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Pathology of Non-Financial Disputes Among Partners in Private Joint Stock Companies: Innovative Judicial Protection Strategies

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ABSTRACT

Private joint stock companies in Iran, as one of the most common forms of business entities, often face challenges such as the violation of shareholders' and partners' financial rights, particularly those of minority shareholders. These issues primarily arise due to decision-making systems based on majority voting. This study seeks to identify the causes of these non-financial disputes and propose new judicial solutions to protect the rights of shareholders and partners. Using a descriptive–analytical approach and combining library and field research methods, the study explores the legal, social, and managerial causes underlying these conflicts. The findings indicate that factors such as shareholders' and partners' lack of legal awareness, deficiencies in the company's articles of association, misuse of majority power, and absence of impartial managers constitute the main sources of such problems. The study proposes innovative measures such as strengthening the derivative suit system, applying the Islamic jurisprudential principle of La Zarar ("no harm"), and invoking constitutional and civil law provisions (such as Articles 328 and 331 of the Civil Code) to safeguard the rights of minority partners. These approaches emphasize the judiciary's role in preventing rights violations and aim to establish a balance between majority rule and corporate justice. Ultimately, the research underscores the necessity of reforming relevant laws, developing stronger protective regulations, and enhancing partners' awareness of their rights and obligations. Such efforts can serve as a legal policy guideline and help reduce litigation in private joint stock companies.

Keywords: *Non-financial rights, Minority partners, Private joint stock companies, Judicial protection, La Zarar principle.*

Introduction

In Iran's economy, private joint stock companies, as one of the most common organizational forms for small and medium-sized commercial enterprises, play a pivotal role in attracting small-scale investments and strengthening the private sector. However, the majority-rule decision-making structure in general assemblies often leads to serious challenges in safeguarding the non-financial rights of shareholders and partners, particularly those of minority shareholders. These non-financial rights—which include access to information, participation in decision-making, and the right to object to actions contrary to the company's articles of association—are scattered throughout the 1968 *Amended Bill of the Commercial Code*, but their inadequate enforcement results in disputes that not only threaten corporate stability but also undermine public confidence in the capital market. Concentration of ownership in the hands of major shareholders frequently leads to violations of minority rights, and this issue is particularly acute in private joint stock companies that are typically family- or kin-based. Corporate governance reports indicate a weakness in protecting minority shareholders from managerial abuses. The importance of this issue is highlighted in the context of commercial law and corporate governance, where a balance between decision-making efficiency and corporate justice is essential. Insufficient protection of non-financial rights may increase litigation and disrupt economic growth, as seen in comparative studies between Iran and other legal systems. Accordingly, the pathology of these disputes—rooted in factors such as partners' lack of legal awareness, deficiencies in articles of association, and the absence of independent management—necessitates the introduction of innovative judicial mechanisms grounded in jurisprudential principles such as the *La Zarar* (no harm) rule and legal provisions such as Articles 328 and 331 of the *Civil Code* to ensure effective protection for minority partners. This approach not only reduces the judiciary's caseload but can also serve as a policy model for emerging markets, where minority protection is key to attracting foreign investment. Nevertheless, precise statistics on the number of cases concerning the violation of non-financial rights in Iranian private joint stock companies remain limited, requiring more extensive field research to clarify the true dimensions of this issue.

Within the framework of commercial legal research, the independent, dependent, mediating, and control variables in the pathology of non-financial disputes among partners in private joint stock companies are defined as structural elements of analysis that explain the causal relationships between tension-inducing factors and their outcomes. Independent variables such as the majority rule in general assemblies (Article 88 of the *Amended Bill of the Commercial Code*) and deficiencies in the company's articles of association act as primary factors enabling the misuse of majority will, whereas dependent variables such as the infringement of minority partners' non-financial rights and the increase in litigation represent the direct outcomes of these factors. Mediating variables, such as the role of the judiciary (based on the *La Zarar* rule in Article 328 of the *Civil Code*), moderate these relationships, while control variables such as the company type (private joint stock under Article 3 of the *Amended Bill*) provide a fixed analytical framework. The importance of these variables within the context of corporate governance in Iran—where private joint stock companies are often formed through kinship relations—lies in the fact that imbalances among them can undermine partner trust and reduce economic efficiency. Reports from the *Organization for Registration of Deeds and Properties* highlight an increase in litigation related to violations of non-financial rights, although precise statistics on the quantitative impact of mediating variables such as derivative suits (Article 276) are limited and insufficient data exist to provide exact figures. The key dimensions of these variables include legal aspects (e.g., restrictions on annulment suits in Article 270), managerial aspects (lack of independent directors), and social aspects (familial relationships), which serve as a foundation in the literature for proposing innovative judicial remedies, such as reinforcing reliance on constitutional principles (Article 40). In previous studies related to these variables, Eskini (1), in examining commercial companies, focused on independent variables such as defects in the articles of association and found that this factor leads to violations of the right to information among partners in more than half of the cases, while the theoretical perspective is based on the principle of equality of partners' rights (Article 24 of the *Amended Bill*), suggesting that control variables such as the number of partners (minimum of three) should remain constant in analyses. Similarly, (2) in *Commercial Law* examined dependent variables such as company dissolution (Article 199) and found that kinship relations act as a mediating variable that intensifies disputes, aligning this perspective with agency theory. On the other hand, (3), in *Philosophy of Law*, proposed a theoretical framework for mediating variables such as the *La Zarar* rule, arguing that this principle can moderate the relationship between independent and dependent variables. Although domestic studies are mostly theoretical and comprehensive field analyses of judicial rulings remain limited, the overall literature emphasizes the necessity of examining control variables such as governing laws (the 1968 *Amended Bill of the Commercial Code*). However, sufficient data to quantify their provincial-level impact are lacking, and future research should focus on this aspect to clarify its practical dimensions.

In the context of Iranian commercial legal studies, independent, dependent, mediating, and control variables in the pathology of non-financial disputes among partners in private joint stock companies are defined as analytical components that specify the relationships between tension-inducing factors and their outcomes. Independent variables such as the majority rule in general assemblies (Article 88 of the *Amended Bill of the Commercial Code*) and shareholders' and partners' lack of legal knowledge function as primary causes leading to the abuse of majority will and violation of minority rights. Dependent variables such as the increase in litigation and the weakening of corporate stability reflect the direct outcomes of these causes, while mediating variables such as the judiciary's role (based on the *La Zarar* rule in Article 328 of the *Civil Code*) serve to mediate these relationships. Control variables, such as governing laws (the 1968 *Amended Bill of the Commercial Code*), provide a constant background for analysis. The importance of these variables in corporate governance—particularly in private joint stock companies often based on limited shareholder relationships—lies in the fact that imbalances among them can reduce investor confidence and increase the judiciary's burden. However, precise quantitative data on the effects of mediating variables such as kinship relations remain limited, and no sufficient data exist to produce exact figures. The key dimensions of these variables include legal (e.g., restrictions on annulment suits in Article 270), managerial (lack of independent directors), and social (familial relationships) aspects, which in the literature serve as the basis for proposing innovative judicial protections, such as reinforcing reliance on jurisprudential principles. In previous studies concerning these variables, (2) in *Commercial Law* focused on independent variables such as deficiencies in the articles of association and found that this factor often results in depriving partners of their right to information, while the theoretical foundation is based on the principle of limited shareholder liability (Article 24 of the *Amended Bill of the Commercial Code*), suggesting that control variables such as capital size (minimum of one million rials) should be kept constant in analyses. Furthermore, Pasban, in *Commercial Company Law*, discussed dependent variables such as company dissolution (Article 199 of the *Amended Bill of the Commercial Code*) and found that the lack of independent management, as an independent variable, weakens corporate stability—a view consistent with corporate governance theories. On the other hand, (4), in *Commercial Law*, presented a theoretical framework for mediating variables such as the enforcement of derivative suits and argued that this mechanism can mitigate conflicts between majority will and minority rights. Although domestic research primarily focuses on theoretical aspects and field studies on judicial rulings are limited, this study compensates for that gap by emphasizing provincial cases. Overall, the literature highlights the necessity of examining control variables such as the number of partners (minimum of three), though sufficient data on their impact in family businesses are lacking. Future studies should address this area to elucidate practical dimensions (5).

In Iranian legal literature, the pathology of non-financial disputes among partners in private joint stock companies—focused on examining the roots of legal tensions such as violations of the right to information access and participation in assemblies—faces significant gaps. Existing studies often emphasize financial aspects such as capital structure or share transfers while neglecting non-financial dimensions such as the abuse of the majority rule or the role of kinship in exacerbating minority rights violations, thereby limiting comprehensive analysis of socio-managerial factors. For instance, studies focusing on non-financial disclosure in manufacturing companies have primarily addressed the content of reports rather than delving deeply into judicial consequences such as derivative suits or reliance on the *La Zarar* rule. Comparative discussions with foreign systems such as the United Kingdom highlight differences in capital structure but have insufficiently explored innovative judicial strategies for protecting minority partners in private joint stock companies. Moreover, barriers to accessing corporate information, examined in certain studies, primarily refer to Article 139 of the *Amended Bill of the Commercial Code* but debate the link between such barriers and company dissolution or litigation growth, rendering their critical analyses inadequate. This shortfall underscores the need for more systematic research on achieving balance between majority will and corporate justice. Critical analysis of these gaps suggests that without exploring neglected aspects—such as the role of independent directors in conflict prevention or the application of jurisprudential principles in judicial protection—Iranian legal policymaking cannot effectively address the challenges faced by family-owned companies, which could in turn weaken private-sector stability. Therefore, further research is essential to fill these gaps and offer practical solutions. However, sufficient data regarding the number of studies on innovative judicial remedies are lacking, highlighting the need for broader literature reviews (6).

The present study aims to analyze the pathology of non-financial disputes among partners in private joint stock companies and to propose innovative judicial solutions for protecting minority rights by examining the legal, managerial, and social roots of these tensions, which often stem from misuse of the majority rule (Article 88 of the *Amended Bill of the Commercial Code*) and deficiencies in communication and participation mechanisms. The main research questions are: What factors lead to the violation of partners' non-financial rights in such companies? And how can the judiciary, through jurisprudential principles such as the *La Zarar* rule (Article 328 of the *Civil Code*) and derivative suits (Article 276), provide effective protection for minority partners? Adopting a descriptive–analytical approach, this study analyzes legal sources and proposes a framework to balance majority will with corporate justice. The article is structured as follows: first, the theoretical foundations and literature review clarify key concepts such as non-financial rights and legal gaps; next, the methodology section outlines the mixed documentary–field research approach; the findings section analyzes tension-inducing factors such as lack of independent management; the discussion compares these factors with existing literature and expands on judicial strategies; and finally, the conclusion presents practical implications and recommendations for legal reforms. This structure is designed so that each section coherently contributes to resolving the research problem and provides a comprehensive framework for legal policymaking. The following section—*Theoretical Foundations and Literature Review*—builds on legal concepts and previous studies to establish the basis for deeper analysis of the subject.

Research Design and Methodology

The present research, aimed at the pathology of non-financial disputes among partners in private joint stock companies and at proposing innovative judicial remedies, is a descriptive-analytical qualitative study situated within the humanities, particularly commercial law and corporate governance. The study was conducted through fieldwork and documentary analysis, and data were collected from two principal sources: discussions with jurists and shareholders of private joint stock companies, and legal sources including statutes (such as the 1968 Amended Bill of the Commercial Code and the Civil Code) and authoritative legal treatises. Data collection employed a mixed approach combining documentary analysis (review of legal texts and judicial decisions) and semi-structured interviews with jurists, managers, and company shareholders, which facilitated the identification of dispute patterns.

Data were analyzed through thematic coding, which identified legal roots (such as deficiencies in Article 276 of the Amended Bill), managerial roots (such as the absence of independent directors), and social roots (such as kinship relations). The theoretical framework rests on agency theory and on jurisprudential principles such as the *La Zarar* rule (Article 328 of the Civil Code), which explain the relationships between majority and minority partners. This design enables in-depth analysis of tension-inducing factors and the presentation of innovative judicial remedies. Nevertheless, there is insufficient information to present precise statistics on the number of judicial decisions or the frequency of lawsuits at the national level, and the research focuses on limited data. Relying on the available evidence and qualitative analysis, this methodology seeks to fill research gaps in the protection of minority rights (7).

This study examines court cases related to non-financial disputes among partners in private joint stock companies that pertain to partner litigation in this type of company. Purposeful sampling was employed, with inclusion criteria as follows: a focus on non-financial disputes (such as violations of voting or information rights), pertinence to private joint stock companies (in accordance with Article 3 of the Amended Bill of the Commercial Code), and the issuance of a final judgment. Cases that dealt solely with financial issues or fell outside the scope of private joint stock companies were excluded; unfortunately, because of their extreme scarcity and the impossibility of accessing a comprehensive repository of decisions in the electronic system, these were set aside. In addition, the samples included semi-structured interviews with judges, attorneys, company managers, and company shareholders, which were selected purposefully on the basis of professional experience in the field of private joint stock companies. Company characteristics included the number of partners (at least three) and minimum capital of one million rials, which were defined at the outset as fixed criteria. These samples enabled in-depth analysis of tension-inducing factors such as abuse of the majority rule and kinship relations. However, there is insufficient information to determine the exact number of similar cases at the national level. Given the qualitative nature of the research, this purposeful selection helped identify national patterns and propose judicial remedies suited to Iran's circumstances.

Situated in the humanities and commercial law, with a focus on the pathology of non-financial disputes among partners in private joint stock companies, this research employed qualitative and documentary tools to collect and analyze data. The principal tools included documentary review protocols for analyzing legal texts such as the Amended Bill of the Commercial Code (1968) and the Civil Code (Articles 328 and 331), and judicial decisions, which were gathered through access to judicial archives and legal document-management software (such as a case-management system). For the semi-structured interviews with jurists and company managers, open-ended questionnaires were used, containing questions about the causes of non-financial disputes and the role of the majority rule; these questionnaires were validated through qualitative content analysis to ensure alignment with the research objectives. No laboratory instruments or measuring devices were used, given the qualitative and legal nature of the study. To ensure reliability, the questionnaires were reviewed by two specialized jurists prior to administration to establish content validity. However, sufficient information regarding the technical details of judicial software or their calibration was not available, and access to judicial decisions was limited. These tools made possible a precise analysis of legal and managerial factors and are usable for replicating the study.

Using a descriptive-analytical approach, this research collected data from two principal sources: discussions with jurists and shareholders and judicial decisions related to non-financial disputes among partners in private joint stock companies, and written legal sources including statutes and authoritative books. The data-collection method included documentary review using standard legal protocols, selected on the basis of criteria such as a focus on violations of non-financial rights (voting and information rights) and conformity with Article 3 of the Amended Bill. Semi-structured interviews with jurists, company managers, and shareholders were also conducted using purposeful sampling to gather operational viewpoints. Data analysis was carried out to identify key themes such as abuse of the majority rule (Article 88) and deficiencies in the articles of association. For legal analysis, jurisprudential principles (such as *La Zarar*) and statutory provisions (such as Article 276) were examined through interpretive methods. Ethical considerations included maintaining the confidentiality of judicial data and obtaining consent from interview participants; no statistical analysis was performed due to the qualitative nature of the study. These methods enabled the identification of dispute patterns and the proposal of innovative judicial remedies; however, limited access to national-level data may restrict generalizability. For replication, it is recommended to employ the same methods with a focus on a broader corpus of judicial decisions.

With the aim of pathologizing non-financial disputes among partners in private joint stock companies and offering innovative judicial remedies, this research conducted a qualitative analysis of discussions with jurists, managers, and company shareholders, as well as legal sources such as the Amended Bill of the Commercial Code (1968). The findings indicate that violations of the non-financial rights of minority partners—such as voting rights and access to information—primarily arise from abuse of the majority rule (Article 88), deficiencies in the articles of association, and the absence of independent management. Analysis of semi-structured interviews with jurists, managers, and shareholders revealed recurring patterns of legal and managerial tensions that have led to increased litigation and have threatened corporate stability. The jurisprudential *La Zarar* rule (Article 328 of the Civil Code) and derivative suits (Article 276) were identified as effective judicial tools for protecting minority partners. However, there is insufficient information to provide precise national statistics on the frequency of lawsuits, and judicial data are limited. These findings underscore the necessity of legal reforms and the strengthening of judicial mechanisms to establish a balance between majority will and corporate justice. Subsequent sections set out the details of the findings based on the research questions.

Factors Creating Non-Financial Disputes

The first research question identifies the factors that create non-financial disputes among partners in private joint stock companies. In a general classification, the rights of partners in private joint stock companies can be divided into the financial rights of partners in private joint stock companies and the non-financial rights of partners in private joint stock companies. The non-financial rights of partners in private joint stock companies examined in this chapter are as follows:

The right to attend general assemblies

The right of partners in private joint stock companies to obtain information

The right to stand as a candidate for managerial and audit positions

The voting right of partners in private joint stock companies

The right of partners in private joint stock companies to request the convening of general assemblies

The right of partners in private joint stock companies to petition for dissolution of the company

Each of the foregoing items will be discussed separately, and the financial rights of minority shareholder-partners will be presented in another article:

1- The right of partners in private joint stock companies to obtain information

a) The right to obtain information at the time of incorporation of a private joint stock company:

Pursuant to Clause 2 of Article 20 of the Amended Bill, in order to incorporate and register private joint stock companies, in addition to the documents mentioned in the other clauses, a declaration indicating the subscription of all shares and a bank certificate evidencing payment of the cash portion—no less than thirty-five percent of the total shares—are required. Moreover, under the same clause, if all or part of the capital is in kind, all of it must be paid, and its valuation must be itemized in the declaration; and if preferred shares exist, a description of the privileges and their grounds must be reflected in the declaration. Likewise, under Article (76) of the Amended Bill, if one or more of the founders contribute in-kind, the founders must, before calling the constitutive general assembly, obtain a written opinion from the official expert of the Ministry of Justice regarding the valuation of the in-kind contributions and include it in their report of actions submitted to the constitutive general assembly. If the founders claim any special benefits for themselves, the justification for such benefits must be attached to the said report and submitted to the constitutive assembly (8).

Therefore, pursuant to Articles (20) and (76) of the Amended Bill, where all or part of the capital of joint stock companies is in kind, a written opinion from an official judicial expert regarding its real value must be obtained and attached to the declaration so that the other founders are informed and do not suffer harm.

Founders may also, by reason of the technical and scientific information they provide to the company, allocate usufruct shares or preferred shares to themselves. In this respect, the legislator has required founders holding preferred shares to submit the justification for the benefits claimed together with their report of actions to the constitutive assembly (9).

b) The right of partners in private joint stock companies to obtain information during the company's ongoing operations:

One of the important objectives of shareholder-partners in attending general assemblies is to participate in the management of the company's affairs and to exercise oversight over its operations. Achieving this objective requires that the shareholder-partner participate in general assembly meetings with sufficient knowledge and information regarding the company's accounts and balance sheet, the directors' actions, and the auditors' reports. The legislator has expressly provided for and respected this right in Article (139) of the Amended Bill (10).

Under the said article, every shareholder may, fifteen days prior to the convening of the general assembly, visit the company's head office to inspect the accounts and obtain copies of the balance sheet, the profit and loss account, the report of the directors' operations, and the auditors' report.... It appears that obtaining copies is likewise permissible. Today, in French law and other industrial countries, the shareholder-partner's right to obtain information has been extended to the post-assembly period, and directors, in order to attract investor confidence, seek to apply "open door" or "glass house" theories by providing extensive information (2). It should be noted, however, that some company insiders may adopt a policy contrary to the "open door" policy and, by invoking the risk of disclosure of trade secrets, restrict the shareholder-partner's right to obtain information.

As stated, pursuant to Article (139) of the Amended Bill, the Iranian legislator has formulated acceptable rules regarding the shareholder-partner's right to obtain information and has granted shareholders—regardless of the amount of their shareholding—the right, fifteen days prior to the general assembly, to refer to the company's accounts and to obtain copies or photocopies of the directors' and auditors' reports and the company's balance sheet. Conversely, directors are obligated to provide the foregoing information to shareholder-partners for fifteen days prior to the general assembly. The legislator has also provided a sanction for this obligation. A general assembly resolution adopted without observing the provisions of Article (139) of the Amended Bill—which establishes the shareholder-partner's right to obtain information—shall, pursuant to Article (270) of the same Bill, be voidable upon the request of any interested party by the court; moreover, those who have sustained loss due to lack of information may, by virtue of Article (142) of the said Bill, claim damages from the directors and the managing director of the company, and (1) notes that the term "general assembly" is used in Article (139) in an absolute sense. Therefore, the rule of this article must be observed in both the ordinary general assembly and the extraordinary general assembly.

A significant point in this discussion is that, where the general assembly is called by the board of directors, it is possible to provide the documents referred to in Article (139) prior to the general assembly meeting under the stipulated conditions; however, as will be set out in detail below, in addition to the board of directors, the holders of one-fifth of the shares and the companies registry authority are among the competent authorities to call the general assembly (7).

c) The right of partners in private joint stock companies to obtain information during liquidation:

Under Article (220) of the Amended Bill, every shareholder is entitled, as during the period prior to dissolution, to obtain information regarding operations and accounts during the liquidation period. Under Article (219) of the Amended Bill, calling general assemblies—ordinary, extraordinary, or ordinary convened extraordinarily—is the responsibility of the liquidators. The liquidator or liquidators must, for as long as the company's liquidation has not been completed, call the ordinary general assembly of shareholder-partners annually in compliance with the conditions and formalities provided in law and in the articles of association. It appears that by the phrase "as during the period prior to dissolution," the legislator intended to refer to the application of Article (139) of the Amended Bill; in other words, every shareholder-partner may, fifteen days prior to the convening of the general assembly, visit the company's head office to inspect the accounts and obtain copies of the balance sheet, operations, and accounts (2).

2 - The Right to Obtain Information from the Auditors' Report:

Pursuant to Articles (148, 149, 150) of the Amended Bill, the company's audit and the auditors are obligated to opine on the accuracy and correctness of the statement of assets, the statement of operating period accounts, the profit and loss account, and the balance sheet prepared by the directors for submission to the general assembly, as well as on the accuracy of the matters and information that the directors have provided to the general assemblies; and if the directors provide shareholders with information contrary to the truth, the auditors are obliged to inform the general assembly thereof. To perform the foregoing duties, the auditors must submit a comprehensive report on the company's status to the general assembly. The auditors' report must be ready at the company's head office at least ten days before the convening of the ordinary general assembly for shareholders' inspection; therefore, every shareholder—and even holders of share coupons—has the right to review the auditors' report prepared in accordance with the above conditions and requirements, and the auditors are obligated to make the said report available at the company's head office at least ten days before the convening of the general assembly. Likewise, the company's auditor(s) must notify the first general assembly of any violation or fault in the company's affairs by the directors and the managing director, or if they become aware of the commission of an offense. (11)

3- The Voting Right of Partners in Private Joint Stock Companies

One of the most self-evident rights of any shareholder-partner in joint stock companies is the right to vote. By exercising the right to vote, the shareholder-partner participates in the management of the company's affairs, such as electing members of the board of directors, electing the company's auditors, amending the articles of association, dissolving the company, and other matters. The voting right of shareholder-partners is relative, and whoever holds more shares has more voting rights. A shareholder-partner's vote may be exercised by granting a power of attorney or representation, and voting in assemblies is usually conducted by ballot; however, since the Iranian Commercial Code is silent on this matter, voting by show of hands—standing and sitting, or raising a finger—is permissible unless the articles of association prescribe a specific method of voting, in which case the provisions of the articles of association must be followed. (2)

The company's directors are selected from among the company's shareholders by the constitutive general assembly or the ordinary general assembly, and each company is administered by its board of directors. The directors have all powers necessary to manage the company's affairs, except for matters that fall within the exclusive competence of the general assemblies. Therefore, in practice, shareholders participate in the management of the company's affairs through the directors, and the election of board members is of particular importance to every shareholder-partner. Prior to the enactment of the 1968 Amended Bill of the Commercial Code, the partners in private joint stock companies could not elect one or more directors to the board, and their role had no effect on the election of the board of directors; as a result, the aforementioned minority, because they could never appoint and elect directors from among themselves to serve on the board, had no information about the board's deliberations and decisions. In other words, a fifty-one percent majority could easily neutralize and invalidate the decisions of a forty-nine percent minority in the ordinary general assemblies and prevent even a single director from the minority from entering the board. This fundamental defect undermined the incentive of small capital owners to invest in joint stock companies. (12)

In 1968, in the Amended Bill of the Commercial Code, this defect received particular attention from the legislator. In Article (88) of the Amended Bill, the legislator drafted and adopted a specific formula for calculating each voter's votes, which later became known in legal texts and sources as the system of cumulative voting (aggregate or integrated votes).

Pursuant to Article (88), in the ordinary general assembly, resolutions are always valid by a majority of half plus one of the votes present at a quorate meeting, except in the election of directors and auditors, for which a relative majority suffices. In the election of directors, the number of each voter's votes is multiplied by the number of directors to be elected, and the voter's voting right equals the said product. The voter may cast all of his votes for a single person or distribute them among several persons as he wishes. The company's articles of association may not prescribe otherwise.

As stated in the final part of Article (88) of the Amended Bill, Article (88) is considered a mandatory (peremptory) rule. Therefore, whether at the time of adopting the articles of association or in resolutions of the general assemblies—ordinary or extraordinary—it is not permissible to agree on an arrangement contrary to that set forth in this article.

As further stated in the latter part of this article, in the election of directors, the number of shares of each shareholder-partner is multiplied by the number of directors to be elected, and each shareholder-partner's voting right equals the said product; and the voter is free to cast all his votes for one person or to distribute them among as many persons as he wishes. (13)

4- The Right of Partners to Stand for Election to the Board of Directors and the Audit in a Private Joint Stock Company:

Pursuant to Article (107) of the Amended Bill, a joint stock company shall be administered by a board of directors elected from among the shareholders, who are removable in whole or in part...... Therefore, by legal mandate, the directors of private joint stock companies must be selected from among the company's shareholder-partners, and any shareholder-partner, in the absence of the legal impediments set forth in Article (111) of the Amended Bill, has the right to stand as a candidate for the board of directors and, if he secures the requisite votes, will become a member of the board.

Of course, the shares of the shareholder-partner who is a candidate must not be fewer than the number of shares required by the articles of association to vote in general assemblies; if the articles of association do not specify a minimum shareholding for attendance at general assemblies, any partner—even with a single share—may become a director. (1) It appears that holders of share coupons (fractional shares) do not enjoy such a right, and share coupons alone do not carry the full rights and benefits of a whole share, except for the right to attend general assemblies and the right of company membership.

The first auditor(s) of a private joint stock company are appointed pursuant to Clause 3 of Article (20) and Article (145) of the Amended Bill, and after the company is formed, under Article (44) of the Amended Bill, the election of the principal and alternate auditor(s) is among the duties of the ordinary general assembly. Therefore, the ordinary general assembly is obliged each year to elect one or more auditors from among the shareholders or from outside them to the audit position, provided they are not subject to the impediments mentioned in Article (147) of the Amended Bill.

The legislator stipulates, with respect to the board of directors, that it must be chosen from among the shareholders; however, no such requirement is set for the auditor. Therefore, the election of an auditor—whether from among the shareholders with any amount of shares, even holders of fractional shares, or from outside the body of shareholder-partners—is unobjectionable. It should not be overlooked that every shareholder-partner, with any amount of shares, and even holders of share coupons, will have the right to stand as a candidate for the audit position.

5- The Right of Partners in Private Joint Stock Companies to Call the General Assembly:

We know that the general assemblies of private joint stock companies are:

1 - The constitutive general assembly, if there is a desire to convene it

2 - The ordinary general assembly (including ordinary, annual, and ordinary convened extraordinarily)

3 - The extraordinary general assembly

Pursuant to Articles (91 and 120 and 138) of the Amended Bill, calling the ordinary and extraordinary general assemblies is one of the principal duties of the board of directors; if they refuse to perform these legal duties, criminal penalties will apply pursuant to Article (254) of the Amended Bill.

At the same time, in order to protect the rights of partners in private joint stock companies, the legislator, under Articles (95 and 136 and 219) of the Amended Bill and subject to specific procedures, permits persons or authorities other than the board of directors to call the general assembly. All such provisions can be regarded and assessed as measures supporting the rights of partners in private joint stock companies, which we will examine separately.

a- Calling the general assembly by one-fifth of the partners in private joint stock companies:

According to Article (95) of the Amended Bill: shareholder-partners who own at least one-fifth of the company's shares have the right to request the board of directors to call the general assembly, and the board must call the requested assembly within a maximum of twenty days, observing the prescribed formalities. Otherwise, the applicants may request the company's auditor(s) to call the assembly, and the auditor(s) shall be obliged to call the requested assembly within a maximum of ten days, observing the prescribed formalities; failing that, such shareholders shall have the right to call the assembly directly, provided that they observe all formalities relating to the convening of the assembly and state in the notice of meeting that their request was not heeded by the board of directors and the auditor(s). An ambiguity in the rule of Article 95 of the Amended Bill is whether the phrase "general assembly" in the said article includes the annual ordinary general assembly and the ordinary general assembly convened extraordinarily, as well as the extraordinary general assembly.

In this regard, there are two views:

First view: The important point about the rule set out in Article (95) is that, given the use of the phrase "general assembly" in the said article, it should be understood to include the annual ordinary general assembly, the ordinary general assembly convened extraordinarily, and the extraordinary general assembly. In addition to the textual indication supporting this meaning, the placement of Article (95) after all provisions governing general assemblies makes the above interpretation acceptable. (9) It is observed that the legislator has empowered the minority so that, in order to defend their rights in ordinary or extraordinary matters where the directors and the auditor(s) fail to act to call and convene the general assemblies, they may directly proceed to convene the ordinary or the extraordinary general assembly. Such a right for the minority, to prevent abuse of powers by the majority shareholder-partners of the company, has been recognized in most countries of the world.

Second view: Closer examination of certain statutory provisions shows that calling the extraordinary general assembly lies exclusively within the authority of the board of directors; for in some articles of the Amended Bill, decision-making by the extraordinary general assembly with respect to a number of matters that belong to that assembly is conditioned on a proposal by the board of directors, and the "proposal by the board" means that, in these cases, only the board must call the assembly—for example, Article (161) on capital increases, or Article (189) on voluntary reductions of capital, or Article (167) and its Note on the elimination of preemptive rights. Therefore, relying on these provisions, it can be argued generally that holders of one-fifth of the company's shares cannot call the extraordinary general assembly, and calling that assembly is always within the authority of the board of directors.

Another ambiguity in the rule of Article (95) of the Amended Bill is whether this rule extends to the post-dissolution and liquidation period.

In this respect, there are also two opinions.

First opinion: In principle, the financial and non-financial rights arising from shares also subsist after dissolution and during the liquidation period, and the commencement of liquidation does not extinguish the rights arising from shares; and in case of doubt as to their subsistence or extinction, their subsistence should be presumed. Therefore, just as shareholders may attend the general assembly during the liquidation stage and have the right to vote in the assembly, they may also call the general assembly.

Notwithstanding this, given that the board of directors and the auditor(s) are eliminated upon dissolution of the company, the request to call the assembly should be made, in order, to the liquidator and the supervisor(s) of liquidation.

If the liquidator and the supervisor(s) refuse, the owners of one-fifth of the company's shares proceed *sua sponte* to call the assembly.

Second opinion: Essentially, during the liquidation stage the conditions for applying Article 95 are not met; because the exercise of the right provided in this article is conditional on the request being made to the board of directors or the auditor(s). Upon dissolution, the offices of the board of directors and the auditor(s) are extinguished, and the liquidator(s) or supervisor(s) of liquidation cannot be regarded as equivalent to, or akin to, the board of directors and the auditors. Therefore, the right to call the assembly is not exercisable during liquidation.

It appears that the second opinion is correct and consistent with the Amended Bill of the Commercial Code; because, apart from the reasoning stated in the second opinion, the legislator has set out the rule for the case in Article (219) of the Amended Bill. Under the said article, whenever the liquidator or the supervisor(s) fail to perform their legal duty, the general assembly shall be convened by the court at the request of any interested party. Therefore, the legislator has addressed the matter and, given the sensitivity of the situation and the company's special status during liquidation, has assigned the calling of the general assembly to the court, and other authorities do not have the right to call the general assembly.

b- The Right of Any Interested Party to Request the Calling of the General Assembly During the Company's Continuance:

Pursuant to Article (136) of the Amended Bill, upon the expiration of the directors' term of office, the former directors shall remain responsible for the company's affairs and its management until new directors are elected. If the authorities obligated to call the general assembly fail to perform their duty, any interested party may request the Companies Registration Authority to call an ordinary general assembly for the election of directors.

It is evident that, in this specific case, compliance with the quorum stipulated in Article (95) of the said Bill is not necessary, and calling the general assembly by the Companies Registration Authority at the request of even one of the partners shall be mandatory (1).

Accordingly, as set out in the above article, the person or persons with a legally protectable interest must request the Companies Registration Authority to call the ordinary general assembly after the expiration of the directors' term; without a request by an interested party, the Companies Registration Authority has no right to call the general assembly. Therefore, the Companies Registration Authority must:

1- Ascertain that the requesting person or persons are interested parties. An interested party may be a shareholder-partner of the company or a creditor of the company. Verifying whether the applicant is a shareholder-partner is not difficult; because, pursuant to Article (24), a share certificate represents the number of shares its holder owns in the joint stock company; therefore, any person who holds a share certificate—registered or bearer—is deemed a shareholder-partner, and the number of shares is irrelevant in this regard. Every shareholder-partner, with any number of shares, and even holders of share coupons (fractional shares), are considered interested parties of the company and may avail themselves of this legal privilege to protect their rights.

2- However, ascertaining creditor status is not as straightforward; for example, a creditor might be a company worker asserting labor rights without any written evidence, or the company may have defenses against a person's claim to be a creditor. In principle, determining who is a creditor or debtor does not fall within the competence of the Companies Registration Authority.

[It must] ascertain the expiration of the directors' term of office.

[It must] ascertain that the authorities obligated to act have failed to perform their duty.

The question that arises regarding the application of Article (136) of the Amended Bill is whether the Companies Registration Authority is obligated to call the general assembly if all the conditions set forth in the said article are met. In response, it may be said that although this obligation is not expressly stated in Article (136), it appears that, upon the request of any interested party, the Companies Registration Authority is obligated to call the general assembly and, in case of failure to perform this duty, incurs civil liability.

c- The Request by Any Interested Party to Call the General Assembly During Liquidation:

Pursuant to Article (219) of the Amended Bill: during liquidation, the calling of general assemblies in all cases lies with the liquidators. If the liquidators fail to perform this duty, the supervisor is obligated to call the general assembly; and if the supervisor likewise fails to perform his duty, or if a supervisor has not been contemplated or appointed, the court shall, at the request of any interested party, order the convening of the general assembly. It is evident that “any interested party” includes shareholder-partners with any number of shares as well as the company’s creditors.

6- The Right of Partners in Private Joint Stock Companies to Petition for Dissolution of the Company

A company is formed by the will of the shareholders, and whenever they deem it necessary, they may dissolve the company by a resolution of the extraordinary general assembly. If the will of the majority of shareholder-partners is directed toward dissolution, the minority has no choice but to accept the majority’s decision in the extraordinary general assembly, and this decision requires no special grounds and is subject to the principle of the sovereignty of the majority’s will. This is expressly stated in Article 83 of the Amended Bill.

Under the said article: any amendment to the articles of association or to the company’s capital, as well as dissolution of the company before the appointed time, lies exclusively within the competence of the extraordinary general assembly. Under Article (141) of the Amended Bill, in one particular instance, the board of directors is obligated to invite the shareholder-partners to convene an extraordinary general assembly—namely, when, due to incurred losses, at least half of the company’s capital has been depleted. In such a case, the board of directors must forthwith call the extraordinary general assembly in order to decide on dissolution or continuation of the company. If the board of directors fails to perform this legal duty, or if the assembly has been convened without observing statutory requirements, any interested party may request dissolution of the company from the competent court (7).

The analysis showed that abuse of the majority rule (Article 88 of the Amended Bill) has been the principal factor in violating non-financial rights, such as restricting the right to vote or depriving partners of information regarding assemblies. Deficiencies in the articles of association—such as the absence of mechanisms for transparent information—were also observed, often more acute in family companies. Shareholders’ and partners’ lack of awareness of legal rights—such as ignorance of derivative suits (Article 276)—was identified as an aggravating factor, which was confirmed by jurists’ statements during the interviews. The absence of independent management, especially in companies where managers came from the majority shareholders, emerged as a salient managerial factor. These findings are consistent with agency theory, which emphasizes conflicts of interest between the majority and the minority (1). More precise information on the quantitative impact of each factor at the national level is not available due to data limitations.

Consequences of Non-Financial Disputes

The second question focused on examining the consequences of non-financial disputes. Analysis of judicial decisions showed that the infringement of the non-financial rights of minority partners—such as violations of the right to information or participation—can lead to litigation, most commonly actions for annulment of resolutions contrary to the articles of association (Article 270). Such actions may be accompanied by claims for non-pecuniary damages, indicating the severity of the impact on partners. Disputes have also led to the weakening of corporate stability, such as petitions for dissolution (Article (199) of the Amended Bill), which have occurred frequently in companies with kinship ties. Interviews with managers indicated that these consequences reduce partner trust and, in some cases, lead to capital withdrawal. These findings are consistent with (2), which emphasizes the negative impact of violations of non-financial rights on corporate stability. The lack of national data prevented the presentation of more precise statistics, but local patterns confirm the importance of the issue.

Innovative Judicial Remedies

The third question concerned proposing innovative judicial remedies to protect minority partners. Qualitative analysis showed that reliance on the *La Zarar* rule (Article 328 of the Civil Code) has been used as a basis for judicial protection of partners and has been effective in reducing non-pecuniary harm. Strengthening derivative suits (Article 276 of the Amended Bill) enabled minority partners to act against harmful decisions; however, legal limitations—such as the requirement of a two-thirds vote of the assembly (Article 129 of the Amended Bill of the Commercial Code)—have reduced their effectiveness. Interviews with jurists proposed establishing judicial mediation mechanisms and mandating the presence of independent directors—measures that apparently have not been implemented. These findings are consistent with the view of Katouzian (3) in the philosophy of law, which emphasizes the primacy of harm prevention. Sufficient information to assess the long-term impact of these remedies at the national level is not available, but the findings underscore the need for legal reforms, such as revising Article (276) of the Amended Bill of the Commercial Code.

Conclusion

This study, aimed at identifying the pathology of non-financial disputes among partners in private joint stock companies and proposing innovative judicial remedies, examined the causes and consequences of such tensions as well as legal solutions for protecting minority partners. Qualitative analysis and semi-structured interviews with ten jurists and company managers revealed that abuse of the majority rule under Article (88) of the *Amended Bill of the Commercial Code*, deficiencies in the articles of association, and the absence of independent management were the main factors violating non-financial rights such as voting rights and access to information. These disputes can lead to litigation, such as annulment of resolutions under Article (270), and threaten corporate stability, as in dissolution requests under Article (199). In response to the third research question, reliance on the *La Zarar* (no harm) rule (Article 328 of the *Civil Code*) and derivative suits (Article 276 of the *Amended Bill*) were identified as effective judicial tools, although legal constraints have reduced their efficiency. These findings comprehensively answer the research questions on causes, consequences, and judicial strategies, emphasizing the necessity of balancing majority will and minority rights. However, the lack of national data limited full generalization of the results.

The findings of this study are consistent with some prior research and complement others. (1), in a study of commercial companies, emphasized the role of deficiencies in the articles of association in creating non-financial disputes. Our findings confirm this view but expand the analysis by adding kinship relations as a mediating variable. (2) also referred to the influence of the majority rule on violations of minority rights but focused on non-judicial solutions such as partner agreements, whereas the present research emphasizes strengthening derivative suits and the *La Zarar* rule as innovative judicial mechanisms—an approach that introduces novelty compared to the existing literature. Conversely, studies such as (9), which focus on annulment suits under Article (270), highlight legal constraints such as the requirement of a two-thirds majority vote, consistent with our findings regarding the barriers to derivative suits. However, the existing literature has paid little attention to field analysis of judicial rulings, instead emphasizing theoretical aspects; this study fills that gap through qualitative judicial analysis. Agency theory, previously proposed as a framework for analyzing partner conflicts, aligns with our findings on majority abuse, though our proposed judicial innovations, such as judicial mediation, extend beyond this theoretical framework. While insufficient information prevents detailed comparison with foreign legal systems, the findings may serve as a foundation for future comparative legal studies (14).

This study faced limitations that affect the generalizability of its findings. First, lack of access to judicial rulings restricted the analysis, and sufficient data for identifying national patterns were unavailable, underscoring the need to expand sampling. Second, the qualitative nature of the study and the absence of precise quantitative data, such as the percentage impact of each factor on disputes, limited statistical analysis. Third, while semi-structured interviews with jurists and managers were purposeful, they may have been subject to individual bias, necessitating broader sampling. Additionally, limited access to unpublished judicial decisions hindered a more comprehensive analysis.

For future research, it is recommended that comparative studies with legal systems such as those of the United Kingdom or Germany be conducted to evaluate the effectiveness of innovative judicial mechanisms—such as derivative suits—in the Iranian context. Moreover, longitudinal studies assessing the long-term impact of proposed solutions, such as judicial mediation, along with quantitative analyses of national litigation data, could fill existing gaps. Finally, exploring the role of information technologies in enhancing corporate transparency represents a promising new direction for future research.

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Authors' Contributions

All authors equally contributed to this study.

Declaration of Interest

The authors of this article declared no conflict of interest.

Ethical Considerations

All ethical principles were adheried in conducting and writing this article.

Transparency of Data

In accordance with the principles of transparency and open research, we declare that all data and materials used in this study are available upon request.

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