

## LEGISLATIVE COUNCIL BRIEF

### SALE OF GOODS (UNITED NATIONS CONVENTION) BILL

#### INTRODUCTION

Annex

At the meeting of the Executive Council on 6 July 2021, the Council ADVISED and the Chief Executive ORDERED that the Sale of Goods (United Nations Convention) Bill (“Bill”) at the Annex should be introduced into the Legislative Council (“LegCo”) for implementation of the United Nations Convention on Contracts for the International Sale of Goods (without China’s reservation under Article 95) (“the Proposed Application”) in the Hong Kong Special Administrative Region (“Hong Kong”).

#### JUSTIFICATIONS

2. The Proposed Application seeks to enhance Hong Kong’s legal infrastructure for international sale of goods and bolster its role as an international hub for trade and dispute resolution.

#### The CISG

3. The United Nations Convention on Contracts for the International Sale of Goods (“CISG”) is an important and widely adopted Convention. As at the end of June 2021, there are 94 Contracting States to the CISG<sup>1</sup> from different legal traditions and at various levels of economic development, which represent over two-thirds of the global economy<sup>2</sup>.

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<sup>1</sup> The current status of the CISG is available on this United Nations Treaty Collection webpage: [https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg\\_no=X-10&chapter=10&clang=en](https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=X-10&chapter=10&clang=en).

<sup>2</sup> See the United Nations Commission on International Trade Law’s (“UNCITRAL”) webpage at <https://uncitral.un.org/en/cisg40>.

4. Whilst China is a Contracting State to the CISG<sup>3</sup>, the CISG is currently not applicable to Hong Kong<sup>4</sup>.

5. The CISG is a commercial law treaty which provides a set of uniform rules governing contracts for the international sale of goods within its scope. Its purpose is to provide a modern, uniform and fair regime for contracts for the international sale of goods, thereby introducing certainty in commercial exchanges and decreasing transaction costs<sup>5</sup>.

6. Under its Article 1(1)(a), the CISG applies automatically to contracts for sale of goods between parties whose places of business are in different Contracting States. The CISG, under its Article 1(1)(b), also applies to international sales contracts where the rules of private international law (of the forum) lead to the application of the law of a Contracting State. However, Article 95 provides that any State may declare that it will not be bound by Article 1(1)(b). Party autonomy is a fundamental principle of the Convention. With very limited exceptions, the parties can, by agreement, derogate from or vary the effect of any provisions of the CISG, or exclude the Convention's application entirely (under Article 6).

### **Pros and Cons for applying the CISG to Hong Kong**

7. The Government has considered the pros and cons of applying the CISG to Hong Kong. The benefits include the following –

- (a) **Potential to drive GDP and trade growth** – Almost all major trading members of the World Trade Organization (including, for example, China, the United States, Japan, Singapore, South Korea and Germany) and nearly half of the countries participating in the Belt and Road Initiative are members of the CISG. In 2020, more than half of Hong Kong's top 20 trading partners by total volume of trade<sup>6</sup> are Contracting States to the CISG<sup>7</sup>. Since the aim of the CISG is to reduce legal barriers in and promote the development of international trade, its application to Hong Kong has the potential to

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<sup>3</sup> The CISG entered into force for China on 1 January 1988.

<sup>4</sup> The CISG was not applied to Hong Kong prior to 1 July 1997. During and after the transition, China has not deposited notification with the Secretary General of the United Nations for applying the CISG to Hong Kong.

<sup>5</sup> See the UNCITRAL's webpage at:  
[https://uncitral.un.org/en/texts/salegoods/conventions/sale\\_of\\_goods/cisg](https://uncitral.un.org/en/texts/salegoods/conventions/sale_of_goods/cisg).

<sup>6</sup> Information on Hong Kong's principal trading partners in 2020 is available at:  
[https://www.tid.gov.hk/english/trade\\_relations/mainland/trade.html](https://www.tid.gov.hk/english/trade_relations/mainland/trade.html).

<sup>7</sup> For completeness, the CISG does not apply to Mainland – Hong Kong transactions: see paragraph 14 below for details.

facilitate Hong Kong's GDP and trade growth;

- (b) **Preventing Hong Kong businesses from being subject to unfamiliar foreign laws when entering into cross-boundary transactions** – Given the economic strength of Hong Kong's top trading partners, Hong Kong businesses may find themselves the weaker contractual parties and may have difficulties in ensuring that the contractual balance is kept<sup>8</sup> or that a governing law familiar to them is chosen. Hong Kong businesses may therefore derive benefit from the default application of the “fair and uniform regime of the CISG”<sup>9</sup> to contracts falling within its scope;
- (c) **Improving Hong Kong's competence in resolving CISG disputes** – The application and implementation of the CISG in local Hong Kong law may also bring indirect benefits by enhancing Hong Kong lawyers' competence in handling and managing CISG-related disputes and thereby reinforcing Hong Kong's position as a dispute resolution hub; and
- (d) **Freedom of contract** – The application could open up new useful and realistic contractual options whilst preserving pre-existing ones. After the application, Hong Kong businesses would have an additional choice of law option, namely, utilising the CISG as designed with Hong Kong law used as its residual law (an option that is not available under the status quo because the CISG is not part of Hong Kong law); alternatively, parties can choose to be governed solely by local Hong Kong law rather than the CISG<sup>10</sup>. The application could also provide a safety net of sorts, protecting those who have not considered or included specific provisions to govern their contractual relationship<sup>11</sup>.

8. Notwithstanding the benefits set out in paragraph 7 above, the business and legal sectors may have concerns regarding the application of the CISG, for example: changes to the status quo, the transaction costs involved in reviewing existing standard contracts, and the CISG (as a legal hybrid between common law and civil law) presenting several concepts which may be unfamiliar to Hong Kong businesses and legal profession.

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<sup>8</sup> See the UNCITRAL's webpage regarding the CISG (note 5).

<sup>9</sup> Ibid.

<sup>10</sup> Executive Summary of the Consultation Paper (available at: [https://www.doj.gov.hk/en/featured/pdf/CISG\\_Eng\\_Executive\\_Summary\\_PDF.pdf](https://www.doj.gov.hk/en/featured/pdf/CISG_Eng_Executive_Summary_PDF.pdf)), paragraphs 62 to 70.

<sup>11</sup> Ibid, paragraph 99.

9. In this light, the Government conducted a public consultation on the application of the CISG to Hong Kong during the period from 2 March to 30 September 2020<sup>12</sup> (“Consultation”). In summary, there is general support among the respondents to the Consultation (including the Hong Kong Bar Association (“HKBA”) and the Law Society of Hong Kong (“HKLawSoc”)) for the application proposal. The outcome of the Consultation is detailed in the Government’s submission to the LegCo Panel on Administration of Justice and Legal Services in March 2021 (“AJLS Panel Paper”)<sup>13</sup>. A gist of the public response on the application is set out in paragraph 19 below.

10. Taking into account the above considerations, we recommend the application of the CISG to Hong Kong as it could bring significant benefits to Hong Kong and has received general support in the Consultation. The transaction costs (mentioned in paragraph 8 above) are likely to be short-term. Besides, the legal and the business sectors, renowned for their versatility, could gradually get familiar with the CISG and put it to good use with the many publicly accessible and informative resources available. Noting that relevant stakeholders may require time to adapt to the change and adjust their business practice and affairs as appropriate, the Government plans to defer the commencement of the implementing ordinance until at least six to nine months after its passage.

### **Reservation under Article 95 of the CISG**

11. China has made a reservation under Article 95, declaring that it is not bound by Article 1(1)(b), which means that China applies the CISG rules only to international sales contracts between parties whose places of business are in different Contracting States to the CISG (as required by Article 1(1)(a)), but not to international sales contracts where the rules of private international law lead to the application of the law of a Contracting State (as required by Article 1(1)(b), see paragraph 6 above).

12. If China’s Article 95 reservation is extended to Hong Kong, Hong Kong would also not be bound by Article 1(1)(b) (i.e. Hong Kong would not be bound to apply the CISG where the rules of private international law lead to the application of the law of a Contracting State). In the Consultation Paper, it was proposed that the above reservation be extended to Hong Kong<sup>14</sup>. However, some respondents to the Consultation

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<sup>12</sup> The Consultation Paper issued on 2 March 2020 is available at: [https://www.doj.gov.hk/en/featured/consultation\\_paper.html](https://www.doj.gov.hk/en/featured/consultation_paper.html).

<sup>13</sup> The AJLS Panel Paper is available at:

<https://www.legco.gov.hk/yr20-21/english/panels/ajls/papers/ajls20210322cb4-648-3-e.pdf>.

<sup>14</sup> Consultation Paper, paragraph 4.15.

advocated otherwise (see paragraph 12 of the AJLS Panel Paper). Having carefully considered the pros and cons of the initial proposal on this issue and in the light of the above public responses, the Government plans to apply the CISG without China's Article 95 reservation to Hong Kong. Therefore, Hong Kong will apply the CISG rules to both types of international sales contracts mentioned in paragraph 11 above.

### **CPG's Reply**

13. The Government has sought the support of the Central People's Government ("CPG") via the Office of Commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Hong Kong Special Administrative Region for the Proposed Application in light of Article 153 of the Basic Law<sup>15</sup>. We understand from our communication with the CPG that for the purpose of the Proposed Application, Hong Kong may now proceed with enactment of the requisite implementing legislation, and that after such legislation has been enacted, the Government may seek the CPG's assistance in completing the necessary steps for the Proposed Application pursuant to Article 153 of the Basic Law.

### **The Mainland-Hong Kong Transactions Issue**

14. The CISG, being an international convention governing international sale of goods, does not apply to transactions between businesses in Mainland China and businesses in Hong Kong. In the Consultation, there was general support to apply the CISG rules to these transactions, with a preference for achieving this by way of an arrangement between the Mainland and Hong Kong for mutual application of the CISG provisions to these transactions. To follow up the above public responses, the Government plans to initiate discussion with the CPG regarding negotiation of such arrangement.

### **THE BILL**

15. The main provisions of the Bill are as follows –
- (a) **Clause 2** defines the term "Convention" to mean the CISG;
  - (b) **Clause 3** states that the Ordinance to be enacted applies to the

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<sup>15</sup> Article 153 of the Basic Law provides (inter alia) that, "[t]he application to the Hong Kong Special Administrative Region of international agreements to which the People's Republic of China is or becomes a party shall be decided by the Central People's Government in accordance with the circumstances and needs of the Region, and after seeking the views of the government of the Region."

Government;

- (c) **Clause 4** gives the Convention the force of law in Hong Kong;
- (d) **Clause 5** provides that if there is any inconsistency between the Ordinance to be enacted or the CISG and any other laws, the Ordinance or the CISG prevails to the extent of the inconsistency; and
- (e) The text of the Convention is set out in the Schedule to the Bill.

## LEGISLATIVE TIMETABLE

16. The legislative timetable will be as follows –

Publication in the Gazette	9 July 2021
First Reading and commencement of Second Reading debate	14 July 2021
Resumption of Second Reading debate, committee stage and Third Reading	To be notified

## IMPLICATIONS OF THE PROPOSAL

17. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. On economic implications, the proposal could potentially remove some of the legal uncertainties faced by Hong Kong businesses when they conduct international sale of goods, thereby facilitating trade. The proposal has no financial, productivity, environmental, civil service, family or gender implications. It has no sustainability implications other than those set out in the economic implications.

18. Clause 3 of the Bill provides that the Ordinance to be enacted applies to the Government.

## **PUBLIC CONSULTATION**

19. In the Consultation, a majority of the respondents expressed support for the application of the CISG to Hong Kong, noting the global importance of the CISG and that its application to Hong Kong would enhance Hong Kong's role as an international centre for trade and commerce and dispute resolution. While the Hong Kong Trade Development Council supported the application, the Hong Kong General Chamber of Commerce ("HKGCC") expressed reservation about it, questioning whether Hong Kong businesses would be better off with the current "opt-in" position or with the "opt-out" position (assuming the CISG is applied to Hong Kong), and commented that inputs from Hong Kong's legal profession would be useful<sup>16</sup>. On 11 December 2020, the Government wrote to HKGCC with a view to addressing its concerns. In the reply, the responses of HKBA and HKLawSoc were relayed to HKGCC. Save for HKGCC, no other trade associations or chambers of commerce have written in expressing reservation about the application proposal<sup>17</sup>.

20. The LegCo Panel on Administration of Justice and Legal Services was briefed on the policy aspects of the Bill at its meeting on 22 March 2021. Members of the Panel indicated support for the application proposal.

## **PUBLICITY**

21. A press release will be released regarding the gazettal of the Bill.

## **ENQUIRIES**

22. Any enquiry on this brief can be addressed to Miss Katie Kwong, Senior Government Counsel (Treaties & Law), Department of Justice, at telephone number 3918 4764 or email [ild@doj.gov.hk](mailto:ild@doj.gov.hk).

Department of Justice  
7 July 2021

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<sup>16</sup> See paragraph 9(b) of the AJLS Panel Paper for details.

<sup>17</sup> Two briefing sessions on the application proposal were held on 8 January 2020 (in English) and 9 January 2020 (in Chinese) at the HKGCC. The participants included representatives of the Hong Kong Chinese Importers' and Exporters' Association and those from the business sector.

# A BILL

## To

Implement the United Nations Convention on Contracts for the International Sale of Goods.

Enacted by the Legislative Council.

### 1. Short title and commencement

- (1) This Ordinance may be cited as the Sale of Goods (United Nations Convention) Ordinance.
- (2) This Ordinance comes into operation on a day to be appointed by the Secretary for Justice by notice published in the Gazette.

### 2. Interpretation

In this Ordinance—

*Convention* (《公約》) means the United Nations Convention on Contracts for the International Sale of Goods done at Vienna on 11 April 1980, as set out in the Schedule.

### 3. Application to Government

This Ordinance applies to the Government.

### 4. Convention has force of law in Hong Kong

The Convention has the force of law in Hong Kong.

### 5. Ordinance or Convention to prevail in event of inconsistency with other laws

If there is any inconsistency between this Ordinance or the Convention and any other law, this Ordinance or the Convention prevails to the extent of the inconsistency.



## Schedule

[s. 2]

### United Nations Convention on Contracts for the International Sale of Goods

The States Parties to this Convention,

Bearing in mind the broad objectives in the resolutions adopted by the sixth special session of the General Assembly of the United Nations on the establishment of a New International Economic Order,

Considering that the development of international trade on the basis of equality and mutual benefit is an important element in promoting friendly relations among States,

Being of the opinion that the adoption of uniform rules which govern contracts for the international sale of goods and take into account the different social, economic and legal systems would contribute to the removal of legal barriers in international trade and promote the development of international trade,

Have agreed as follows:

#### PART I. SPHERE OF APPLICATION AND GENERAL PROVISIONS

##### CHAPTER I. SPHERE OF APPLICATION

*Article 1.* (1) This Convention applies to contracts of sale of goods between parties whose places of business are in different States:

- (a) when the States are Contracting States; or
- (b) when the rules of private international law lead to the application of the law of a Contracting State.

(2) The fact that the parties have their places of business in different States is to be disregarded whenever this fact does not appear either from the contract or from any dealings between, or from information disclosed by, the parties at any time before or at the conclusion of the contract.

(3) Neither the nationality of the parties nor the civil or commercial character of the parties or of the contract is to be taken into consideration in determining the application of this Convention.

*Article 2.* This Convention does not apply to sales:

- (a) of goods bought for personal, family or household use, unless the seller, at any time before or at the conclusion of the contract, neither knew nor ought to have known that the goods were bought for any such use;
- (b) by auction;
- (c) on execution or otherwise by authority of law;
- (d) of stocks, shares, investment securities, negotiable instruments or money;
- (e) of ships, vessels, hovercraft or aircraft;
- (f) of electricity.

*Article 3.* (1) Contracts for the supply of goods to be manufactured or produced are to be considered sales unless the party who orders the goods undertakes to supply a substantial part of the materials necessary for such manufacture or production.

(2) This Convention does not apply to contracts in which the preponderant part of the obligations of the party who furnishes the goods consists in the supply of labour or other services.

*Article 4.* This Convention governs only the formation of the contract of sale and the rights and obligations of the seller and the buyer arising from such a contract. In particular, except as otherwise expressly provided in this Convention, it is not concerned with:

- (a) the validity of the contract or of any of its provisions or of any usage;
- (b) the effect which the contract may have on the property in the goods sold.

*Article 5.* This Convention does not apply to the liability of the seller for death or personal injury caused by the goods to any person.

*Article 6.* The parties may exclude the application of this Convention or, subject to article 12, derogate from or vary the effect of any of its provisions.

## CHAPTER II. GENERAL PROVISIONS

*Article 7.* (1) In the interpretation of this Convention, regard is to be had to its international character and to the need to promote uniformity in its application and the observance of good faith in international trade.

(2) Questions concerning matters governed by this Convention which are not expressly settled in it are to be settled in conformity with the general principles on which it is based or, in the absence of such principles, in

conformity with the law applicable by virtue of the rules of private international law.

*Article 8.* (1) For the purposes of this Convention statements made by and other conduct of a party are to be interpreted according to his intent where the other party knew or could not have been unaware what that intent was.

(2) If the preceding paragraph is not applicable, statements made by and other conduct of a party are to be interpreted according to the understanding that a reasonable person of the same kind as the other party would have had in the same circumstances.

(3) In determining the intent of a party or the understanding a reasonable person would have had, due consideration is to be given to all relevant circumstances of the case including the negotiations, any practices which the parties have established between themselves, usages and any subsequent conduct of the parties.

*Article 9.* (1) The parties are bound by any usage to which they have agreed and by any practices which they have established between themselves.

(2) The parties are considered, unless otherwise agreed, to have impliedly made applicable to their contract or its formation a usage of which the parties knew or ought to have known and which in international trade is widely known to, and regularly observed by, parties to contracts of the type involved in the particular trade concerned.

*Article 10.* For the purposes of this Convention:

- (a) if a party has more than one place of business, the place of business is that which has the closest relationship to the contract and its performance, having regard to the circumstances known to or contemplated by the parties at any time before or at the conclusion of the contract;
- (b) if a party does not have a place of business, reference is to be made to his habitual residence.

*Article 11.* A contract of sale need not be concluded in or evidenced by writing and is not subject to any other requirement as to form. It may be proved by any means, including witnesses.

*Article 12.* Any provision of article 11, article 29 or Part II of this Convention that allows a contract of sale or its modification or termination by agreement or any offer, acceptance or other indication of intention to be made in any form other than in writing does not apply where any party has his place of business in a Contracting State which has made a declaration under article 96 of this Convention. The parties may not derogate from or vary the effect of this article.

*Article 13.* For the purposes of this Convention “writing” includes telegram and telex.

## PART II. FORMATION OF THE CONTRACT

*Article 14.* (1) A proposal for concluding a contract addressed to one or more specific persons constitutes an offer if it is sufficiently definite and indicates the intention of the offeror to be bound in case of acceptance. A proposal is sufficiently definite if it indicates the goods and expressly or implicitly fixes or makes provision for determining the quantity and the price.

(2) A proposal other than one addressed to one or more specific persons is to be considered merely as an invitation to make offers, unless the contrary is clearly indicated by the person making the proposal.

*Article 15.* (1) An offer becomes effective when it reaches the offeree.

(2) An offer, even if it is irrevocable, may be withdrawn if the withdrawal reaches the offeree before or at the same time as the offer.

*Article 16.* (1) Until a contract is concluded an offer may be revoked if the revocation reaches the offeree before he has dispatched an acceptance.

(2) However, an offer cannot be revoked:

- (a) if it indicates, whether by stating a fixed time for acceptance or otherwise, that it is irrevocable; or
- (b) if it was reasonable for the offeree to rely on the offer as being irrevocable and the offeree has acted in reliance on the offer.

*Article 17.* An offer, even if it is irrevocable, is terminated when a rejection reaches the offeror.

*Article 18.* (1) A statement made by or other conduct of the offeree indicating assent to an offer is an acceptance. Silence or inactivity does not in itself amount to acceptance.

(2) An acceptance of an offer becomes effective at the moment the indication of assent reaches the offeror. An acceptance is not effective if the indication of assent does not reach the offeror within the time he has fixed or, if no time is fixed, within a reasonable time, due account being taken of the circumstances of the transaction, including the rapidity of the means of communication employed by the offeror. An oral offer must be accepted immediately unless the circumstances indicate otherwise.

(3) However, if, by virtue of the offer or as a result of practices which the parties have established between themselves or of usage, the offeree may indicate assent by performing an act, such as one relating to the dispatch of the goods or payment of the price, without notice to the offeror, the acceptance is effective at the moment the act is performed, provided that the act is performed within the period of time laid down in the preceding paragraph.

*Article 19.* (1) A reply to an offer which purports to be an acceptance but contains additions, limitations or other modifications is a rejection of the offer and constitutes a counter-offer.

(2) However, a reply to an offer which purports to be an acceptance but contains additional or different terms which do not materially alter the terms of the offer constitutes an acceptance, unless the offeror, without undue

delay, objects orally to the discrepancy or dispatches a notice to that effect. If he does not so object, the terms of the contract are the terms of the offer with the modifications contained in the acceptance.

(3) Additional or different terms relating, among other things, to the price, payment, quality and quantity of the goods, place and time of delivery, extent of one party's liability to the other or the settlement of disputes are considered to alter the terms of the offer materially.

*Article 20.* (1) A period of time for acceptance fixed by the offeror in a telegram or a letter begins to run from the moment the telegram is handed in for dispatch or from the date shown on the letter or, if no such date is shown, from the date shown on the envelope. A period of time for acceptance fixed by the offeror by telephone, telex or other means of instantaneous communication, begins to run from the moment that the offer reaches the offeree.

(2) Official holidays or non-business days occurring during the period for acceptance are included in calculating the period. However, if a notice of acceptance cannot be delivered at the address of the offeror on the last day of the period because that day falls on an official holiday or a non-business day at the place of business of the offeror, the period is extended until the first business day which follows.

*Article 21.* (1) A late acceptance is nevertheless effective as an acceptance if without delay the offeror orally so informs the offeree or dispatches a notice to that effect.

(2) If a letter or other writing containing a late acceptance shows that it has been sent in such circumstances that if its transmission had been normal it would have reached the offeror in due time, the late acceptance is effective as an acceptance unless, without delay, the offeror orally informs the offeree that he considers his offer as having lapsed or dispatches a notice to that effect.

*Article 22.* An acceptance may be withdrawn if the withdrawal reaches the offeror before or at the same time as the acceptance would have become effective.

*Article 23.* A contract is concluded at the moment when an acceptance of an offer becomes effective in accordance with the provisions of this Convention.

*Article 24.* For the purposes of this Part of the Convention, an offer, declaration of acceptance or any other indication of intention "reaches" the addressee when it is made orally to him or delivered by any other means to him personally, to his place of business or mailing address or, if he does not have a place of business or mailing address, to his habitual residence.

### PART III. SALE OF GOODS

#### CHAPTER I. GENERAL PROVISIONS

*Article 25.* A breach of contract committed by one of the parties is fundamental if it results in such detriment to the other party as substantially to deprive him of what he is entitled to expect under the contract, unless the party in breach did not foresee and a reasonable person of the same kind in the same circumstances would not have foreseen such a result.

*Article 26.* A declaration of avoidance of the contract is effective only if made by notice to the other party.

*Article 27.* Unless otherwise expressly provided in this Part of the Convention, if any notice, request or other communication is given or made by a party in accordance with this Part and by means appropriate in the circumstances, a delay or error in the transmission of the communication or its failure to arrive does not deprive that party of the right to rely on the communication.

*Article 28.* If, in accordance with the provisions of this Convention, one party is entitled to require performance of any obligation by the other party, a court is not bound to enter a judgement for specific performance unless the court would do so under its own law in respect of similar contracts of sale not governed by this Convention.

*Article 29.* (1) A contract may be modified or terminated by the mere agreement of the parties.

(2) A contract in writing which contains a provision requiring any modification or termination by agreement to be in writing may not be otherwise modified or terminated by agreement. However, a party may be precluded by his conduct from asserting such a provision to the extent that the other party has relied on that conduct.

#### CHAPTER II. OBLIGATIONS OF THE SELLER

*Article 30.* The seller must deliver the goods, hand over any documents relating to them and transfer the property in the goods, as required by the contract and this Convention.

##### *Section I.* DELIVERY OF THE GOODS AND HANDING OVER OF DOCUMENTS

*Article 31.* If the seller is not bound to deliver the goods at any other particular place, his obligation to deliver consists:

- (a) if the contract of sale involves carriage of the goods — in handing the goods over to the first carrier for transmission to the buyer;
- (b) if, in cases not within the preceding subparagraph, the contract relates to specific goods, or unidentified goods to be drawn from a specific stock or to be manufactured or produced, and at the time of the conclusion of the contract the parties knew that the goods were at, or were to be manufactured or produced at, a particular place — in placing the goods at the buyer's disposal at that place;

- (c) in other cases — in placing the goods at the buyer's disposal at the place where the seller had his place of business at the time of the conclusion of the contract.

*Article 32.* (1) If the seller, in accordance with the contract or this Convention, hands the goods over to a carrier and if the goods are not clearly identified to the contract by markings on the goods, by shipping documents or otherwise, the seller must give the buyer notice of the consignment specifying the goods.

(2) If the seller is bound to arrange for carriage of the goods, he must make such contracts as are necessary for carriage to the place fixed by means of transportation appropriate in the circumstances and according to the usual terms for such transportation.

(3) If the seller is not bound to effect insurance in respect of the carriage of the goods, he must, at the buyer's request, provide him with all available information necessary to enable him to effect such insurance.

*Article 33.* The seller must deliver the goods:

- (a) if a date is fixed by or determinable from the contract, on that date;
- (b) if a period of time is fixed by or determinable from the contract, at any time within that period unless circumstances indicate that the buyer is to choose a date; or
- (c) in any other case, within a reasonable time after the conclusion of the contract.

*Article 34.* If the seller is bound to hand over documents relating to the goods, he must hand them over at the time and place and in the form required by the contract. If the seller has handed over documents before that time, he may, up to that time, cure any lack of conformity in the documents, if the exercise of this right does not cause the buyer unreasonable inconvenience or unreasonable expense. However, the buyer retains any right to claim damages as provided for in this Convention.

*Section II.* CONFORMITY OF THE GOODS AND THIRD PARTY CLAIMS

*Article 35.* (1) The seller must deliver goods which are of the quantity, quality and description required by the contract and which are contained or packaged in the manner required by the contract.

(2) Except where the parties have agreed otherwise, the goods do not conform with the contract unless they:

- (a) are fit for the purposes for which goods of the same description would ordinarily be used;
- (b) are fit for any particular purpose expressly or impliedly made known to the seller at the time of the conclusion of the contract, except where the circumstances show that the buyer did not rely, or that it was unreasonable for him to rely, on the seller's skill and judgement;
- (c) possess the qualities of goods which the seller had held out to the buyer as a sample or model;
- (d) are contained or packaged in the manner usual for such goods or, where there is no such manner, in a manner adequate to preserve and protect the goods.

(3) The seller is not liable under subparagraphs (a) to (d) of the preceding paragraph for any lack of conformity of the goods if at the time of the conclusion of the contract the buyer knew or could not have been unaware of such lack of conformity.

*Article 36.* (1) The seller is liable in accordance with the contract and this Convention for any lack of conformity which exists at the time when the risk passes to the buyer, even though the lack of conformity becomes apparent only after that time.

(2) The seller is also liable for any lack of conformity which occurs after the time indicated in the preceding paragraph and which is due to a breach of any of his obligations, including a breach of any guarantee that for a period of time the goods will remain fit for their ordinary purpose or for some particular purpose or will retain specified qualities or characteristics.

*Article 37.* If the seller has delivered goods before the date for delivery, he may, up to that date, deliver any missing part or make up any deficiency in the quantity of the goods delivered, or deliver goods in replacement of any non-conforming goods delivered or remedy any lack of conformity in the goods delivered, provided that the exercise of this right does not cause the buyer unreasonable inconvenience or unreasonable expense. However, the buyer retains any right to claim damages as provided for in this Convention.

*Article 38.* (1) The buyer must examine the goods, or cause them to be examined, within as short a period as is practicable in the circumstances.

(2) If the contract involves carriage of the goods, examination may be deferred until after the goods have arrived at their destination.

(3) If the goods are redirected in transit or redispached by the buyer without a reasonable opportunity for examination by him and at the time of the conclusion of the contract the seller knew or ought to have known of the possibility of such redirection or redispach, examination may be deferred until after the goods have arrived at the new destination.

*Article 39.* (1) The buyer loses the right to rely on a lack of conformity of the goods if he does not give notice to the seller specifying the nature of the lack of conformity within a reasonable time after he has discovered it or ought to have discovered it.

(2) In any event, the buyer loses the right to rely on a lack of conformity of the goods if he does not give the seller notice thereof at the latest within a period of two years from the date on which the goods were actually handed over to the buyer, unless this time-limit is inconsistent with a contractual period of guarantee.

*Article 40.* The seller is not entitled to rely on the provisions of articles 38 and 39 if the lack of conformity relates to facts of which he knew or could not have been unaware and which he did not disclose to the buyer.

*Article 41.* The seller must deliver goods which are free from any right or claim of a third party, unless the buyer agreed to take the goods subject to that right or claim. However, if such right or claim is based on industrial property or other intellectual property, the seller's obligation is governed by article 42.

*Article 42.* (1) The seller must deliver goods which are free from any right or claim of a third party based on industrial property or other intellectual property, of which at the time of the conclusion of the contract the seller knew or could not have been unaware, provided that the right or claim is based on industrial property or other intellectual property:

- (a) under the law of the State where the goods will be resold or otherwise used, if it was contemplated by the parties at the time of the conclusion of the contract that the goods would be resold or otherwise used in that State; or
- (b) in any other case, under the law of the State where the buyer has his place of business.

(2) The obligation of the seller under the preceding paragraph does not extend to cases where:

- (a) at the time of the conclusion of the contract the buyer knew or could not have been unaware of the right or claim; or
- (b) the right or claim results from the seller's compliance with technical drawings, designs, formulae or other such specifications furnished by the buyer.

*Article 43.* (1) The buyer loses the right to rely on the provisions of article 41 or article 42 if he does not give notice to the seller specifying the nature of the right or claim of the third party within a reasonable time after he has become aware or ought to have become aware of the right or claim.

(2) The seller is not entitled to rely on the provisions of the preceding paragraph if he knew of the right or claim of the third party and the nature of it.

*Article 44.* Notwithstanding the provisions of paragraph (1) of article 39 and paragraph (1) of article 43, the buyer may reduce the price in accordance with article 50 or claim damages, except for loss of profit, if he has a reasonable excuse for his failure to give the required notice.

### *Section III.* REMEDIES FOR BREACH OF CONTRACT BY THE SELLER

*Article 45.* (1) If the seller fails to perform any of his obligations under the contract or this Convention, the buyer may:

- (a) exercise the rights provided in articles 46 to 52;
- (b) claim damages as provided in articles 74 to 77.

(2) The buyer is not deprived of any right he may have to claim damages by exercising his right to other remedies.

(3) No period of grace may be granted to the seller by a court or arbitral tribunal when the buyer resorts to a remedy for breach of contract.

*Article 46.* (1) The buyer may require performance by the seller of his obligations unless the buyer has resorted to a remedy which is inconsistent with this requirement.

(2) If the goods do not conform with the contract, the buyer may require delivery of substitute goods only if the lack of conformity constitutes a fundamental breach of contract and a request for substitute goods is made either in conjunction with notice given under article 39 or within a reasonable time thereafter.

(3) If the goods do not conform with the contract, the buyer may require the seller to remedy the lack of conformity by repair, unless this is unreasonable having regard to all the circumstances. A request for repair must be made either in conjunction with notice given under article 39 or within a reasonable time thereafter.

*Article 47.* (1) The buyer may fix an additional period of time of reasonable length for performance by the seller of his obligations.

(2) Unless the buyer has received notice from the seller that he will not perform within the period so fixed, the buyer may not, during that period, resort to any remedy for breach of contract. However, the buyer is not deprived thereby of any right he may have to claim damages for delay in performance.

*Article 48.* (1) Subject to article 49, the seller may, even after the date for delivery, remedy at his own expense any failure to perform his obligations, if he can do so without unreasonable delay and without causing the buyer unreasonable inconvenience or uncertainty of reimbursement by the seller of expenses advanced by the buyer. However, the buyer retains any right to claim damages as provided for in this Convention.

(2) If the seller requests the buyer to make known whether he will accept performance and the buyer does not comply with the request within a reasonable time, the seller may perform within the time indicated in his request. The buyer may not, during that period of time, resort to any remedy which is inconsistent with performance by the seller.

(3) A notice by the seller that he will perform within a specified period of time is assumed to include a request, under the preceding paragraph, that the buyer make known his decision.

(4) A request or notice by the seller under paragraph (2) or (3) of this article is not effective unless received by the buyer.

*Article 49.* (1) The buyer may declare the contract avoided:

- (a) if the failure by the seller to perform any of his obligations under the contract or this Convention amounts to a fundamental breach of contract; or
- (b) in case of non-delivery, if the seller does not deliver the goods within the additional period of time fixed by the buyer in accordance with paragraph (1) of article 47 or declares that he will not deliver within the period so fixed.

(2) However, in cases where the seller has delivered the goods, the buyer loses the right to declare the contract avoided unless he does so:

- (a) in respect of late delivery, within a reasonable time after he has become aware that delivery has been made;
- (b) in respect of any breach other than late delivery, within a reasonable time:
  - (i) after he knew or ought to have known of the breach;
  - (ii) after the expiration of any additional period of time fixed by the buyer in accordance with paragraph (1) of article 47, or after the seller has declared that he will not perform his obligations within such an additional period; or
  - (iii) after the expiration of any additional period of time indicated by the seller in accordance with paragraph (2) of article 48, or after the buyer has declared that he will not accept performance.

*Article 50.* If the goods do not conform with the contract and whether or not the price has already been paid, the buyer may reduce the price in the same proportion as the value that the goods actually delivered had at the time of the delivery bears to the value that conforming goods would have had at that time. However, if the seller remedies any failure to perform his obligations in accordance with article 37 or article 48 or if the buyer refuses to accept performance by the seller in accordance with those articles, the buyer may not reduce the price.

*Article 51.* (1) If the seller delivers only a part of the goods or if only a part of the goods delivered is in conformity with the contract, articles 46 to 50 apply in respect of the part which is missing or which does not conform.

(2) The buyer may declare the contract avoided in its entirety only if the failure to make delivery completely or in conformity with the contract amounts to a fundamental breach of the contract.



*Article 52.* (1) If the seller delivers the goods before the date fixed, the buyer may take delivery or refuse to take delivery.

(2) If the seller delivers a quantity of goods greater than that provided for in the contract, the buyer may take delivery or refuse to take delivery of the excess quantity. If the buyer takes delivery of all or part of the excess quantity, he must pay for it at the contract rate.

### CHAPTER III. OBLIGATIONS OF THE BUYER

*Article 53.* The buyer must pay the price for the goods and take delivery of them as required by the contract and this Convention.

#### *Section I.* PAYMENT OF THE PRICE

*Article 54.* The buyer's obligation to pay the price includes taking such steps and complying with such formalities as may be required under the contract or any laws and regulations to enable payment to be made.

*Article 55.* Where a contract has been validly concluded but does not expressly or implicitly fix or make provision for determining the price, the parties are considered, in the absence of any indication to the contrary, to have impliedly made reference to the price generally charged at the time of the conclusion of the contract for such goods sold under comparable circumstances in the trade concerned.

*Article 56.* If the price is fixed according to the weight of the goods, in case of doubt it is to be determined by the net weight.

*Article 57.* (1) If the buyer is not bound to pay the price at any other particular place, he must pay it to the seller:

(a) at the seller's place of business; or

(b) if the payment is to be made against the handing over of the goods or of documents, at the place where the handing over takes place.

(2) The seller must bear any increase in the expenses incidental to payment which is caused by a change in his place of business subsequent to the conclusion of the contract.

*Article 58.* (1) If the buyer is not bound to pay the price at any other specific time, he must pay it when the seller places either the goods or documents controlling their disposition at the buyer's disposal in accordance with the contract and this Convention. The seller may make such payment a condition for handing over the goods or documents.

(2) If the contract involves carriage of the goods, the seller may dispatch the goods on terms whereby the goods, or documents controlling their disposition, will not be handed over to the buyer except against payment of the price.

(3) The buyer is not bound to pay the price until he has had an opportunity to examine the goods, unless the procedures for delivery or payment agreed upon by the parties are inconsistent with his having such an opportunity.

*Article 59.* The buyer must pay the price on the date fixed by or determinable from the contract and this Convention without the need for any request or compliance with any formality on the part of the seller.

#### *Section II.* TAKING DELIVERY

*Article 60.* The buyer's obligation to take delivery consists:

(a) in doing all the acts which could reasonably be expected of him in order to enable the seller to make delivery; and

(b) in taking over the goods.

*Section III.* REMEDIES FOR BREACH OF CONTRACT BY THE BUYER

*Article 61.* (1) If the buyer fails to perform any of his obligations under the contract or this Convention, the seller may:

- (a) exercise the rights provided in articles 62 to 65;
- (b) claim damages as provided in articles 74 to 77.

(2) The seller is not deprived of any right he may have to claim damages by exercising his right to other remedies.

(3) No period of grace may be granted to the buyer by a court or arbitral tribunal when the seller resorts to a remedy for breach of contract.

*Article 62.* The seller may require the buyer to pay the price, take delivery or perform his other obligations, unless the seller has resorted to a remedy which is inconsistent with this requirement.

*Article 63.* (1) The seller may fix an additional period of time of reasonable length for performance by the buyer of his obligations.

(2) Unless the seller has received notice from the buyer that he will not perform within the period so fixed, the seller may not, during that period, resort to any remedy for breach of contract. However, the seller is not deprived thereby of any right he may have to claim damages for delay in performance.

*Article 64.* (1) The seller may declare the contract avoided:

- (a) if the failure by the buyer to perform any of his obligations under the contract or this Convention amounts to a fundamental breach of contract; or
- (b) if the buyer does not, within the additional period of time fixed by the seller in accordance with paragraph (1) of article 63, perform his obligation to pay the price or take delivery of the goods, or if he declares that he will not do so within the period so fixed.

(2) However, in cases where the buyer has paid the price, the seller loses the right to declare the contract avoided unless he does so:

- (a) in respect of late performance by the buyer, before the seller has become aware that performance has been rendered; or
- (b) in respect of any breach other than late performance by the buyer, within a reasonable time:
  - (i) after the seller knew or ought to have known of the breach; or
  - (ii) after the expiration of any additional period of time fixed by the seller in accordance with paragraph (1) of article 63, or after the buyer has declared that he will not perform his obligations within such an additional period.

*Article 65.* (1) If under the contract the buyer is to specify the form, measurement or other features of the goods and he fails to make such specification either on the date agreed upon or within a reasonable time after receipt of a request from the seller, the seller may, without prejudice to any other rights he may have, make the specification himself in accordance with the requirements of the buyer that may be known to him.

(2) If the seller makes the specification himself, he must inform the buyer of the details thereof and must fix a reasonable time within which the buyer may make a different specification. If, after receipt of such a communication, the buyer fails to do so within the time so fixed, the specification made by the seller is binding.

## CHAPTER IV. PASSING OF RISK

*Article 66.* Loss of or damage to the goods after the risk has passed to the buyer does not discharge him from his obligation to pay the price, unless the loss or damage is due to an act or omission of the seller.

*Article 67.* (1) If the contract of sale involves carriage of the goods and the seller is not bound to hand them over at a particular place, the risk

passes to the buyer when the goods are handed over to the first carrier for transmission to the buyer in accordance with the contract of sale. If the seller is bound to hand the goods over to a carrier at a particular place, the risk does not pass to the buyer until the goods are handed over to the carrier at that place. The fact that the seller is authorized to retain documents controlling the disposition of the goods does not affect the passage of the risk.

(2) Nevertheless, the risk does not pass to the buyer until the goods are clearly identified to the contract, whether by markings on the goods, by shipping documents, by notice given to the buyer or otherwise.

*Article 68.* The risk in respect of goods sold in transit passes to the buyer from the time of the conclusion of the contract. However, if the circumstances so indicate, the risk is assumed by the buyer from the time the goods were handed over to the carrier who issued the documents embodying the contract of carriage. Nevertheless, if at the time of the conclusion of the contract of sale the seller knew or ought to have known that the goods has been lost or damaged and did not disclose this to the buyer, the loss or damage is at the risk of the seller.

*Article 69.* (1) In cases not within articles 67 and 68, the risk passes to the buyer when he takes over the goods or, if he does not do so in due time, from the time when the goods are placed at his disposal and he commits a breach of contract by failing to take delivery.

(2) However, if the buyer is bound to take over the goods at a place other than a place of business of the seller, the risk passes when delivery is due and the buyer is aware of the fact that the goods are placed at his disposal at that place.

(3) If the contract relates to goods not then identified, the goods are considered not to be placed at the disposal of the buyer until they are clearly identified to the contract.

*Article 70.* If the seller has committed a fundamental breach of contract, articles 67, 68 and 69 do not impair the remedies available to the buyer on account of the breach.

#### CHAPTER V. PROVISIONS COMMON TO THE OBLIGATIONS OF THE SELLER AND OF THE BUYER

##### *Section I.* ANTICIPATORY BREACH AND INSTALMENT CONTRACTS

*Article 71.* (1) A party may suspend the performance of his obligations if, after the conclusion of the contract, it becomes apparent that the other party will not perform a substantial part of his obligations as a result of:

- (a) a serious deficiency in his ability to perform or in his creditworthiness; or
- (b) his conduct in preparing to perform or in performing the contract.

(2) If the seller has already dispatched the goods before the grounds described in the preceding paragraph become evident, he may prevent the handing over of the goods to the buyer even though the buyer holds a document which entitles him to obtain them. The present paragraph relates only to the rights in the goods as between the buyer and the seller.

(3) A party suspending performance, whether before or after dispatch of the goods, must immediately give notice of the suspension to the other party and must continue with performance if the other party provides adequate assurance of his performance.

*Article 72.* (1) If prior to the date for performance of the contract it is clear that one of the parties will commit a fundamental breach of contract, the other party may declare the contract avoided.

(2) If time allows, the party intending to declare the contract avoided must give reasonable notice to the other party in order to permit him to provide adequate assurance of his performance.

(3) The requirements of the preceding paragraph do not apply if the other party has declared that he will not perform his obligations.

*Article 73.* (1) In the case of a contract for delivery of goods by instalments, if the failure of one party to perform any of his obligations in respect of any instalment constitutes a fundamental breach of contract with respect to that instalment, the other party may declare the contract avoided with respect to that instalment.

(2) If one party's failure to perform any of his obligations in respect of any instalment gives the other party good grounds to conclude that a fundamental breach of contract will occur with respect to future instalments, he may declare the contract avoided for the future, provided that he does so within a reasonable time.

(3) A buyer who declares the contract avoided in respect of any delivery may, at the same time, declare it avoided in respect of deliveries already made or of future deliveries if, by reason of their interdependence, those deliveries could not be used for the purpose contemplated by the parties at the time of the conclusion of the contract.

## *Section II. DAMAGES*

*Article 74.* Damages for breach of contract by one party consist of a sum equal to the loss, including loss of profit, suffered by the other party as a consequence of the breach. Such damages may not exceed the loss which the party in breach foresaw or ought to have foreseen at the time of the conclusion of the contract, in the light of the facts and matters of which he then knew or ought to have known, as a possible consequence of the breach of contract.

*Article 75.* If the contract is avoided and if, in a reasonable manner and within a reasonable time after avoidance, the buyer has bought goods in replacement or the seller has resold the goods, the party claiming damages may recover the difference between the contract price and the price in the substitute transaction as well as any further damages recoverable under article 74.

*Article 76.* (1) If the contract is avoided and there is a current price for the goods, the party claiming damages may, if he has not made a purchase or resale under article 75, recover the difference between the price fixed by the contract and the current price at the time of avoidance as well as any further damages recoverable under article 74. If, however, the party claiming damages has avoided the contract after taking over the goods, the current price at the time of such taking over shall be applied instead of the current price at the time of avoidance.

(2) For the purposes of the preceding paragraph, the current price is the price prevailing at the place where delivery of the goods should have been made or, if there is no current price at that place, the price at such other place as serves as a reasonable substitute, making due allowance for differences in the cost of transporting the goods.

*Article 77.* A party who relies on a breach of contract must take such measures as are reasonable in the circumstances to mitigate the loss, including loss of profit, resulting from the breach. If he fails to take such measures, the party in breach may claim a reduction in the damages in the amount by which the loss should have been mitigated.

## *Section III. INTEREST*

*Article 78.* If a party fails to pay the price or any other sum that is in arrears, the other party is entitled to interest on it, without prejudice to any claim for damages recoverable under article 74.

*Section IV. EXEMPTIONS*

*Article 79.* (1) A party is not liable for a failure to perform any of his obligations if he proves that the failure was due to an impediment beyond his control and that he could not reasonably be expected to have taken the impediment into account at the time of the conclusion of the contract or to have avoided or overcome it or its consequences.

(2) If the party's failure is due to the failure by a third person whom he has engaged to perform the whole or a part of the contract, that party is exempt from liability only if:

- (a) he is exempt under the preceding paragraph; and
- (b) the person whom he has so engaged would be so exempt if the provisions of that paragraph were applied to him.

(3) The exemption provided by this article has effect for the period during which the impediment exists.

(4) The party who fails to perform must give notice to the other party of the impediment and its effect on his ability to perform. If the notice is not received by the other party within a reasonable time after the party who fails to perform knew or ought to have known of the impediment, he is liable for damages resulting from such non-receipt.

(5) Nothing in this article prevents either party from exercising any right other than to claim damages under this Convention.

*Article 80.* A party may not rely on a failure of the other party to perform, to the extent that such failure was caused by the first party's act or omission.

*Section V. EFFECTS OF AVOIDANCE*

*Article 81.* (1) Avoidance of the contract releases both parties from their obligations under it, subject to any damages which may be due. Avoidance does not affect any provision of the contract for the settlement of

disputes or any other provision of the contract governing the rights and obligations of the parties consequent upon the avoidance of the contract.

(2) A party who has performed the contract either wholly or in part may claim restitution from the other party of whatever the first party has supplied or paid under the contract. If both parties are bound to make restitution, they must do so concurrently.

*Article 82.* (1) The buyer loses the right to declare the contract avoided or to require the seller to deliver substitute goods if it is impossible for him to make restitution of the goods substantially in the condition in which he received them.

(2) The preceding paragraph does not apply:

- (a) if the impossibility of making restitution of the goods or of making restitution of the goods substantially in the condition in which the buyer received them is not due to his act or omission;
- (b) if the goods or part of the goods have perished or deteriorated as a result of the examination provided for in article 38; or
- (c) if the goods or part of the goods have been sold in the normal course of business or have been consumed or transformed by the buyer in the course of normal use before he discovered or ought to have discovered the lack of conformity.

*Article 83.* A buyer who has lost the right to declare the contract avoided or to require the seller to deliver substitute goods in accordance with article 82 retains all other remedies under the contract and this Convention.

*Article 84.* (1) If the seller is bound to refund the price, he must also pay interest on it, from the date on which the price was paid.

(2) The buyer must account to the seller for all benefits which he has derived from the goods or part of them:

- (a) if he must make restitution of the goods or part of them; or

- (b) if it is impossible for him to make restitution of all or part of the goods or to make restitution of all or part of the goods substantially in the condition in which he received them, but he has nevertheless declared the contract avoided or required the seller to deliver substitute goods.

*Section VI.* PRESERVATION OF THE GOODS

*Article 85.* If the buyer is in delay in taking delivery of the goods or, where payment of the price and delivery of the goods are to be made concurrently, if he fails to pay the price, and the seller is either in possession of the goods or otherwise able to control their disposition, the seller must take such steps as are reasonable in the circumstances to preserve them. He is entitled to retain them until he has been reimbursed his reasonable expenses by the buyer.

*Article 86.* (1) If the buyer has received the goods and intends to exercise any right under the contract or this Convention to reject them, he must take such steps to preserve them as are reasonable in the circumstances. He is entitled to retain them until he has been reimbursed his reasonable expenses by the seller.

(2) If goods dispatched to the buyer have been placed at his disposal at their destination and he exercises the right to reject them, he must take possession of them on behalf of the seller, provided that this can be done without payment of the price and without unreasonable inconvenience or unreasonable expense. This provision does not apply if the seller or a person authorized to take charge of the goods on his behalf is present at the destination. If the buyer takes possession of the goods under this paragraph, his rights and obligations are governed by the preceding paragraph.

*Article 87.* A party who is bound to take steps to preserve the goods may deposit them in a warehouse of a third person at the expense of the other party provided that the expense incurred is not unreasonable.

*Article 88.* (1) A party who is bound to preserve the goods in accordance with article 85 or 86 may sell them by any appropriate means if there has been an unreasonable delay by the other party in taking possession of the goods or in taking them back or in paying the price or the cost of preservation, provided that reasonable notice of the intention to sell has been given to the other party.

(2) If the goods are subject to rapid deterioration or their preservation would involve unreasonable expense, a party who is bound to preserve the goods in accordance with article 85 or 86 must take reasonable measures to sell them. To the extent possible he must give notice to the other party of his intention to sell.

(3) A party selling the goods has the right to retain out of the proceeds of sale an amount equal to the reasonable expenses of preserving the goods and of selling them. He must account to the other party for the balance.

PART IV. FINAL PROVISIONS

*Article 89.* The Secretary-General of the United Nations is hereby designated as the depositary for this Convention.

*Article 90.* This Convention does not prevail over any international agreement which has already been or may be entered into and which contains provisions concerning the matters governed by this Convention, provided that the parties have their places of business in States parties to such agreement.

*Article 91.* (1) This Convention is open for signature at the concluding meeting of the United Nations Conference on Contracts for the International Sale of Goods and will remain open for signature by all States at the Headquarters of the United Nations, New York until 30 September 1981.

(2) This Convention is subject to ratification, acceptance or approval by the signatory States.

(3) This Convention is open for accession by all States which are not signatory States as from the date it is open for signature.

(4) Instruments of ratification, acceptance, approval and accession are to be deposited with the Secretary-General of the United Nations.

*Article 92.* (1) A Contracting State may declare at the time of signature, ratification, acceptance, approval or accession that it will not be bound by Part II of this Convention or that it will not be bound by Part III of this Convention.

(2) A Contracting State which makes a declaration in accordance with the preceding paragraph in respect of Part II or Part III of this Convention is not to be considered a Contracting State within paragraph (1) of article 1 of this Convention in respect of matters governed by the Part to which the declaration applies.

*Article 93.* (1) If a Contracting State has two or more territorial units in which, according to its constitution, different systems of law are applicable in relation to the matters dealt with in this Convention, it may, at the time of signature, ratification, acceptance, approval or accession, declare that this Convention is to extend to all its territorial units or only to one or more of them, and may amend its declaration by submitting another declaration at any time.

(2) These declarations are to be notified to the depositary and are to state expressly the territorial units to which the Convention extends.

(3) If, by virtue of a declaration under this article, this Convention extends to one or more but not all of the territorial units of a Contracting State, and if the place of business of a party is located in that State, this place of business, for the purposes of this Convention, is considered not to be in a Contracting State, unless it is in a territorial unit to which the Convention extends.

(4) If a Contracting State makes no declaration under paragraph (1) of this article, the Convention is to extend to all territorial units of that State.

*Article 94.* (1) Two or more Contracting States which have the same or closely related legal rules on matters governed by this Convention may at any time declare that the Convention is not to apply to contracts of sale or to their formation where the parties have their places of business in those States. Such declarations may be made jointly or by reciprocal unilateral declarations.

(2) A Contracting State which has the same or closely related legal rules on matters governed by this Convention as one or more non-Contracting States may at any time declare that the Convention is not to apply to contracts of sale or to their formation where the parties have their places of business in those States.

(3) If a State which is the object of a declaration under the preceding paragraph subsequently becomes a Contracting State, the declaration made will, as from the date on which the Convention enters into force in respect of the new Contracting State, have the effect of a declaration made under paragraph (1), provided that the new Contracting State joins in such declaration or makes a reciprocal unilateral declaration.

*Article 95.* Any State may declare at the time of the deposit of its instrument of ratification, acceptance, approval or accession that it will not be bound by subparagraph (1) (b) of article 1 of this Convention.

*Article 96.* A Contracting State whose legislation requires contracts of sale to be concluded in or evidenced by writing may at any time make a declaration in accordance with article 12 that any provision of article 11, article 29, or Part II of this Convention, that allows a contract of sale or its modification or termination by agreement or any offer, acceptance, or other indication of intention to be made in any form other than in writing, does not apply where any party has his place of business in that State.

*Article 97.* (1) Declarations made under this Convention at the time of signature are subject to confirmation upon ratification, acceptance or approval.

(2) Declarations and confirmations of declarations are to be in writing and be formally notified to the depositary.

(3) A declaration takes effect simultaneously with the entry into force of this Convention in respect of the State concerned. However, a declaration of which the depositary receives formal notification after such entry into force takes effect on the first day of the month following the expiration of six months after the date of its receipt by the depositary. Reciprocal unilateral declarations under article 94 take effect on the first day of the month following the expiration of six months after the receipt of the latest declaration by the depositary.

(4) Any State which makes a declaration under this Convention may withdraw it at any time by a formal notification in writing addressed to the depositary. Such withdrawal is to take effect on the first day of the month following the expiration of six months after the date of the receipt of the notification by the depositary.

(5) A withdrawal of a declaration made under article 94 renders inoperative, as from the date on which the withdrawal takes effect, any reciprocal declaration made by another State under that article.

*Article 98.* No reservations are permitted except those expressly authorized in this Convention.

*Article 99.* (1) This Convention enters into force, subject to the provisions of paragraph (6) of this article, on the first day of the month following the expiration of twelve months after the date of deposit of the tenth instrument of ratification, acceptance, approval or accession, including an instrument which contains a declaration made under article 92.

(2) When a State ratifies, accepts, approves or accedes to this Convention after the deposit of the tenth instrument of ratification,

acceptance, approval or accession, this Convention, with the exception of the Part excluded, enters into force in respect of that State, subject to the provisions of paragraph (6) of this article, on the first day of the month following the expiration of twelve months after the date of the deposit of its instrument of ratification, acceptance, approval or accession.

(3) A State which ratifies, accepts, approves or accedes to this Convention and is a party to either or both the Convention relating to a Uniform Law on the Formation of Contracts for the International Sale of Goods done at The Hague on 1 July 1964 (1964 Hague Formation Convention) and the Convention relating to a Uniform Law on the International Sale of Goods done at The Hague on 1 July 1964 (1964 Hague Sales Convention) shall at the same time denounce, as the case may be, either or both the 1964 Hague Sales Convention and the 1964 Hague Formation Convention by notifying the Government of the Netherlands to that effect.

(4) A State party to the 1964 Hague Sales Convention which ratifies, accepts, approves or accedes to the present Convention and declares or has declared under article 92 that it will not be bound by Part II of this Convention shall at the time of ratification, acceptance, approval or accession denounce the 1964 Hague Sales Convention by notifying the Government of the Netherlands to that effect.

(5) A State party to the 1964 Hague Formation Convention which ratifies, accepts, approves or accedes to the present Convention and declares or has declared under article 92 that it will not be bound by Part III of this Convention shall at the time of ratification, acceptance, approval or accession denounce the 1964 Hague Formation Convention by notifying the Government of the Netherlands to that effect.

(6) For the purpose of this article, ratifications, acceptances, approvals and accessions in respect of this Convention by States parties to the 1964 Hague Formation Convention or to the 1964 Hague Sales Convention shall not be effective until such denunciations as may be required on the part of those States in respect of the latter two Conventions have themselves become effective. The depositary of this Convention shall consult



with the Government of the Netherlands, as the depositary of the 1964 Conventions, so as to ensure necessary co-ordination in this respect.

*Article 100.* (1) This Convention applies to the formation of a contract only when the proposal for concluding the contract is made on or after the date when the Convention enters into force in respect of the Contracting States referred to in subparagraph (1) (a) or the Contracting State referred to in subparagraph (1) (b) of article 1.

(2) This Convention applies only to contracts concluded on or after the date when the Convention enters into force in respect of the Contracting States referred to in subparagraph (1) (a) or the Contracting State referred to in subparagraph (1) (b) of article 1.

*Article 101.* (1) A Contracting State may denounce this Convention, or Part II or Part III of the Convention, by a formal notification in writing addressed to the depositary.

(2) The denunciation takes effect on the first day of the month following the expiration of twelve months after the notification is received by the depositary. Where a longer period for the denunciation to take effect is specified in the notification, the denunciation takes effect upon the expiration of such longer period after the notification is received by the depositary.

DONE at Vienna, this day of eleventh day of April, one thousand nine hundred and eighty, in a single original, of which the Arabic, Chinese, English, French, Russian and Spanish texts are equally authentic.

IN WITNESS WHEREOF the undersigned plenipotentiaries, being duly authorized by their respective Governments, have signed this Convention.

### Explanatory Memorandum

The United Nations Convention on Contracts for the International Sale of Goods (*CISG*) was done at Vienna on 11 April 1980.

2. The CISG provides a uniform text of law for international sale of goods. The object of this Bill is to implement the CISG.
3. Clause 1 sets out the short title and provides for commencement. If this Bill is passed, the Ordinance to be enacted (*Ordinance*) will come into operation on a day to be appointed by the Secretary for Justice by notice published in the Gazette.
4. Clause 2 defines the term *Convention*.
5. Clause 3 provides that the Ordinance applies to the Government of the Hong Kong Special Administrative Region.
6. Clause 4 provides that the CISG has the force of law in Hong Kong.
7. Clause 5 provides that the Ordinance or the CISG is to prevail if there is any inconsistency with any other law.