A Russian organization (the plaintiff) and a Canadian company (the respondent) concluded an agreement under which the plaintiff sold to the respondent marine scrap metal in the form of a decommissioned diesel submarine. The parties explicitly stated that the contract had been drawn up and would be interpreted according to the law of the Russian Federation.

The Arbitration Commission considered whether CISG, which had been incorporated into Russian law, was applicable to the contract in question. It concluded that the submarine should be considered a marine vessel, even though it had been decommissioned by the Russian Navy, since the description “decommissioned” relating to the subject of the contract could denote only the loss of the submarine’s status as a naval vessel, not the loss of its status as a marine vessel. The Arbitration Commission concluded that, while the submarine was capable of remaining afloat, even if it required the assistance of external devices to do so, it should be considered a marine vessel.

In the light of the above, the Arbitration Commission decided that CISG was inapplicable by virtue of the provisions of article 2.