



English court restrains Armenian suit over mining venture

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25 May 2021



A copper mine in Armenia (Credit: Wikimedia Commons)

A Russian state-owned bank has obtained an English anti-suit injunction to restrain an Armenian businessman from pursuing litigation in his home country in a US\$320 million dispute over a mining project.

In a judgment today, **Mr Justice Butcher** in the Commercial Court in London **ruled** that Valeri Mejlumyan should be held to a contract that provided for LCIA arbitration, and that Russian bank VTB would be “significantly prejudiced if he were not.”

The judge said the relief sought by Mejlumyan’s companies in the Armenian proceedings appeared “designed to assist” him in seeking to nullify the effect of an LCIA award in the bank’s favour.

VTB was represented in the English court by **Peter Stevenson** of Quadrant Chambers, instructed by Keystone Law. Mejlumyan is using King & Spalding, which instructed **Vernon Flynn QC** of Brick Court Chambers and **Stephen Donnelly** of Essex Court Chambers.

Mejlumyan, who is also said to hold Russian nationality, is the owner of the Armenia-based Vallex Group, whose companies are involved in mining, hospitality and ecotourism.

VTB provided US\$280 million in financing to Mejlumyan's company Armenian Copper to develop a copper and molybdenum mine in the Armenian province of Lori. Under that arrangement, VTB indirectly acquired a nearly 50% interest in the subsidiary that held the licence, Teghout.

The loan was restructured in 2016 through a facility agreement and further security was provided under two pledge agreements: one in which Armenian Copper pledged its remaining stake in Teghout and the other in which Mejlumyan pledged his 100% stake in Armenian Copper. All the agreements provided for London-seated LCIA arbitration in the event of a dispute.

In 2018, VTB alleged Teghout had defaulted on interest payments. The bank exercised its right to take control of Armenian Copper's stake in Teghout and called for an accelerated repayment of the principal debt and remuneration under the facility agreement totalling US\$290 million.

VTB filed an LCIA claim under the facility agreement against various Vallex companies. The case is before a tribunal composed of chair **David St John Sutton** of Twenty Essex, former English Court of Appeal judge **Dame Elizabeth Gloster** and WilmerHale partner **Gary Born**.

The Vallex entities argued that any debt owed was extinguished upon VTB securing the transfer of Armenian Copper's interest in Teghout. VTB said there had been no appropriation of the shares and that they were effectively worth nothing anyway.

In a partial award on liability in March, the Sutton tribunal ruled VTB had been entitled to issue the acceleration notice. By majority, it also found that there had been no appropriation of the Teghout shares and accordingly the obligations of Teghout and its guarantors were not discharged by the enforcement of the Teghout pledge and they remained liable to VTB for unpaid principal and interest.

The arbitration has now moved to the quantum phase.

Mejlumyan and his companies launched Armenian court proceedings in September 2019 against VTB and the Teghout share depository, CDA. The businessman sought a declaration that the Armenian Copper pledge was terminated as a result of VTB's call on the Teghout shares; and an injunction to prevent the bank from enforcing its rights under that agreement.

VTB has since twice failed to persuade the Armenian courts to stay proceedings in favour of arbitration.

VTB applied to the English court in February to block Mejlumyan from pursuing the Armenian proceedings. The court granted an [interim order](#) in March to "hold the ring" but a hearing was delayed until April after Mejlumyan's team said he was suffering from covid-19 related illnesses that impeded his ability to give instructions to his lawyers.

Mejlumyan argued that, regardless of whether VTB was prima facie entitled to the relief it sought, the English court should use its discretion not to grant the injunction. He said the Russian bank had delayed excessively in bringing the matter before the English court and had also submitted to the jurisdiction of the Armenian court.

Butcher J noted that the parties agreed that there is a “binding and applicable” arbitration agreement and that the subject matter of the Armenian termination proceedings falls within its scope.

He found that VTB’s delay did not justify refusing an injunction as it had been unclear whether Mejlumyan would pursue the Armenian proceeding and the bank was not required to take any steps until it was formally served in May 2020.

Butcher J also noted that the Armenian proceeding had “not required the commitment of very significant resources,” with VTB’s expenditure up to 7 April being just £3,470.

The fact that VTB had filed a defence in the Armenian proceeding was also not a ground for refusing the injunction, the judge said.

Finally, he dismissed Mejlumyan’s argument that VTB had not made a “fair presentation of the case” in the English court, finding that the bank’s counsel had disclosed in a February witness statement when the Armenian proceedings began.

Artyom Geghamyan, chief legal officer at Vallex Group, says that “having illegally appropriated the Teghout mine worth at least US\$317 million, VTB has acted and continues to act in bad faith with respect to the performance of its obligations and exercise of its rights with respect to the project.” This includes using foreign courts and tribunals “whenever it fits the pattern of VTB’s orchestrated global campaign aimed at causing maximum prejudice and losses to Vallex Group.”

King & Spalding partner **Egishe Dzhazoyan** says the ruling “represents just one episode of the parties’ underlying dispute. In the meantime, Mr Mejlumyan will continue to vigorously defend his position before all competent courts and tribunals with a view to holding VTB accountable for their actions.”

GAR understands that three other LCIA arbitrations were launched around the same time as the case before the Sutton-chaired tribunal, under other agreements between VTB and Vallex entities. Two of those arbitrations are now stayed.

Hogan Lovells initially acted for VTB in the arbitrations while the Vallex entities used Boies Schiller & Flexner. In the non-stayed arbitrations, including the Sutton-chaired case, Keystone Law and King & Spalding have taken over from those firms as counsel for VTB and the Vallex companies, respectively.

VTB Bank PJSC v Valeri Mejlumyan

In the English Commercial Court

Counsel to VTB

- Keystone Law

Partner **Ian Sellers** and consultant solicitor **Bledi Albri** in London

- **Peter Stevenson** of Quadrant Chambers

Counsel to Mejlumyan

- King & Spalding

Partner **Egishe Dzhazoyan** and associate **Florence Mugerwa** in London and associate **Stanislav Rzhaksenskiy** in Moscow

- **Vernon Flynn QC** of Brick Court Chambers
- **Stephen Donnelly** of Essex Court Chambers

VTB v the Vallax Group companies

In the Sutton-chaired LCIA arbitration and the other non-stayed arbitration

Tribunal

- **David St John Sutton** (UK) (chair)
- **Dame Elizabeth Gloster** (UK)
- **Gary Born** (US)

Counsel to VTB

- Keystone Law (replaced Hogan Lovells)

Partners **Bledi Albri** and **Ian Sellers** in London

Counsel to Mejlumyan

- King & Spalding (from April)
- Boies Schiller Flexner (until April)

Will Hooker, Dominic Roughton, Nick Turvey, Kimmie Fearnside, Colin Trehearne and Gabrielle Mearns in London

Documents

Judgment



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