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- Date

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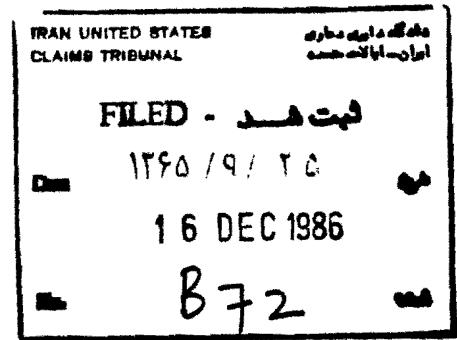
IRAN-UNITED STATES CLAIMS TRIBUNAL

دیوان داوری دعای ایران - ایالات متحدہ

CASE NO. B72

CHAMBER TWO

AWARD NO. 276-B72-2



IOWA STATE UNIVERSITY OF SCIENCE  
AND TECHNOLOGY,

Claimant,

and

MINISTRY OF CULTURE AND HIGHER EDUCATION,  
and THE ISLAMIC REPUBLIC OF IRAN,

Respondents.

AWARD

I. INTRODUCTION AND PROCEDURAL HISTORY

1. The Claim is for \$730 in outstanding tuition and other fees allegedly owed by the MINISTRY OF CULTURE AND HIGHER EDUCATION ("the Respondent") in connection with the education in the United States of Mr. David Sarkis ("the student"), an Iranian national enrolled at IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY ("the Claimant") from 1978 to 1981.

2. The Government of the United States of America originally presented this Claim as a claim of less than \$250,000 pursuant to Article III, paragraph 3, of the Claims Settlement Declaration. In its Supplementary Statement of Claim filed on 1 October 1984, the United States requested re-classification of the Claim as an official claim under Article II, paragraph 2, of the Claims Settlement Declaration, stating that the Claimant is an entity controlled by a political subdivision of the United States, as defined in Article VII, paragraph 4, of the Claims Settlement Declaration.<sup>1</sup> The Respondent argued in reply that the evidence submitted was inadequate to establish that the Claimant was controlled by a political subdivision of the United States and objected to the re-classification of the Claim.

3. By Order of 7 April 1986, the Tribunal decided that the Claim was an official claim and instructed the Co-Registrars to re-classify the Claim.<sup>2</sup> By Order of 24 June 1986, in

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<sup>1</sup>The Supplementary Statement of Claim also reduced the claim from \$4,156.17 to \$730.00 due to receipt by the Claimant in the meantime of payment owed for eight other Iranian students named in the original Statement of Claim.

<sup>2</sup>The Case number was changed accordingly from Case No. 11122 to Case No. B72.

response to objections raised by the Respondent, the Tribunal confirmed that its decision to re-classify the Claim was an administrative, not a judicial, decision.

4. Following the exchange of written pleadings, the Tribunal informed the Parties in a Communication of 17 September 1986 that, in view of the nature of the Claim, it was prepared to decide the Claim on the basis of the documents submitted and would do so unless a request for a Hearing was filed by either Party by 13 October 1986. No such request for a Hearing was received by the Tribunal from either Party, and so it proceeds to its decision on the basis of the documents submitted.

## II. JURISDICTION

### A. The Parties

5. On the basis of the evidence submitted, the Tribunal is satisfied that the Claimant is a public educational institution created pursuant to an Act of the Iowa State Legislature, that the State of Iowa is a political subdivision of the United States, that the Claimant is financed by public funds, and that a state agency, the Iowa Board of Regents, administers the Claimant institution. Accordingly, the Tribunal decides that the Claimant is an entity controlled by a political subdivision of the "United States", as defined by Article VII, paragraph 4, of the Claims Settlement Declaration.

6. The Respondent, as a Ministry of the Government of the Islamic Republic of Iran, is clearly within the definition of "Iran" contained in Article VII, paragraph 3, of the Claims Settlement Declaration.

B. The Claim

7. Having determined above that the Claim is between the United States and Iran (as defined in the Claims Settlement Declaration), the remaining question is whether the Claim arises out of "contractual arrangements between [Iran and the United States] for the purchase and sale of goods and services" as required by Article II, paragraph 2, of the Claims Settlement Declaration.

8. The Claimant contends that the Claim consists of a debt incurred pursuant to a contract between it and the Respondent to provide educational services to a student designated by the Respondent. It argues that the claim thus arises out of a contractual arrangement for the purchase and sale of services. The Respondent denies that any contract was concluded with the Claimant. For the reasons hereinafter set out, the Tribunal is satisfied as to the existence of a contractual arrangement between the Claimant and the Respondent for the purchase and sale of educational services. The Tribunal is of the view that the provision of educational instruction by a university to a student constitutes a service within the meaning of Article II, paragraph 2, of the Claims Settlement Declaration. Such services could either be purchased for the Respondent's direct benefit, as in The United States of America and The Islamic Republic of Iran, Award No. 128-B29-1 (16 May 1984) where the students were cadets in the Iranian Navy, or for the benefit of another as in this Case. Accordingly, the Tribunal decides that it has jurisdiction over the Claim under Article II, paragraph 2, of the Claims Settlement Declaration.

### III. MERITS

9. The student had attended the Claimant institution during the Fall Quarter 1976, Winter Quarter 1976/7, and the Spring Quarter 1977. He did not enroll during the academic year from Fall 1977 through Spring 1978, in order to work. He enrolled again in the Claimant institution in September 1978. On 4 December 1978, the student presented to the Claimant's Program Co-ordinator for Sponsored Students a letter dated 13 September 1978 issued by the Ministry of Science and Higher Education (the former name of the Respondent).

10. The Claimant characterizes this letter as a "Scholarship Agreement" and states that it is the standard form submitted by the Respondent to the Claimant when educational services were obtained from the Claimant on behalf of other Iranian students. The Claimant contends that upon presentation of this letter and the Claimant admitting the student to its educational program, a contract for the purchase and sale of services was concluded whereby the Respondent, as on the previous occasions when students were admitted on similar letters, was obligated to pay the student's tuition and other fees.

11. Notice of enrollment of the student was sent to the Iranian Embassy and the Claimant billed the student's tuition and other fees to the Iranian Embassy each academic term starting in January 1979. The Iranian Embassy paid in full the student's account for all four academic terms in 1979. However, no payments on the account were received after 27 December 1979. A bill dated 3 January 1980 for \$ 674.50 and another dated 5 May 1980 for \$ 55.50 were not paid by the Respondent. Throughout 1980, numerous attempts to collect payment on these outstanding amounts due from the Respondent

were made in bills addressed to the Iranian Embassy, the Respondent Ministry, and the Iranian Interests Section of the Algerian Embassy in Washington, D.C.

12. The Respondent argues that its commitments arising out of this letter are solely vis-à-vis the student and that it creates no obligation against the Claimant. The Respondent contends that no contractual relationship between itself and the Claimant could arise from the use of this letter by the student and denies liability unless it had been "advised by the [Claimant] prior to enrollment of the student" and unless the Ministry had directly corroborated payment of tuition as an ordinary procedure.

13. The letter of 13 September 1978 certified that the student had been awarded a scholarship by the Ministry of Science and Higher Education and that the financial supports of the scholarship included, among other things, "university tuition fees". The letter is addressed "TO WHOM IT MAY CONCERN" and concludes stating that:

The Scholarship is subject to admission to leading [sic] AMERICAN University. The University concerned is requested to send the account of the above named student to the Imperial Iranian Embassy.

14. The Tribunal is of the view that the letter constitutes an offer by the Ministry of Science and Higher Education to purchase services, in the form of educational instruction to the student named therein, from any "leading American University". It is sufficiently clear from the letter that the Respondent undertook to pay for the services provided to the student designated therein. This letter was issued to the student to enable him to obtain these services from a university without himself paying for them. By tendering this letter to the Claimant institution, the student conveyed to the Claimant the Respondent's offer to purchase

such services. Even though not addressed to it in particular, the statements contained therein that "the scholarship is subject to admission to [a] leading AMERICAN University", with a request to "the university concerned" to send the account of the student to the Embassy of Iran, qualified the Claimant to accept the offer. The Claimant accepted this offer when it permitted the student to continue in its educational program without himself paying the tuition and other fees. The Tribunal holds that a valid contract for the purchase and sale of services was thus concluded.

15. The Tribunal observes that notice of enrollment of the student was sent to the Students' Department of the Iranian Embassy in a letter dated 5 January 1979. This notice was returned by the Educational and Cultural Section of the Iranian Embassy with a stamp dated 15 January 1979 certifying that the student was the holder of a scholarship from the Ministry of Science and Higher Education. The Tribunal notes also that the Iranian Embassy paid in full the student's account for all four academic terms in 1979. These factors confirm the Tribunal's finding as to the existence of the contract between the parties.

16. The Claimant submitted evidence in the form of the student's academic transcript and an affidavit from the Claimant's Program Co-ordinator for Sponsored Students showing that the student was enrolled as a graduate student in Biomedical Engineering during the 1976-77, 1978-79, 1979-80, and 1980-81 academic years. The contractual relationship established between the parties upon acceptance by the Claimant of the Respondent's offer for the purchase of educational services obligated the Respondent to pay for these services. The Tribunal is satisfied that payment of \$730 remains outstanding on this account and determines that the Claimant is entitled to payment thereof.



IV. INTEREST

17. In order to fully compensate the Claimant for the amount found owing, the Tribunal awards simple interest at the rate of 10 percent from the date payment was due on each invoice up to and including the date the Escrow Agent instructs the Depositary Bank to make payment out of the Security Account.

V. COSTS

18. Each Party shall bear its own costs of arbitration.

VI. AWARD

19. For the foregoing reasons,

THE TRIBUNAL AWARDS AS FOLLOWS:


(a) The Respondent MINISTRY OF CULTURE AND HIGHER EDUCATION is obligated to pay the Claimant IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY the sum of Seven hundred thirty United States Dollars and no Cents (U.S.\$730.00), plus simple interest at the annual rate of 10.00 percent (365-day basis), on the amount of \$674.50 from 3 February 1980 and on the amount of \$55.50 from 5 June 1980, up to and including the date on which the Escrow Agent instructs the Depositary Bank to effect payment out of the Security Account.

(b) Each Party shall bear its own costs of arbitration.

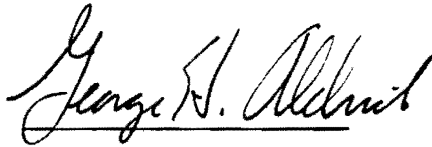
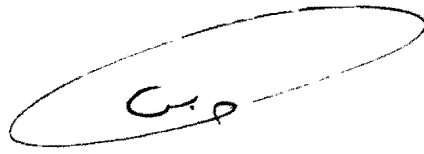
This obligation shall be satisfied out of the Security Account established pursuant to Paragraph 7 of the Declaration of the Democratic and Popular Republic of Algeria of 19 January 1981.

This Award is hereby submitted to the President for the purpose of notification to the Escrow Agent.

Dated, The Hague  
16 December 1986

  
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Robert Briner  
Chairman

In the name of God

  
\_\_\_\_\_  
George H. Aldrich  
\_\_\_\_\_  
Hamid Bahrami-Ahmadi