

6977 Project Arbitration

Sperry International Trade, Inc., against the Government of Israel – New York Courts

Epilogue by an Engineer

One of the largest at that time, if not the largest arbitration in history as far as time (length) and documents. Sperry lost a 2-1 decision. The head arbitrator (a lawyer) took a pure legal position without regard to the data presented. The other arbitrator that voted against Sperry was a retired accountant who did not understand much technology, and the head arbitrator persuaded him how to vote. The third arbitrator was a retired business man from Canada and possibly the head of the Canadian Arbitration Association. He voted for Sperry! After the award, he called to apologize and indicated some disregard for the facts by the head and other arbitrator. Sperry didn't think that could readily be proven thus did not pursue such an action.

Summary

In the late 70s Sperry and the Government of Israel (GOI) entered into a contract to satisfy the communications needs of the Israeli Airforce. Phase I was to be completed by August 1, 1979 based on a contract award of July 28, 1978. Periportally, Phase I was to definitize the system requirement specifications and to flush out the Statement of Work for ensuing phases. By September 1981 the two parties still had numerous unresolved issues with both specifications and Statement of Work thus Sperry ceased work in October 1981. A few points that entered into the resulting arbitration:

- GOI claimed ownership of Sperry installed equipment which hadn't been paid for,
- GOI coerced and hired some Sperry employees to quit and work for GOI (doing the system themselves),
- GOI failed to provide required equipment for connection to Sperry provided equipment,
- GOI had converted Sperry Proprietary Information to their own documents and use, and
- GOI insisted on substituting Israeli subcontractors for Sperry subcontractor team.

The case was finished in December 1984 with a six-page award summary; page 1 thereof is scanned on the next page. **Wow, 16 Million dollars from Sperry to GOI.** "Thus, Pettit implicitly found that Sperry was to bear all of the costs arising from the GOI's intransigence."

Archiving

These documents are donated to the Charles Babbage Institute for scholarly research:

- Claimant's Pre-Hearing Memorandum,
- Pre-hearing memorandum of the Government of Israel,
- Order and Award,
- Claimant's Post-hearing memorandum, Volume I of II,
- Claimant's Post-hearing memorandum, Volume II of II,
- Claimant's Reply memorandum,
- Post award memo to Richard Marchek, Sperry Lawyer, and
- Post award letter to Richard Marchek, Sperry Lawyer – April 24, 1985.

AMERICAN ARBITRATION ASSOCIATION

COMMERCIAL ARBITRATION TRIBUNAL

CASE NO. 1310-0583-81

SPERRY INTERNATIONAL TRADE, INC.,

Claimant,

-against-

GOVERNMENT OF ISRAEL,

Respondent-Counterclaimant.

ORDER AND AWARD

We, the undersigned Arbitrators, appointed pursuant to and in accordance with the Contract dated July 28, 1978 (as amended) between the Parties (hereinafter "Contract"), pertaining to Project 6977 (hereinafter "Project"), having been duly sworn, and having heard and considered the proofs and allegations (including all claims and counterclaims) of the Parties, hereby ORDER and AWARD, as follows:

1. SPERRY INTERNATIONAL TRADE, INC. (hereinafter "SPERRY") shall pay to the GOVERNMENT OF ISRAEL (hereinafter "ISRAEL") the sum of Sixteen Million Four Hundred and Thirteen Thousand Dollars (\$16,413,000.00) in United States currency, by delivering to ISRAEL at its Ministry of Defense Mission to the United States, or to its counsel, in New York, a certified check or bank cashier's check payable to the order of ISRAEL in the said amount.

2. SPERRY shall pay interest to ISRAEL in United States currency on the unpaid amount of the said sum of Sixteen Million Four Hundred and Thirteen Thousand Dollars at the rate of Twelve percentum per annum from the date hereof until payment of the full amount as hereinafter provided.