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STUDIO LEGALE PADOVAN

EU Sanctions and the Enforcement of Arbitral Awards

A new request for a preliminary ruling submitted by the Riga Regional Court (Latvia) in case C-701/25 is attracting increasing attention due to its issues concerning the intersection of EU restrictive measures, international arbitration, and the enforcement of arbitral awards.

Factual Background

The case arises from a dispute between a Swiss company, *Grainexport SA*, and a Latvian company, *SIA Graudu sabiedrība*, concerning a Grain and Feed Trade Association ("GAFTA") arbitral award ordering the repayment of advance payments and interest following a failed grain delivery because of EU restrictive measures. The enforcement of the award was challenged on the basis that recognition and execution could violate EU restrictive measures adopted against Russia under Regulation (EU) 269/2014. Against this background, the court seeks clarification on several fundamental issues of EU law.

In this number:

Questions referred to the CJEU

First, the court *a quo* asks - *inter alia* - whether a breach of EU sanctions rules may constitute a violation of public policy under Article V(2)(b) of the New York Convention, thereby justifying refusal of the recognition or enforcement of a foreign arbitral award. Secondly, it questions how national courts should act where recognition or enforcement may risk circumventing EU sanctions, in particular whether they must refuse recognition or may instead allow it subject to safeguards, such as ensuring that any payment is frozen. In this context, the referring court also points out that Article 11 of Regulation (EU) No 269/2014 merely states that certain claims, namely claims brought by designated (sanctioned) persons or by persons acting on their behalf or for their benefit, "shall not be satisfied", without clarifying how national courts should procedurally deal with such claims. In particular, the regulation does not specify whether courts must dismiss the request, declare it inadmissible, or recognise the award while preventing its enforcement.

Conclusion

This referral complements other pending cases, including C-802/24, *Reibel*, and highlights growing uncertainty for practitioners dealing with arbitration involving sanctioned parties. The Court of Justice's forthcoming ruling will be crucial in clarifying how national courts should reconcile the finality and effectiveness of international arbitration with the mandatory and preventive nature of EU sanctions regimes.

Link: CJEU, 5 November 2025, C-701/25, *Graudu sabiedrība*.

Arbitration and Impartiality of the Members of the Arbitral Tribunal

On 15 January 2026, the Paris Court of Appeal set aside a partial award on jurisdiction rendered in 2022 in *Russian Federation v. Akhmetov & Investio* (PCA, UNCITRAL Rules), on the grounds of irregular tribunal constitution and reasonable doubts as to the independence and impartiality of the tribunal's President.

The Dispute

The case concerns the transfer of luxury real estate assets in Crimea to the Russian Federation following the 2014 annexation. In 2019, *Rinat Akhmetov* and *Investio* LLC commenced arbitration *vis-à-vis* Russia under the 1998 Russia-Ukraine BIT, alleging unlawful expropriation through administrative and judicial measures. In its partial award of 16 August 2022, the tribunal affirmed its jurisdiction, rejecting Russia's objections. The latter then filed an annulment application before the Paris Court of Appeal, while the arbitration continued on the merits.

Russia's Claims

Relying on Article 1520(2) CPC, Russia argued that the tribunal was improperly constituted because it failed to follow a binding agreement on the appointment of the President and because the President lacked independence and impartiality in light of public statements issued by his law firm condemning Russia's actions in Ukraine, as well as his activity on social media, including "likes" of posts critical of Russia.

The Court's Reasoning

The Court upheld Russia's challenge on both grounds. In particular, it stated that the test for reasonable doubt is objective and must rely on clear and verifiable facts that are external to the arbitrator. It also clarified that the assessment may include a retrospective review of post-award conduct and information available online. In this case, the Court focused on external elements linked to the arbitrator's professional environment and public behavior. It found that a law firm statement criticizing Russia, even without evidence of the arbitrator's personal involvement, together with his public "likes" of anti-Russian content, was sufficient to create reasonable doubts in the parties' minds as to his impartiality.

Key takeaways

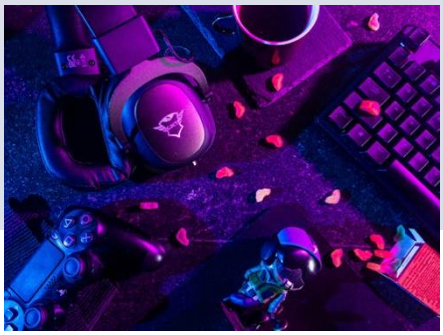
The Court's approach marks a broader reading of the "reasonable doubts" standard, pushing it beyond its traditional contours. Indeed, while French case law traditionally applies an objective test, usually requiring specific and personal links to the arbitrator, in this case, however, an institutional and indirect connection (i.e. a firm-wide statement adopted in a sensitive geopolitical context) was considered sufficient to affect the assessment of impartiality.

Link: Cour d'Appel de Paris, 4/2026

Key Takeaways

The judgment provides further guidance on the localization of damage under Rome II in cases involving immaterial loss. For immaterial and purely financial loss arising from online activities, the CJEU confirms that damage occurs where the injured party is located. Lastly, although rendered in the context of online gambling, the ruling may be relevant for other online activities giving rise to immaterial financial harm.

Link: CJEU, 15 January 2026, C-77/24, *Wunner*



Localization of Purely Financial Loss in Online Activities: Recent Guidance from the CJEU

Where does immaterial damage occur? The localization of purely financial loss remains a recurring issue in contemporary cross-border litigation. In a recent judgment of 15 January 2026, the Court of Justice of the European Union ("CJEU") provided further guidance on this matter by identifying the place where damage arising from participation in an online game occurs. While the case concerned damage suffered by a natural person, the Court's reasoning is also relevant for legal persons, such as in disputes involving complex financial transactions conducted online.

Background

The proceedings were initiated by an Austrian resident against the directors of a Maltese provider of games of chance. The claimant argued that the defendants did not hold a valid gambling licence in Austria, where he participated in the games, and that the Maltese licence could not be considered effective for that purpose. The Austrian court noted that, to assess the merits of the claim, it was first necessary to determine the applicable law. Pursuant to the general rule set out in Article 4(1) of Regulation (EC) No 864/2007 (Rome II), the law applicable to a non-contractual obligation is that of the country in which the damage occurs. The referring court, therefore, asked the CJEU to clarify how the place of damage should be identified in circumstances involving online gambling activities.

The Court's Ruling

The CJEU recalled that the place where the damage occurs is the place where the alleged damage actually manifests itself. However, given the immaterial nature of online games of chance and of the loss allegedly suffered, the Court acknowledged the difficulty of locating such damage in a specific physical place. Against this background, the CJEU held that the damage must be regarded as occurring in the Member State in which the player who allegedly suffered the loss has his habitual residence. This resulted in the application of Austrian law.

SICC rejects intra-EU objections to ECT arbitration awards

On 9 January 2026, the Singapore International Commercial Court (SICC) delivered a significant judgment on the enforceability of intra-EU investment arbitration awards and on the impact of CJEU case law in this field, rejecting an application to set aside an arbitral award rendered under the Energy Charter Treaty ("ECT"). The decision provides important guidance on the relationship between EU law, international investment treaties and the supervisory role of courts seated outside the European Union.

The CJEU's case law: Achmea and Komstroy

In Achmea, the CJEU held that arbitration clauses contained in bilateral investment treaties concluded between EU Member States are incompatible with EU law, as they deprive the CJEU of its authority to ensure the uniform interpretation and application of EU law. In Komstroy, the CJEU extended the rationale developed in Achmea also to multilateral investment treaties, including the Energy Charter Treaty, concluding that Article 26 ECT does not apply to disputes between an EU investor and an EU Member State.

The SICC's decision

In the case before the SICC, an EU Member State sought to set aside an ECT award on the basis that the arbitration agreement - and the award itself - were incompatible with EU law as interpreted in Achmea and Komstroy. The SICC rejected that argument. It held that the ECT is a multilateral treaty governed by public international law and that the law applicable to the arbitration agreement is therefore international law, interpreted in accordance with the Vienna Convention on the Law of Treaties. While EU law may prevail within the EU legal order, it does not enjoy external supremacy over international tribunals or over courts of third States exercising supervisory jurisdiction. On that basis, the Court concluded that an alleged incompatibility with EU law, even if established, could not justify setting aside the award, nor could it amount to a violation of Singapore public policy.

Lessons for practitioners

- The autonomy of EU law operates within the EU legal order but does not bind courts outside the EU applying international treaties.
- Intra-EU objections based on Achmea and Komstroy are unlikely to succeed before non-EU supervisory courts.
- For disputes under the ECT, the arbitration agreement is governed by public international law, not by EU constitutional principles.
- "The mere fact that the ECT Award might be contrary to EU law or EU public policy does not mean that upholding the ECT Award would be contrary to Singapore's public policy."

Link: DNZ v DOA and another [2026] SGHC(I) 1, para. 136

Practical Implications

For litigants and counsel

No definitive guidance exists on disclosure obligations. Non-disclosure might provide grounds for post-award challenges, where systematic distortion becomes evident; conversely, parties seeking disclosure face potential resistance absent explicit mandatory provisions.

For arbitrators

LaPaglia demonstrates that ostensibly administrative technology use can acquire legal significance. Fundamental questions lack settled answers: What degree of algorithmic assistance crosses into compromise of independence? When does procedural efficiency transform into improper delegation? How can one validate output neutrality when underlying architectures remain opaque?

For administering institutions

Peru's framework signals urgent need for procedural clarification. Given that institutional rules typically require disclosure of circumstances potentially affecting impartiality, should these provisions encompass generative AI utilization?

Arbitral Impartiality in the Age of Generative AI - Peru Breaks New Ground with First Regional Framework

A panel of arbitrators leverages generative AI to manage voluminous documentation. Unknown to the parties, one panelist had previously fed the claimant's initial pleading into the same platform. The system retained that information. When analyzing damages and causality, the tool's recommendations subtly reflected the claimant's narrative. The tribunal, assuming technological neutrality, incorporated these suggestions. Eventually, systematic distortions embedded in the model's foundation were found to have influenced the final decision.

This scenario crystallized in *LaPaglia v. Valve Corporation*, where reliance on ChatGPT by a panelist formed the basis for contesting the award.

Peru's Regulatory Framework

Peru stands alone in Latin America with operational AI legislation: implementation rules took effect January 22, 2026. The framework directly confronts "systematic error that occurs when an AI-based system makes unfair, partial or discriminatory decisions due to biased training data, algorithm design or human interactions".

Systems materially impacting human dignity, liberty, or constitutional guarantees receive "high-risk" designation. For judicial applications specifically, Article 28.11 mandates human supervision protocols, mandatory training on distortion prevention, and express authority to halt, modify, or nullify machine-generated recommendations.

Peruvian constitutional doctrine recognizes arbitration's jurisdictional character, with the Constitutional Court confirming that arbitral bodies exercise authority analogous to state courts. Commercial arbitration - despite constitutional parity - receives no equivalent coverage.

A second gap concerns role differentiation: Peru's schema categorizes participants as Developers, Implementers, or Users. Arbitrators naturally fall within the User classification, but Article 31.4's rigorous requirements - encompassing distortion-awareness training and intervention authority - principally address Developers and Implementers, not end Users. The result: arbitrators operate in a compliance vacuum, excluded from both public-sector mandates and private-sector obligations.

The Disclosure Dilemma

Must arbitrators reveal their technology usage? Should complete interaction records (queries, responses, iterative modifications) become part of the procedural record?

The 2024 Silicon Valley arbitration institution has issued guidance recommending individualized evaluation, potentially encompassing prompts or exchange histories sufficient for result verification. Peru's transparency mandate calls for systems that are "clear, explicable, and accessible," with disclosure of operational mechanics and potential distortions. However, this obligation

appears calibrated primarily toward system designers rather than operational users like arbitrators.
Regarding accountability, the framework stops short of requiring comprehensive technical documentation. The obligation might extend only to demonstrating adequate supervision, distortion mitigation, and retention of decisional authority - with precise parameters remaining legally ambiguous.

STUDIO LEGALE PADOVAN

Milan – Foro Buonaparte 54
T. +39 02.4814994

Rome – via Sistina 23
T. +39 06.98796392

litigation@studiopadovan.com

Marco Padovan
Partner

Pierluigi Salvati
Counsel

Marco Manfron
Senior Associate

Pietro Campana
Trainee

Gian Marco Ferrarini
Trainee