

Resellers Must Heighten Their Sanctions Due Diligence

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Partner [Paul Rosenthal](#) co-authored the *Law360* article "Resellers Must Heighten Their Sanctions Due Diligence." The article discusses a case involving Epsilon Electronics Inc.'s attempt to vacate a \$4 million penalty determination issued by the U.S. Treasury's Office of Foreign Assets Control in 2014 for violations of the Iranian Transactions and Sanctions Regulations (ITSR). The violations involved 41 total sales of audio equipment to a customer in the United Arab Emirates with a value of about \$3.4 million. OFAC contended that Epsilon knew or should have known that the customer was reselling its products in Iran and charged five transactions as "egregious" violations, assigning the maximum statutory civil penalty of \$250,000 for each of those transactions. Paul outlines the details of the case and note that the most interesting aspect for U.S. exporters is that OFAC appears to have offered no direct evidence linking the sales to specific transactions or end users in Iran. Instead, the opinion indicates that OFAC relied primarily on circumstantial evidence gleaned from Epsilon's and the UAE customer's websites to find that Epsilon should have known that the items were destined for Iran. He also suggests that as companies businesses in Iran and accompanying exposure to U.S. sanctions laws grow, implementing a solid compliance program with the right level of due diligence applied to intercompany and external sales is critical.