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IRAN-UNITED STATES CLAIMS TRIBUNAL

دیوان داری دعاوی ایران - ایالات متحدہ



CASE NO. 398

CHAMBER ONE

AWARD NO. 495-398-1

SOVEREIGN INTERNATIONAL CORPORATION,
Claimant,

and

THE GOVERNMENT OF THE
ISLAMIC REPUBLIC OF IRAN,
SHERKAT SANAYE PLASTIC
SHEMAL a/k/a SANAYE PLASTIC
SHEMAL,

Respondents.

IRAN-UNITED STATES CLAIMS TRIBUNAL	دیوان داری دعاوی ایران - ایالات متحدہ
FILED	ثبت شد
DATE	9 NOV 1990
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AWARD

1. This Award deals with the question whether the Claimant Sovereign International Corporation ("Sovereign") has fulfilled the jurisdictional requirements defined in Article VII, paragraph 1 of the Claims Settlement Declaration ("CSD").¹ As stated in its most recent Order, filed on 24 November 1989, the Tribunal makes the decision regarding its jurisdiction in this Case on the basis of the evidence before it, without a hearing. First, however, it is appropriate to give a survey of the procedural history of this Case.

I. THE PROCEEDINGS

2. On 18 January 1982, Sovereign filed three Claims with the Tribunal, each allegedly arising from the sale of materials by Sovereign to different companies in Iran. In three separate Awards filed today, the Tribunal decides each of these Claims. In Case No. 398, Sovereign seeks to recover U.S.\$1,237,998.08, plus interest, for goods and merchandise that allegedly were delivered to Sherkat Sanaye Plastic Shemal ("Plastic Shemal") during the years 1976 through 1978. By a submission filed on 19 January 1982, the Statement of Claim was amended, adding the Government of the Islamic Republic of Iran as a Respondent. On 12 April 1983 a Statement of Defense was filed by the Government of the Islamic Republic of Iran, and on the same date a Statement of Defense also was filed by Plastic Shemal. After a Reply

¹Article VII, paragraph 1 of the CSD states:

1. A "national" of Iran or of the United States, as the case may be, means (a) a natural person who is a citizen of Iran or the United States; and (b) a corporation or other legal entity which is organized under the laws of Iran or the United States or any of its states or territories, the District of Columbia or the Commonwealth of Puerto Rico, if, collectively, natural persons who are citizens of such country hold, directly or indirectly, an interest in such corporation or entity equivalent to fifty per cent or more of its capital stock.

and a Rejoinder by both Respondents had been filed, the Tribunal ordered each Party to file by 5 November 1986 its remaining written evidence together with a Memorial explaining the evidence and summarizing the issues in this Case. Sovereign did not file a Memorial or any evidence pursuant to this Order, although its time for filing was extended by further Orders. The Respondent Plastic Shemal filed a Memorial on 5 November 1987. Although it was ordered to file its rebuttal evidence by 5 February 1988, Sovereign again remained silent and failed to file any submission.

3. On 5 February 1988, the Agent of the Government of the Islamic Republic of Iran filed a submission requesting the Tribunal, in view of Sovereign's failure to file any evidence concerning its United States nationality, to render an Award in accordance with Article 28, paragraph 3 of the Tribunal Rules, which provides that

[i]f one of the parties, duly invited to produce documentary evidence, fails to do so within the established period of time without showing sufficient cause for such failure, the arbitral tribunal may make the award on the evidence before it.

Following the Request of 5 February 1988, the Tribunal issued an Order on 1 March 1988, stating that "[i]n view of the Claimant's failure to file any submission pursuant to the Orders filed on 23 January 1987, 2 June 1987 and 10 August 1987, the Tribunal intends to decide this Case on the basis of the documents submitted, unless by 30 April 1988 the Claimant files a request for a Hearing." Then, in response to Sovereign's requests filed on 9 and 22 March 1988, on 22 April 1988 the Tribunal granted Sovereign a last opportunity to file a Memorial and evidence. The Tribunal directed that such filing should include "any rebuttal of material submitted by the Respondent ... in its 'Respondent's Memorial' which the Claimant has had access to since 5 November 1987."

4. On 1 July 1988 Sovereign filed its Memorial; the accompanying Exhibits were filed with some delay, on 5 August 1988, due to the fact that initially they did not comply with the requirements as to form set forth in note 5 to Article 2 of the Tribunal Rules. A rebuttal brief was filed by Plastic Shemal on 3 May 1989. On the same date a submission was filed by the Government of the Islamic Republic of Iran in this Case, and also in Cases No. 397 and 399, requesting the Tribunal to dismiss all the claims on the ground of lack of jurisdiction. In particular, the Government of Iran argued that since there was no proof in the record of the United States nationality of Sovereign's shareholders, the requirements of United States nationality as mandated by Article VII, paragraph 1 of the CSD had not been met. The Government of the Islamic Republic of Iran filed another submission on 3 November 1989, requesting the Tribunal to decide the three Cases on the basis of the evidence before it, and to dismiss the claims for lack of jurisdiction.

5. On 24 November 1989 the Tribunal ordered Sovereign to file the following material before 8 February 1990:

a) Evidence of the number of shares of capital stock of the Claimant issued and outstanding from the date the claim allegedly arose until 19 January 1981 ("the relevant period"). In that connection, the Tribunal notes that it does not consider that the alleged copies of various pages of the Claimant's "stock book" in the form submitted as Exhibit Q of the "Claimant's Exhibits", filed 5 August 1988, are sufficient to prove either the number of shares issued and outstanding during the relevant period, or the identity of the holders of 50% or more of the shares.

b) All evidence that the Claimant wishes the Tribunal to consider in determining (i) whether 50% or more of the shares of its capital stock was continuously owned during the relevant period by natural persons who were citizens of the United States of America, including official documentation of such citizenship, and (ii) the

dominant and effective nationality of such persons.

In addition to providing the Respondents with an opportunity to comment on Sovereign's submissions to be filed pursuant to the Order, the Tribunal stated that "[it would] take a decision regarding its jurisdiction on the basis of the evidence before it". However, Sovereign did not file any submission in response to the Order and has remained totally silent to this day. Pursuant to the Order of 24 November 1989, the Government of the Islamic Republic of Iran filed a submission on 8 May 1990, requesting the Tribunal to close the proceedings in Cases No. 397, 398 and 399 in view of the Tribunal's lack of jurisdiction.

II. REASONS FOR AWARD

6. Paragraph 4 of the Order of 24 November 1989 stated, in relevant part:

After 8 May 1990 the Tribunal will take a decision regarding its jurisdiction in this Case on the basis of the evidence before it.

As noted in para 5, supra, Sovereign has not filed any evidence as requested by the Tribunal in that Order, nor did it file any submission explaining why it was not able to do so.

7. Article VII, paragraph 1 of the Claims Settlement Declaration states that "[a] national of Iran or of the United States, as the case may be, means ... a corporation or other legal entity which is organized under the laws of Iran or the United States or any of its states or territories ... if, collectively, natural persons who are citizens of such country hold, directly or indirectly, an interest in such corporation or entity equivalent to fifty per cent or more of its capital stock." Sovereign has submitted as evidence a Certificate of Incorporation of Sovereign

International Corp., filed on 9 December 1949 in the State of New York and also a Certificate of Good Standing of Sovereign International Corp., issued by the New York Department of State on 21 January 1983. These documents demonstrate that the Claimant was organized under the laws of the State of New York and was in existence on the dates the Claim allegedly arose. Thus the Claimant has satisfied the first jurisdictional requirement.

8. However, Sovereign has failed to submit evidence sufficient to prove that United States citizens owned a majority of its capital stock. In its Reply filed on 10 October 1983, Sovereign alleged that four United States citizens own two-thirds of its stock. These citizens were alleged to be: David Khaghan, Gordon Gabbay, Frederick Elghanayan and Jeffrey Elghanayan. However, in its Memorial, filed on 1 July 1988, Sovereign asserted that two different natural persons owned Sovereign:

During the relevant time period (the date when the claims arose through January 19, 1981) the majority of Sovereign's stock was owned by two members of the Elghanayan family whose dominant and effective nationality is the United States, and thus the corporation is entitled to assert its claim in this Tribunal. The Tribunal is respectfully referred to the accompanying affidavits by Nourollah Elghanayan and Aghadjan Elghanayan, which confirm that they own 100% of the outstanding capital stock of Sovereign.

9. Sovereign has not supported this statement with sufficient evidence, and so has failed to meet its burden of proving the necessary jurisdictional facts for two reasons. First, totally disregarding a specific Order of the Tribunal, Sovereign has not presented sufficient documentary evidence of the identity of its shareholders. The various pages of Sovereign's stock book which were submitted as Exhibit Q of the "Claimant's Exhibits", filed on 5 August 1988, and referred to in the Order filed on 24 November 1989, see supra para. 5, do not indicate that either Nourollah or Aghadjan Elghanayan owned any shares in

Sovereign at all. The Tribunal reiterates, as also stated in its Order of 24 November 1989, that the pages of the stock book are not sufficient to prove either the number of shares issued and outstanding during the relevant period² or the identity of the holders of fifty per cent or more of the shares.

10. Second, Sovereign has failed to prove that the alleged owners of Sovereign, Nourollah and Aghadjan Elghanayan, are citizens of the United States. In this respect the Tribunal notes that apart from the lack of necessary documentary evidence of United States citizenship, there is not even a sufficient allegation of such citizenship. Nourollah and Aghadjan Elghanayan allege in their Affidavit, signed on 24 June 1988, inter alia, that their dominant and effective nationality has been and still is that of the the United States, and further that they have been permanent residents of the United States since 1953 and 1954, respectively. In addition, Nourollah states in the same Affidavit that he is currently a citizen of the United States. These statements, however, fall far short of proving that they were United States citizens at the time the claim arose.

11. For the reasons stated above, the Tribunal concludes that Sovereign has failed to prove that it complies with the jurisdictional requirements of Article VII, paragraph 1 of the CSD. Therefore, the claim is dismissed for lack of jurisdiction.

12. In their pleadings the Respondents the Government of the Islamic Republic of Iran and Plastic Shemal have requested the Tribunal to award them costs incurred in defending the Case. In view of the circumstances of this

²The relevant period, pursuant to Article VII, paragraph 2 of the CSD, is from the date the claim arose until 19 January 1981, the date the CSD entered into force.

Case, and paying particular attention to the fact that the Respondents had the expense of filing a number of submissions while Sovereign at various times did not respond to the Tribunal's Orders, the Tribunal finds it reasonable to award the Respondents, the Government of the Islamic Republic of Iran and Plastic Shemal, jointly costs of arbitration in the amount of US\$1,500.

III. AWARD

13. For the foregoing reasons,

THE TRIBUNAL DETERMINES AS FOLLOWS:

- a) The Claim against the GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN and PLASTIC SHEMAL is dismissed for lack of jurisdiction.
- b) The Claimant SOVEREIGN INTERNATIONAL CORPORATION is obligated to pay the GOVERNMENT OF THE ISLAMIC REPUBLIC OF IRAN and PLASTIC SHEMAL jointly costs of arbitration in the amount of US\$1,500.

Dated, The Hague,
9 November 1990



Bengt Broms
Chairman
Chamber One

In the Name of God



Assadollah Noori



Howard M. Holtzmann