



General Assembly

Distr.: General
24 December 2024
English
Original: Chinese

United Nations Commission on International Trade Law

CASE LAW ON UNCITRAL TEXTS (CLOUT)

United Nations Convention on Contracts for the International Sale of Goods (CISG)

Case 2206: CISG 1 (1)(a); 45 (1); 49 (1)(b); 81; 84 (1)

People's Republic of China: Pudong New District People's Court, Shanghai

Case No.:(2022) Hu 0115 Minchu No. 65721

Shanghai Haoyo Machinery Equipment Co., Ltd. v. Fırat Ulaştırma Lojistik ve Ticaret Limited Şirketi

27 June 2023

Original in Chinese

Abstract prepared by Zhang Bona, National Correspondent

This case involves the avoidance of an international sales contract for goods and the legal effects following that avoidance. On 6 May 2020, Shanghai Haoyo Machinery Equipment Co., Ltd. (the Buyer) and Fırat Ulaştırma Lojistik ve Ticaret Limited Şirketi (the Seller) negotiated and concluded a sales contract, wherein the Buyer agreed to purchase melt-blown fabric from the Seller. After the contract was signed, the Seller failed to deliver the white melt-blown fabric valued at \$336,000, in violation of the agreed delivery date of 22 May 2020. This failure prevented the end user from utilizing the material for normal production activities, thereby blocking the Buyer from achieving its contractual objectives. Consequently, the Buyer initiated legal proceedings.

The Pudong New District People's Court in Shanghai held that the case involved a dispute over an international sales contract for goods. The business locations of the two parties were situated in China and Türkiye, both of which were CISG contracting States. Since neither party had agreed to exclude the application of CISG, it automatically applied to the case. The sales contract was established when the Buyer accepted the price offer (i.e. on 6 May 2020), and it was legally binding on both parties. The contract stipulated a delivery date of 22 May 2020, over three years before the case was heard. That notwithstanding, the defendant failed to deliver the white, melt-blown fabric worth \$336,000 to the plaintiff, and thus should bear the corresponding liability for breach of contract. When the Seller failed to deliver on time and as stipulated, the Buyer could issue a declaration of contract avoidance. Since the copy of the Buyer's complaint was delivered to the Seller on 8 February 2023, the contract in question was declared avoided on that date. In summary, the court supported the Buyer's request for confirmation of the termination of the contract and demand that the Seller return the payment for undelivered goods and shipping costs and pay compensation for the loss of interest.



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