE 10-5 Chicago Prime Packers, Inc. v. Northam Food Trading Co. 595**
  - Means of Delivery 598
  - Breach of Contract 599
- Remedies 599**
  - Buyer's Remedies 599
- CASE 10-6 The Shoe Seller's Case 600**
  - Seller's Remedies 603
  - Remedies Available to Both Buyers and Sellers 604
- Excuses for Nonperformance 606**
  - Force Majeure 606
  - Dirty Hands 607
- Chapter Questions 607
- Chapter 11 Transportation 609**
  - Trade Terms 609

**CASE 11-1 St. Paul Guardian Insurance Company v. Neuromed Medical Systems & Support, GmbH 610**

- A Note on the Incoterms 614
- "Free" Terms 615
- FOB—Free on Board 615
- FAS—Free Alongside Ship 616
- CIF—Cost, Insurance, and Freight 616
- CFR—Cost and Freight 616

**CASE 11-2 Phillips Puerto Rico Core, Inc. v. Tradax Petroleum, Ltd. 616**

- FCA—Free Carrier 620
- EXW—Ex Works 620

**Transportation 620****Inland Carriage 621****Carriage of Goods by Sea 622**

- Common Carriage 623
- The Bill of Lading 623

**CASE 11-3 M. Golodetz & Co., Inc. v. Czarnikow-Rionda CO., Inc. (The Galitia) 629**

- Carrier's Duties Under a Bill of Lading 634
- Carrier's Immunities 634

**CASE 11-4 Great China Metal Industries Co. Ltd. v. Malaysian International Shipping Corp. 635**

- Liability Limits 640

**CASE 11-5 Croft & Scully Co. v. M/V Skulptor Vuchetich et al. 640**

- Time Limitations 643
- Third-Party Rights (Himalaya Clause) 644

**READING 11-1 Cargo Theft Is Big Business 645****Charterparties 645**

- Voyage Charterparties 646
- Time Charterparties 646
- Charterparties and Bills of Lading 647

**Maritime Liens 647****CASE 11-6 The Chinese Seamen's Foreign Technical Services Co. v. Soto Grande Shipping Corp., Sa 648****Maritime Insurance 650**

- Perils 651

**CASE 11-7 Assicurazioni Generali (Underwriters) v. Black & Veatch 651**

- Average Clauses 653

**Carriage of Goods by Air 654****Chapter Questions 656****Chapter 12 Financing 657****Introduction 658****Financing Foreign Trade 658****Bills of Lading 658****Bills of Exchange 658**

- The Law Governing Bills of Exchange 659
- Types of Bills of Exchange 660

**Promissory Notes 661**

**Negotiability of Bills and Notes 664**

- Unconditional Promise or Order to Pay 664
- Definite Sum of Money or Monetary Unit of Account 665
- Payable on Demand or at a Definite Time 665
- Signed by the Maker or Drawer 666

**The Negotiation and Transfer of Bills and Notes 666**

- Assignment 666
- Negotiation 666

**CASE 12-1 Miller v. Race 667**

- Forged Endorsements 670

**CASE 12-2 Mair v. Bank of Nova Scotia 671**

- Limitations on the Excuses That Drawers and Makers Can Use to Avoid Paying Off a Bill or Note 674
- Liabilities of Makers, Drawers, Drawees, Endorsers, and Accommodation Parties 675

**CASE 12-3 Far East Realty Investment, Inc. v. Court of Appeals 676**

- The Role of Banks in Collecting and Paying Negotiable Instruments 678

**CASE 12-4 Charles R. Allen, Inc. v. Island Cooperative Services Cooperative Association 679**

**Letters of Credit 682**

- Governing Law 683
- Applying for a Letter of Credit 685

**CASE 12-5 Trans Trust Sprl v. Danubian Trading Co., Ltd. 687**

- Documentary Formalities 689
- Advising and Confirming Letters of Credit 689
- The Obligations of Banks 692

**CASE 12-6 Szejn v. J. Henry Schroeder Banking Corp. 695**

- Rights and Responsibilities of the Account Party 696
- Rights and Responsibilities of Beneficiaries 697

**Financing Foreign Operations 697**

- Private Sources of Capital 697
- Governmental Sources of Capital 697
- Regional and International Development Agencies 698

**Countertrade 699**

**Chapter Questions 700**

*Case Index 702*

*Statutory Index 705*

*Topical Index 716*