

# Locke Lord QuickStudy: Iran Related Sanctions and Export Controls Update: March 31, 2023?

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On February 27, 2022, the U.S. Department of Commerce's Bureau of Industry and Security ("BIS") issued a [final rule](#) (the "Iran Final Rule") imposing new export control measures against Iran caused by its support of Russian hostilities against Ukraine due to Iran's provision of drones (a/k/a "Unmanned Aerial Vehicles" ("UAVs") or "Unmanned Aircraft Systems" ("UASs")), which Russia has used to bomb the Ukrainian people.

On March 29, 2023, the BIS imposed a "20 Year Denial Order" on two U.S. companies and their common owner, who tried to evade the U.S. export controls relating to Iran. Under the Denial Order, the two U.S. companies will be prohibited from exporting any product subject to the Export Administration Regulations ("EAR") for a period of 20 years.

### ***New BIS Iranian Export Controls***

While Iran is already subject to comprehensive U.S. economic and trade sanctions, the new Iran [rule](#) imposes additional export control measures that are intended to target Iran's ability to supply UAVs to Russia.

The Iran Final Rule:

- adds a new supplement no. 7 to part 746 of the EAR that imposes license requirements for exports and reexports on certain items designated as EAR99, regardless of whether a U.S. person is involved in the transaction. As with the Russia-Belarus Rule, restricted items are identified by six digit Harmonized Tariff Schedule codes. The newly restricted items include any modified or designed "components," "parts," "accessories," and "attachments" of a restricted item;
- expands the Russia-Belarus foreign direct product ("FDP") rule to include items identified in supplement no. 7 list to part 746 of the EAR, even if items are designated as EAR99; and
- adds a new Iran FDP rule specific to Iran for items in certain categories of the Commerce Control List ("CCL") and EAR99 items identified in the new supplement no. 7. The Iran FDP rule includes foreign-produced items if the items are: (i) the direct product of U.S.-origin software or technology classified in any Export Control Classification Number ("ECCN") in Categories 3 through 5 and 7 of the CCL, or are produced by a plan or major component of a plant which itself is the "direct product" of such software or technology; (ii) identified in new supplement no. 7 to part 746, including EAR99 items, and items classified in any ECCN in Categories 3 through 5 or 7 of the CCL; and (iii) destined for Iran. Countries identified in supplement no. 3 to part 746 of the EAR are exempt from the license requirements under the Iran FDP rule. Additionally, the new Iran FDP rule does not apply to transactions involving Iran (e.g., medical devices) that would have otherwise met the requirements a U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") issued general license if the transactions had been subject to OFAC jurisdiction.

## ***20 Year Denial Order***

Scott Communications, Inc. and Mission Communications, LLC, as well as their owner, Kenneth Peter Scott, (collectively, "Scott Communications") admitted to committing five violations of the EAR by attempting to export communications equipment to Jordan, while knowing that the equipment was destined for Iran without the required licenses. Scott Communications also admitted that it failed to file Electronic Export Information for the transaction and failed to maintain appropriate records. BIS stated that during the course of the investigation, Scott made false or misleading statements to Federal Bureau of Investigation and BIS Special Agents. A denial of export privileges prohibits a person from participating in any way in any transaction subject to the EAR. Furthermore, it is unlawful for other businesses and individuals to participate in any way in an export transaction subject to the EAR with a denied person.

### **Conclusion**

This paper is intended as a guide only and is not a substitute for specific legal or tax advice. Please reach out to the authors for any specific questions. We expect to continue to monitor the topics addressed in this paper and provide future client updates when useful.

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