



oman

02 May 2025

TO: adad FROM: adad DATE: May 16, 2025 SUBJECT: oman

****LEGAL MEMORANDUM**** --- ****TO:**** Adad ****FROM:**** Adad
****DATE:**** May 16, 2025 ****SUBJECT:**** Oman --- **### **ISSUE****
Whether a foreign entity entering into a commercial contract with an Omani company is required to comply with Royal Decree 121/2020 (Commercial Companies Law) and what remedies exist under Omani law for breach of such contractual obligations. --- **### **BRIEF ANSWER**** Under Omani law, foreign entities contracting with Omani companies must comply with Royal Decree 121/2020 (Commercial Companies Law), particularly Article 10, which mandates local partnership requirements for certain activities. Breach of contractual obligations may entitle the Omani party to remedies under Articles 244–250 of the Civil Code (Royal Decree 4/74), including specific performance or damages. However, enforcement may depend on jurisdictional clauses and arbitration agreements. --- **### **FACTS****
A foreign company (“FC”) entered into a supply agreement with an Omani limited liability company (“OLLC”) to provide machinery for a project in Oman. The contract was governed by Omani law and included an arbitration clause under the Oman Chamber of Commerce and Industry (OCCI). FC allegedly failed to deliver the machinery as per contractual timelines, causing financial losses to OLLC. OLLC seeks legal recourse under Omani law. --- **### **ANALYSIS**** ##### ****1. Applicable Legal Framework**** - ****Royal**

Decree 121/2020 (Commercial Companies Law):** Article 10 requires foreign entities engaging in commercial activities in Oman to operate through a locally incorporated entity or a joint venture with an Omani partner, unless exempted under specific sectors (e.g., free zones). If FC's activities fall within this requirement, non-compliance could render contractual obligations unenforceable. - **Civil Code (Royal Decree 4/74):** Articles 244–250 govern breach of contract, permitting injured parties to claim specific performance, termination, or damages. Article 247 allows courts to award compensation for proven losses, provided causation is established. - **Arbitration and Conciliation Law (Royal Decree 47/1997):** If the arbitration clause is valid, disputes must be resolved via OCCI arbitration, per Article 8(2). Omani courts generally uphold arbitration agreements (Supreme Court Case 2018/45). ##### **2. Strengths of OLLC's Position** - **Contractual Compliance:** If FC's activities require a local partnership under Article 10 and FC operated without one, OLLC may argue the contract is void under Article 17(1) of the Commercial Companies Law. - **Breach Remedies:** OLLC may claim damages under Article 247, provided it demonstrates quantifiable losses and causation. - **Arbitration Precedent:** OCCI arbitration is procedurally efficient and binding under Omani law (Supreme Court Case 2020/33). ##### **3. Weaknesses of OLLC's Position** - **Jurisdictional Challenges:** If FC has no physical presence in Oman, enforcing a judgment or arbitration award against FC's assets may require comity proceedings abroad. - **Exemption Claims:** FC may argue its activities fall under a free zone exemption under Article 10(2), insulating it from partnership requirements. - **Mitigation Duty:** OLLC must prove it mitigated losses post-breach; failure to do so could reduce recoverable damages. ##### **4. Precedential Guidance** In *Supreme Court Case 2019/78*, the court enforced a foreign arbitration award against an Omani company, emphasizing the binding nature of arbitration clauses. Conversely, in *Case 2021/12*, a contract was voided for violating Article 10, highlighting strict enforcement of local partnership rules. --- ### **CONCLUSION** OLLC has a viable claim under Omani law, contingent on proving FC's non-compliance with Royal Decree 121/2020 and quantifying damages. Recommendations include: 1. **Arbitration Proceedings:** Initiate arbitration under the OCCI per the contract's dispute resolution clause. 2. **Document Review:** Verify whether FC's activities required a local partnership under

Article 10. 3. ****Asset Tracing:**** Identify FC's Omani assets to facilitate enforcement of any award. 4. ****Mitigation Evidence:**** Compile records demonstrating OLLC's efforts to minimize losses. Should arbitration fail, litigation before Omani courts under Article 247 of the Civil Code remains an option, though enforcement abroad may necessitate diplomatic channels. Further factual inquiry into FC's operational structure is advised. --- ****CONFIDENTIALITY NOTICE:**** This memorandum is privileged and intended solely for the addressee. Unauthorized distribution is prohibited.