

Ecuadorian Plaintiffs End Fraudulent Litigation Against Chevron

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A group of Ecuadorian plaintiffs whose litigation against [Chevron Corp.](#) (NYSE: CVX) has been exposed as a fraud and bribery scheme by courts in the United States and elsewhere has ended its Canadian lawsuit against the company. Following dismissals of their claims in Argentina and Brazil, findings against them in the United States and Gibraltar, and a ruling in The Hague that the Republic of Ecuador's failure to prevent the continuation of the fraudulent litigation scheme violated international law, the plaintiffs ended their only remaining lawsuit by dismissing the Canadian case. The plaintiffs further agreed to pay costs to Chevron.

Chevron had recently moved to dismiss the Canadian suit on the grounds that its continuation would be an abuse of the country's legal system, a waste of its judicial resources, and contrary to international law. The Ecuadorian plaintiffs and their counsel did not oppose Chevron's motion to dismiss and instead consented to the unconditional and final dismissal of the lawsuit.

"Chevron is pleased that the promoters of the fraudulent scheme have apparently realized that no legitimate court would enforce the judgment that they purchased in Ecuador. Chevron will continue its efforts to hold the lawyers and investors behind this fraudulent scheme accountable," said R. Hewitt Pate, Chevron's vice president and general counsel.

Because Chevron never operated in Ecuador or had assets there, those seeking to profit from the corrupt Ecuadorian judgment have unsuccessfully attempted to enforce it in Argentina, Brazil, and Canada. Courts in Brazil and Argentina previously rejected enforcement attempts in those countries.

With all attempts to date to enforce the Ecuadorian judgment having been defeated by Chevron, the key remaining proceeding in connection with the dispute is Chevron's arbitration against the Republic of Ecuador before an international tribunal in The Hague. The tribunal last August held that the Republic of Ecuador had violated its obligations under international law in issuing the corrupt \$9.5 billion judgment. Chevron is currently seeking to recover from the Republic of Ecuador costs it has incurred to expose and defend against the fraud perpetrated against it.

Also pending are contempt proceedings brought by Chevron in federal court in New York against adjudicated racketeer and suspended lawyer Steven Donziger, who led the failed efforts to enforce the fraudulent Ecuadorian judgment. Last year, Donziger was suspended from the practice of law after having been found by U.S. federal courts to have violated the Racketeer Influenced and Corrupt Organizations Act (RICO) by engaging in multiple acts of extortion, money laundering, wire fraud, witness tampering, bribery, and obstruction of justice to procure the Ecuadorian judgment. On May 23, 2019, Donziger was held in contempt of court for his breach of the RICO judgment, which prevented him from profiting from the fraud, by selling interests in the Ecuadorian judgment to investors and using a large portion of the proceeds on personal expenses. The court further ordered Donziger to transfer to Chevron profits traceable to the Ecuadorian judgment.

The Canadian decision is the latest in a string of judicial victories in Chevron's worldwide defense against the Ecuadorian judgment. This past April, the Supreme Courts of two countries — Canada and the Netherlands — ruled in favor of Chevron in related proceedings. On April 4, the Supreme Court of Canada declined to hear an appeal of a decision that had dismissed all claims seeking to enforce the Ecuadorian judgment against an indirect subsidiary of Chevron in Canada. On April 12, the Supreme Court of the Netherlands rejected the Republic of Ecuador's attempts to nullify decisions of the international tribunal in The Hague that ordered Ecuador to take all steps necessary to prevent enforcement of the Ecuadorian judgment against Chevron anywhere in the world.

Last August, the international tribunal in The Hague also found the Republic of Ecuador liable for violating its

obligations under international law. In a unanimous ruling in favor of Chevron, the tribunal – including the arbitrator chosen by the Republic of Ecuador – held that the \$9.5 billion judgment rendered against Chevron in Ecuador in 2011 was procured through fraud, bribery, and corruption, and was based on claims that had been already settled and released by the Republic of Ecuador years earlier.

The tribunal, after hearing the testimony of numerous experts about the environmental conditions in Ecuador and visiting the former area of operations, rejected Ecuador's environmental allegations against Chevron and Texaco Petroleum Co. (TexPet), which became an indirect subsidiary of Chevron following its acquisition of Texaco Inc. in 2001. The tribunal found "TexPet spent approximately \$40 million in environmental remediation and community development under the 1995 Settlement Agreement"; carried out by a "well-known engineering firm specializing in environmental remediation"; and that Ecuador in 1998 executed a final release agreement "certifying that TexPet had performed all of its obligations under the 1995 Settlement Agreement." The tribunal found "no cogent evidence" supporting Ecuador's claim that TexPet failed to comply with the terms of the remediation plan approved by Ecuador.

The tribunal concluded that the Ecuadorian judgment "violates international public policy" and "should not be recognised or enforced by the courts of other States." The tribunal ordered the Republic of Ecuador to permanently render unenforceable the fraudulent Ecuadorian judgment against Chevron. The tribunal also ordered Ecuador to compensate Chevron for any damages arising from the fraudulent judgment. A process is under way for the tribunal to determine the amount of the damages owed by Ecuador to Chevron.

The findings of judicial fraud of the international tribunal in The Hague are consistent with findings of U.S. courts that the Ecuadorian judgment against Chevron was the product of fraud and racketeering activity, including extortion, money laundering, wire fraud, witness tampering, judicial bribery, Foreign Corrupt Practices Act violations and obstruction of justice. U.S. federal courts have prohibited enforcement of the Ecuadorian judgment in the United States and ordered the Ecuadorian plaintiffs and their lawyers to pay back to Chevron any enforcement proceeds they obtain anywhere in the world. That decision – the RICO judgment – was upheld on appeal and is now final, after having been denied review by the U.S. Supreme Court.

As in Canada, the plaintiffs' other attempts to enforce the fraudulent Ecuadorian judgment in jurisdictions around the globe have also failed:

- In November 2017, Brazil's Superior Court of Justice unanimously rejected the attempt to enforce the Ecuadorian judgment there. Brazil's Deputy Prosecutor General stated the judgment was "issued in an irregular manner, especially under deplorable acts of corruption";
- The Brazilian decision followed a ruling by a court in Argentina in October 2017, which also denied recognition of the Ecuadorian judgment. The court of appeals upheld this decision in July 2018. An appeal is pending before the Supreme Court of that country.
- In December 2015, the Supreme Court of Gibraltar issued a judgment against Amazonia Recovery Ltd., a Gibraltar-based company set up by the plaintiffs' attorneys and investors to receive and distribute funds resulting from the Ecuadorian judgment, awarding Chevron \$28 million in damages. The court also issued a permanent injunction against Amazonia prohibiting the company from assisting or supporting the case against Chevron in any way. The court issued a similar ruling in May 2018 against the directors of Amazonia, Frente de Defensa de la Amazonia, and Ecuadorian attorney Pablo Fajardo for their role in attempting to enforce the fraudulent Ecuadorian judgment, this time awarding \$38 million in damages to Chevron.

[Chevron Corp.](https://www.chevron.com) is one of the world's leading integrated energy companies. Through its subsidiaries that conduct business worldwide, the company is involved in virtually every facet of the energy industry. Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and lubricants; manufactures and sells petrochemicals and additives; generates power; and develops and deploys technologies that enhance business value in every aspect of the company's operations. Chevron is based in San Ramon, California. More information about Chevron is available at www.chevron.com.

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