

This is an English translation.

The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.

Merchants and Trade - Act No 50/2000 on the Sale of Goods in English Translation

Act on the Sale of Goods¹⁾ 2000 No. 50, 16 May

¹⁾Effective as of 1 June 2001, cf. Article 99.

Chapter I Scope

Article 1 General Scope of the Act

This Act applies to sales except as otherwise provided by statutory law. The Act does not apply to the sale of real estate.

This Act applies also to the exchange of goods, as appropriate.

Article 2 Sales to Order. Service Contracts

This Act applies to orders of goods to be manufactured provided that the party placing the order does not supply a substantial part of the material for the manufacture. The Act applies neither to contracts on the construction of buildings nor of other facilities on real estate.

The Act does not apply to contracts under which the supplier is also under obligation to supply work or other services as the preponderant part of his obligations.

Article 3 Contracts and Business Practices

The provisions of this Act apply except as otherwise resulting from a contract, established practice between the parties, normal business practices or other usage which must be regarded as binding between the parties.

Article 4 Consumer Sales

In sales to consumers, no terms may be negotiated or invoked which are less favourable than the terms following from the provisions hereof.

"Consumer sales" refers to sales where the seller engages in sales in a professional capacity and the goods are primarily intended for the personal use of the buyer, his family, household or acquaintances, unless the seller neither knew nor ought to have known at the time of the making of the contract that the goods were bought for such purpose. Sales of claims and rights do not constitute consumer sales.

Sales are regarded as being conducted in a professional capacity when the seller or his agent present themselves as professionals in the activity in question.

Article 5 International Sales

This Act applies to international sales subject to the special rules contained herein, in particular the provisions of Chapter XV.

The special rules on international sales do not apply in the case of sales where the seller has his place of business in Denmark, Finland, Iceland, Norway or Sweden, and the buyer has his place of business in any of these countries (Nordic sales).

Nor do the special rules apply to:

- a. consumer sales or comparable sales between consumers,
- b. sales by auction,
- c. sales following execution of a court or administrative order, or by authority of law,
- d. sales of securities, money, claims or rights,
- e. sales of vehicles, aircraft or hovercraft.

Chapter II Delivery

Article 6 Collection sales

The goods shall be kept ready for collection at the place where the seller had his place of business (or residence, cf. Article 83) at the time of the sale. If the parties knew at that time that the goods or stores or place of manufacture where the goods were to be collected was elsewhere, the goods shall be kept ready for collection there.

Goods shall be regarded as delivered when the buyer has accepted delivery of them.

Article 7 Local Sales and Consignment Sales

If goods are intended for delivery to the buyer in the same place or within the area where the seller customarily undertakes to transport such goods (local sales), the goods shall be regarded as delivered when delivery is taken of the goods there.

If goods are intended for consignment to the buyer in other cases (consignment) and no shipment terms or other contract terms provide otherwise, the goods are regarded as delivered when they have been handed over to the carrier who has undertaken shipment from the place of consignment. If the seller himself undertakes the shipment, the delivery is regarded as having taken place only when the buyer has accepted delivery of the goods.

If goods are sold "free", "delivered" or "delivered free" and a specific place is indicated, the goods are not regarded as delivered until they have arrived in that place.

In the case of consumer sales, the goods shall be regarded as delivered when the buyer has accepted delivery of them. If the buyer is to collect goods at the destination, the delivery is also regarded as having taken place at the time that the buyer was under obligation to collect the goods.

Article 8 Additional Obligations in Consignment Sales

If the seller has undertaken shipment of goods, he is under obligation to enter into any contracts required for the goods to be transported to their destination in an appropriate manner and pursuant to the normal terms applicable to such transport.

If goods are not insured in transport, the seller shall alert the buyer to this fact. If the seller is not intended to purchase insurance in respect of the shipment of the goods, the seller must, at the request of the buyer, provide the information necessary for the buyer to purchase such insurance.

If the seller hands over goods to a carrier and it is not clearly indicated, through markings, in shipping documents or in another clear manner, that the goods are intended for delivery to the buyer, the seller is under obligation to notify the buyer in a clear manner where he should take delivery of the goods.

Article 9 Time of Delivery

If goods are not intended for delivery on demand or without delay, and the delivery time cannot by other means be determined from a contract, the goods shall be delivered within a reasonable time following the time of the sale.

If an agreement has been made for flexibility regarding time of delivery, the seller shall be entitled to choose the time unless the circumstances indicate that the buyer should have the choice.

If the seller in a collection sale is entitled to choose the time of delivery, he shall give the buyer timely notice of the time that the goods may be collected.

Article 10 Right of the Seller to Retention of Payment

If the seller has not granted credit or deferral of payment, he is not under obligation to deliver the goods, endorse documents or otherwise transfer control of the goods except against the simultaneous payment of the purchase price.

If the seller is intended to ship goods to another place, he may not, however, refrain from doing so, but he may prevent the buyer from obtaining control of the goods until the purchase price has been paid.

Article 11 Costs

The seller shall pay the costs of goods until they have been delivered. This provision does not apply to costs arising from a delay in delivery resulting from circumstances relating to the buyer.

If goods sold under the terms of consumer sales are intended for shipment to the buyer, the parties may agree, notwithstanding the provisions of Article 4, that the buyer should pay the shipping costs in addition to the price.

Chapter III Risk of Goods

Article 12 Entailment of Risk

When the risk of goods has passed to the buyer, his obligation to pay the purchase price does not lapse even if the goods are subsequently lost or damaged or if they deteriorate as a consequence of events which cannot be attributed to the seller.

Article 13 Transfer of Risk

Risk is passed to the Buyer when the goods have been delivered pursuant to the provisions of a contract or in accordance with the provisions of Articles 6 and 7 hereof.

If goods are not collected or accepted at the proper time, and this cannot be attributed to the buyer or circumstances relating to him, the risk is transferred to the buyer when the goods are at his disposal, and failure on his part to take delivery constitutes non-performance. In the case of consumer sales, however, the buyer shall not carry the risk of a random event occurring during the time that the goods are in the possession of the seller, provided that such event cannot be traced to the properties of the goods themselves.

If the buyer is intended to collect the goods elsewhere than from the seller, the risk passes to the buyer when the time of delivery has arrived and the buyer is aware of the fact that the goods are at his disposal at the place of delivery.

Article 14 Identification of Goods

The risk does not pass to the buyer until the goods have been identified as intended for the buyer by markings on the shipping documents or by other means.

Article 15 Goods in Transit

If a contract is made on goods in transit, the risk passes to the buyer on the conclusion of the contract unless circumstances indicate that the buyer has already undertaken the risk from the time that the goods were handed

over to the carrier who issued the shipping document. However, the seller shall always carry the risk of damage of which he knew, or ought to have known, at the time of the sale, but failed to report to the buyer.

The provisions of Paragraph 1 do not apply to consumer sales.

Article 16 Return of Goods Purchased with Rights of Return

If goods have been bought or delivered for trial or otherwise with a right of return, the buyer bears the risk pursuant to the provisions of this Chapter until the seller has taken delivery of the goods once more. This does not apply, however, when the buyer is entitled to return goods pursuant to the provisions of legislation on door-to-door sales and distant sales contracts.

Chapter IV Properties of Goods, Defects etc.

Article 17 Properties of Goods

Goods shall meet contractual requirements as regards type, quantity, quality, other properties and packaging.

Except as otherwise provided for by contract, goods shall:

- a. be suitable for purposes for which comparable goods are normally used.
- b. be suitable for any specific purpose which was known, or ought to have been known, to the buyer, unless it may be assumed from the circumstances that the buyer did not rely, and had no reasonable grounds for relying, on the expert knowledge and judgment of the seller.
- c. possess all properties which the seller has referred to on the basis of a sample or model;
- d. be contained in customary or other proper packaging required for its preservation and protection.

In consumer sales, goods shall also conform to the requirements of public law imposed by statutory law or administrative decisions grounded in statutory law at the time of the sale. This does not apply, however, if circumstances indicate that the buyer did not rely, and had no reasonable grounds for relying, on the expert knowledge and judgment of the seller

In the event that the seller in a consumer sale has undertaken the assembly of the goods, the goods shall be regarded as defective if the cause of the defect can be traced to faulty assembly on the part of the seller. The same applies if the consumer undertakes the assembly of the goods and the cause of the defect is traced to erroneous or inadequate directions on the part of the seller.

Goods are regarded as defective if they do not conform to the requirements stated in Paragraphs 1–4.

Article 18 Information on Properties or Use

Rules on defects apply also when goods do not conform to the information which the seller, in the marketing of the goods or otherwise, has supplied regarding the goods, their properties or use, and which may be presumed to have influenced the sale.

The rule in Paragraph 1 applies similarly when goods do not conform to the information provided by a person other than the seller on the packaging of the goods, in advertising or in other marketing on behalf of the seller or any prior sellers. As regards sales other than consumer sales, this does not apply, however, if the seller neither knew nor ought to have known that the information was provided.

The rules of paragraphs 1 and 2 do not apply when the information is corrected in a clear manner and in due time.

Article 19 Goods Sold "as is". Sales by Auction

Even when goods are sold "as is", or subject to any similar general reservation, they shall be regarded as defective when:

a. the goods do not conform to the information provided by the seller on the goods, their properties or use, and if it may be assumed that such information influenced the sale.

b. the seller, on the sale, omitted to supply information on matters of substantial significance regarding the goods or their use, of which the seller could not have been unaware, and which the buyer could reasonably expect to obtain and which may be presumed to have influenced the sale.

c. the condition of the goods is substantially worse than the buyer had reason to expect in view of the price and circumstances in other respects.

Where used goods are sold by auction the provisions of Paragraph 1 shall apply as applicable.

Article 20 Bad Faith on the Part of the Buyer, Examination Prior to Purchase, etc.

The buyer cannot invoke any defect of which he knew or of which he could not have been unaware at the time of the purchase.

If, before the purchase, the buyer inspected the goods or, without good reason, omitted to comply with the seller's invitation to conduct such examination, the buyer cannot invoke anything he ought to have discovered in the course of such inspection. This does not apply, however, if the seller has exhibited gross negligence or his conduct is in other respects contrary to honesty and good faith.

The rules of Paragraph 2 apply also if the buyer has, before the purchase, inspected a sample of the goods, or omitted to do so, and the defect relates to a property which was apparent from the sample.

Article 21 Time Limits in Respect of Defects

Determination of whether goods are defective shall be based on the time at which the risk of the goods passes to the buyer, even if the defect does not become apparent until later.

The seller is also liable for any defect which appears later if the reason for the defect can be attributed to non-performance on his part. The same shall apply if the seller, by a statement of guarantee or by other means, guarantees that the goods possess certain properties or that goods may be used in a normal or particular manner for a specified time following delivery.

Chapter V The Buyer's Recourse in the Event of Non-performance on the Part of the Seller. Delays

Article 22 General Provisions

If goods are not delivered, or if they are delivered late through no fault of the buyer or circumstances relating to the buyer, the buyer may require performance, rescission and damages pursuant to the provisions of Articles 23-29 hereof, and retain the purchase price pursuant to Article 42 hereof. The submission of further claims on the part of the buyer shall not prejudice his right to damages, nor shall the right to damages be prejudiced by the inability to exercise such further claims.

In the event that the seller fails to perform his obligations in other respects in due time under the contract, the provisions on delay shall apply, as applicable, with the exception of the provisions of Paragraphs 2 and 3 of Article 25. Other provisions may be negotiated, including in consumer sales, provided that such provisions are in favour of the buyer.

Article 23 Right to Performance

The buyer may hold the seller to the contract and require performance. This shall not apply in the event of an impediment which is beyond the control of the seller or if performance would involve such inconvenience or cost for the seller as to be substantially disproportionate to the buyer's interests in the seller's performance.

If the difficulties are resolved within a reasonable time, the buyer may require performance. This is subject to the condition that the performance would not, considering the time elapsed, be more burdensome or lead to a situation of another nature than the seller could have expected, or that it would otherwise be unreasonable to require performance.

The buyer forfeits his right to performance if the claim is unreasonably delayed.

Article 24 Queries

In the event that the seller inquires of the buyer whether he is willing to take delivery of goods despite a delay, or notifies the buyer that he will deliver within a stated time, but the buyer fails to respond within a reasonable time after receipt of the notice, the buyer cannot rescind the sale if performance is effected within the stated time.

Article 25 Rescission

The buyer may rescind a purchase if a delay results in substantial non-performance.

The purchase may furthermore be rescinded if the seller does not deliver the goods and performance is delayed beyond a reasonable additional time given by the buyer.

During the course of such additional time, the buyer cannot rescind the purchase unless the seller has declared that he will not perform during the additional time or it is clear that he will not do so.

Article 26 Rescission of Sale to Order

If a sale involves goods which are prepared specifically for the buyer in accordance with his directions or wishes, and the seller cannot for this reason dispose of the goods without substantial loss, the buyer may only rescind the sale if the delay results in substantial disruption of the purpose of the purchase. This provision does not apply to international sales.

Article 27 Damages

A buyer may claim damages in respect of losses sustained by him as a consequence of the seller's delay. This does not apply if the seller can demonstrate that the delay was due to an impediment beyond his control, or if he cannot reasonably have been expected to take the impediment into account at the time of the making of the contract, or to avoid or overcome its consequences.

If a delay can be attributed to a third party assigned by the seller to perform the sale in part or in full, the seller is exempt from liability only if the third party would be so exempt also under the rule of the preceding paragraph. The same applies if the delay can be attributed to a supplier employed by the seller or any other person at a prior sale stage.

Release from liability is effective during the time that the impediment exists. If the impediment is removed, liability is restored if the seller is then under obligation to perform and fails to do so.

The rules of Paragraphs 1-3 do not apply to indirect losses pursuant to Paragraph 2 of Article 67. In international sales, however, the rules also apply to indirect losses, except as provided in Paragraph 3 of Article 70.

A buyer may always claim damages if a delay or loss can be attributed to a fault or neglect on the part of the seller.

Article 28 Obligation to Notify of Impediment

If an impediment prevents the seller from performing in due time, he shall notify the buyer of the impediment and its effect on his ability to perform. If the buyer fails to receive such notification without unreasonable delay from the time that the seller was informed or ought to have been informed of the impediment, the buyer may claim compensation for the loss which could have been avoided had he received the notification with sufficient notice.

Article 29 Deadline for Rescission

If goods are delivered too late, the buyer cannot rescind the purchase without notifying the seller within a reasonable time from being informed of the delivery.

Defects

Article 30 General Provisions

In the event of a defect which is neither the fault of the buyer nor a result of circumstances relating to the buyer, the purchaser may, under the provisions of Articles 31-40, claim redress, new delivery, discount, rescission and damages, while retaining the purchase price pursuant to the provisions of Article 42. The submission of further claims on the part of the buyer shall not prejudice his right to damages, nor shall the right to damages be prejudiced by the inability to exercise such further claims.

The rules on defects apply also to other faults in the performance of the seller, as applicable. Other provisions may be negotiated, including in consumer sales, provided that such provisions are in the favour of the buyer.

Article 31 Inspection by Buyer After Delivery

After delivery, the buyer shall, as soon as reasonably possible, inspect the goods as required by good practice.

If the goods are to be transported from the place of delivery, the buyer may defer inspection until the goods have reached their destination.

If the buyer redirects the goods while they are in transit or forwards the goods without having a reasonable opportunity to inspect them, and if the seller knew, or ought to have known, of the possibility of such redirection or forwarding at the time of the sale, the inspection may be deferred until the goods have arrived at the new destination.

This Article does not apply to consumer sales.

Article 32 Notification.

The buyer forfeits his right to invoke a defect if he omits to notify the seller of the nature of the defect without unreasonable delay from the time that he discovered, or ought to have discovered, the defect. In consumer sales, the defect may also be notified to a party who, under a contract with the seller, has undertaken to remedy such defect.

If the buyer does not submit a complaint within two years from the date of accepting delivery of goods, he cannot subsequently invoke the defect. This does not apply if the seller has, by a guarantee or other agreement, undertaken a more extended liability for defects.

In the case of sales of construction material, which is intended to last substantially longer than goods in general, the time allowed to invoke a defect is five years from the time that delivery was accepted.

Article 33 Derogation from Rules of Notification

Notwithstanding the provisions of Articles 31 and 32, the buyer may invoke a defect if the seller has exhibited gross negligence or if his conduct is in other respects contrary to honesty and good faith.

Article 34 Claim for Rectification and new Delivery

The buyer may request that the seller rectify a defect for his own account if this can be effected without unreasonable expense or inconvenience to the seller. The seller may instead elect to deliver new goods in accordance with the provisions of Article 36 hereof.

The purchaser may claim a new delivery if the defect is substantial. This does not apply in the event of an impediment or disproportion as described in Article 23. Nor may the buyer claim new delivery if the goods were available at the time of purchase and possess such properties that, based on the expectations of the parties, it would be unreasonable to require their substitution by other goods.

If the seller fails to perform his obligation to rectify a defect or deliver new goods, the buyer is entitled to claim damages for reasonable expenses incurred in obtaining rectification of the defect.

Article 35 Notification of Claim for Rectification and New Delivery

The buyer forfeits his right to claim rectification or new delivery if he does not send the seller notification of his claim together with a notification pursuant to Article 32 or within a reasonable time thereafter. However, the buyer retains his right if the seller has exhibited gross negligence or if his conduct is in other respects contrary to honesty and good faith.

In consumer sales, the defect may also be notified to a party who, under a contract with the seller, has undertaken to remedy such defect.

Article 36 The Right of the Seller to Rectification and New Delivery

Notwithstanding the absence of a claim on the part of the buyer to such effect, the seller may, at his own expense, rectify the defect or deliver new goods if this can be done without substantial disadvantage to the buyer and without prejudice to the buyer's recovery of his expenses from the seller.

If the seller asks the buyer whether he will accept rectification or new delivery, or if the seller notifies the buyer of his wish to rectify or deliver other goods within a specified time, but the buyer fails to respond without undue delay, the seller may take the necessary measures within the specified time.

The seller cannot claim in his defence that he did not have an opportunity to rectify or effect a new delivery if the buyer has arranged to rectify the defect and it would, under the circumstances, be unreasonable to require him to wait for the seller's rectification or new delivery.

Article 37 Price Discount or Rescission when there is no Rectification or New Delivery

If rectification or new delivery are not an option, or do not take place within a reasonable time after the buyer complained of a defect, the buyer may claim a discount on the price or rescind the purchase pursuant to the provisions of Articles 38 or 39. This does not apply if the buyer refuses rectification which he is under obligation to accept.

The buyer cannot claim a price discount in the case of used goods purchased at an auction.

Article 38 Discount on the Purchase Price

If goods are defective, the buyer may claim a discount on the purchase price. The discount shall be calculated so that the ratio of the reduced price to the contract price corresponds to the ratio of the price of the goods in their defective condition to the price of the goods in their contracted condition at the time of delivery.

Article 39 Rescission

The buyer may rescind a purchase if the defect amounts to substantial non-performance.

The buyer may not rescind a purchase unless he notifies the seller of the rescission without unreasonable delay from the time that he was informed, or ought to have been informed, of the defect or after the expiry of the specified time following from a claim or notification under the provisions of Articles 34 or 26 hereof. This does not apply, however, if the seller has exhibited gross negligence or his conduct is in other respects contrary to honesty and good faith.

Article 40 Damages

The buyer may claim damages for losses sustained by him as a result of defects in goods, unless the seller proves that the defects can be traced to the impediments referred to in Article 27. The rules of Articles 27 and 28 apply in this case.

The rules of Paragraph 1 do not apply to indirect losses corresponding to those referred to in Paragraph 2 of Article 67. In international sales, however, the rules also apply to indirect losses except as provided in Paragraph 3 of Article 70.

The buyer may always claim damages if

a. the defect or loss may be attributed to fault or neglect on the part of the seller, or

b. if goods did not, at the time of the making of the contract, conform to the undertaking of the seller.

Deficiency of Title etc.

Article 41 Deficiency of Title. Other third-party claims

If a third party has ownership rights, mortgage rights or other rights to goods (deficiency of title), the rules on defects shall apply, as applicable, unless it may be assumed from the contract that the buyer was intended to accept delivery of the goods with the restrictions entailed by the third party right. However, the rule regarding the two-year period for notification under Paragraph 2 of Article 32 does not apply.

The buyer may in any case claim damages for losses resulting from the deficiency of title existing at the time of the purchase, provided that he neither knew nor ought to have known about the deficiency of title.

If a third party makes a claim to a right to goods and this right is contested, the provisions of Paragraphs 1 and 2 shall apply, as applicable, unless it is clear that the claim of the third party is unfounded.

The rules of Paragraph 1 shall apply, as applicable, when a third-party claim is based on intellectual property or trade mark rights, subject to the provisions of Article 96. Other provisions may be negotiated, including in consumer sales, provided that such provisions are in favour of the buyer.

Further Provisions

Article 42 The Buyer's Right to Withhold the Purchase Price

If the buyer has a claim against the seller in respect of the latter's non-performance, the buyer may withhold payment of a sufficient part of the purchase price to secure his claim.

Article 43 Non-performance in Respect of Part of the Goods

If non-performance on the part of the seller applies to only part of the goods, the rules of this Chapter shall apply to such part. The buyer may rescind the purchase in full if the non-performance is substantial as regards the contract in its entirety.

If circumstances indicate that the seller has completed delivery for his part, even though the agreed quantity has not been delivered in its entirety, the rules on defects shall apply.

Article 44 Delivery by Instalment

If the seller is intended to deliver the goods by instalments and non-performance occurs in respect of a certain delivery, the buyer may rescind the purchase as regards that delivery pursuant to the rules on rescission.

In the event that non-performance affords the buyer justified grounds for assuming non-performance as regards subsequent deliveries giving rise to rights of rescission, the buyer may, on such grounds, also rescind in respect of subsequent deliveries provided that this is done within a reasonable time.

If a buyer rescinds a purchase in respect of a single delivery, he may, at the same time, rescind the contract in respect of previous or subsequent deliveries if their interdependence is such that they cannot be used for the purpose contemplated at the time of the making of the contract.

Chapter VI Obligations of the Buyer. Purchase Price

Article 45 If a sale is effected without a price being provided for in the contract, the buyer shall pay for the goods the normal price of comparable goods, sold under similar conditions, at the time of the making of the contract, provided that such price is not unreasonable. If no such normal price is available, the buyer shall pay a price which is reasonable based on the nature of the goods, their quality and circumstances in other respects.

In consumer sales, the seller may not, in addition to the sales price, require remuneration for issuing and sending an invoice. This does not apply when it is clear that the price is the cash price but the seller nevertheless grants a moratorium.

Article 46 If the price is determined on the basis of number, dimensions or weight, the price shall be based on the quantity at the time that the risk passes from the seller to the buyer.

When the price is determined by weight, the weight of the packaging shall first be deducted.

Article 47 If the buyer has received an invoice or a notice, he is bound by the price stated therein unless he states within a reasonable time that he does not accept the price. This does not apply when a lower price follows from a contract or when the stated price is unreasonable.

Payment of the Price

Article 48 The price shall be paid at the seller's place of business. If payment is to be effected against delivery of the goods or a document, the payment shall be effected at the place of delivery.

In addition to payment in cash, the buyer may effect payment by other recognised means. The obligation to pay the purchase price also entails an obligation, pursuant to the provisions of the contract, to accept a bill of exchange, submit a letter of credit, bank guarantee or other security, and to take other measures on which the payment of the purchase price depends.

The seller is responsible for any increased cost of payments resulting from moving his place of business following the sale.

Article 49 If the time of payment cannot be inferred from the purchase contract, the buyer shall pay the purchase price at the request of the seller, but not before the goods are delivered to the buyer or made available to the buyer pursuant to the contract and the provisions of this Act.

Before the buyer pays the purchase price, he is entitled to inspect the goods in the customary manner provided that this is not inconsistent with the contracted procedure for the delivery and payment of the purchase price.

If a bill of lading is used for the shipment of goods to its destination or the shipment is in other respects subject to terms whereby the seller does not have control of the goods following payment, payment may be claimed against delivery of a shipping document, bill of lading or other proof of the goods being shipped under such terms. This rule applies even if the goods have failed to appear or the buyer has not had an opportunity to inspect them.

Buyers' Role in the Performance of a Purchase

Article 50 The buyer is under obligation

- a. to make such efforts as may be reasonably expected of him to enable the seller to meet his obligations, and
- b. to take delivery of the goods by collecting them or accepting them.

Chapter VII The Seller's Recourse in the Event of Non-performance on the Part of the Buyer

Article 51 General Provisions

In the event that the buyer fails to pay the purchase price or to meet other obligations pursuant to the contract or the provisions hereof, and this is not due to the seller nor to any events relating to the seller, the seller may require performance, rescission and damages pursuant to the provisions of this Chapter. He may also withhold payment pursuant to Article 10 and claim interest pursuant to Article 71.

In the event that the buyer fails in his obligation to take delivery of goods, and this is not due to the seller nor to any events relating to the seller, the provisions of Article 55, Paragraph 2 of Article 57, and Article 58 shall apply.

The right of the seller to damages and interest are not prejudiced by his resorting to other remedies or refraining from resorting to such remedies.

Article 52 Right to Performance by Demanding Payment. Cancellation of Order

The seller may hold the buyer to the sale and claim payment of the purchase price. This does not apply, however, while payment cannot be effected as a result of interruption of communications or payment transfers or as a result of other events which the buyer can neither control nor overcome.

In the event that a buyer cancels an order for goods specifically prepared for him, the seller cannot hold the buyer to the purchase by continuing his work on preparing the goods or take other measures to deliver and claim payment, unless stoppage will entail substantial disadvantage for him or risk that he will not be able to recover the losses resulting from the cancellation. If he seller cannot hold the buyer to the purchase, damages shall be determined for the losses resulting from the cancellation pursuant to the rules of Chapter X hereof.

If goods have not been delivered, the seller shall lose his right to require performance if he delays unreasonably the submission of such a claim.

Article 53 Claim for the Purchaser to Expedite Performance

The right of the seller to require performance of the Buyer's obligation to expedite performance is governed by Article 23, as applicable.

Article 54 Rescission when the Buyer Fails to Pay

The seller may rescind the sale on the grounds of delay in payment of the purchase price in the event of substantial non-performance on the part of the Buyer.

The sale may also be rescinded when a buyer does not pay the purchase price within a reasonable additional deadline set by the buyer for performance.

The seller cannot rescind the sale before the additional deadline has passed unless the buyer has declared that he will not perform before that time.

If the buyer has already taken delivery of the goods, the seller may only rescind the sale if he has made a reservation to such effect or the buyer rejects the goods. In the case of international sales, however, the sale may be rescinded without such reservation if the rescission does not affect the right of any third party, including the estate of the buyer, vested in the goods.

Article 55 Rescission when the Buyer Fails to Expedite the Sale

The seller may rescind the sale if the buyer does not expedite it and his non-performance is substantial. The seller may, on the same conditions, rescind the sale if the buyer does not accept delivery of the goods pursuant to Article 50(b) above and the seller has a specific interest in dispossessing himself of the goods.

The sale may also be rescinded when a buyer does not, within a reasonable additional deadline set by the buyer for performance,

- a. expedite the purchase, or
- b. accept delivery of goods when the seller has a specific interest in effecting delivery of the goods.

The seller cannot rescind the sale before the additional deadline has passed unless the buyer has declared that he will not perform before that time.

Article 56 Delivery by Instalment

If the seller is intended to deliver by instalments and the buyer to pay or expedite performance regarding each delivery, and if there is non-performance on the part of the buyer in respect of a certain delivery, the seller may rescind the delivery in question pursuant to the rules of Articles 54 and 55 above.

In the event that non-performance affords the seller justified grounds for presuming such non-performance of subsequent deliveries as to give rise to rights of rescission, the seller may, on such grounds, also rescind in respect of subsequent deliveries provided this is done within a reasonable time.

Article 57 Damages

The seller may claim damages for losses suffered as a consequence of delay in payment by the buyer. This does not apply, however, where the buyer demonstrates that the delay is due to interruption of public communications or payment transfers or other impediment beyond the buyer's control which he could not reasonably be expected to take into account at the time of the making of the contract, or to avoid or overcome the consequences of. The rules of Paragraphs 2 and 3 of Article 27 apply, as applicable.

The seller may claim damages pursuant to the rules of Article 27 for any loss he sustains as a consequence of

- a. the buyer not expediting performance of the purchase, or
- b. the buyer not accepting delivery of the goods pursuant to Article 50(b) above when the seller has a specific interest in dispossessing himself of the goods.

Article 58 Obligation to Notify of Impediment

If an impediment prevents the buyer from performing in due time, he shall notify the seller of the impediment and its effect on his ability to perform. If the seller fails to receive such notice within a reasonable time after the buyer was informed, or ought to have been informed, of the impediment, the seller may claim damages for the loss which he could have avoided had he been notified in time.

Article 59 Seller's Deadline for Rescission

If the purchase price has been paid, the seller may not rescind the contract unless he gives the buyer notice of the rescission

- a. in the event of delay on the part of the buyer, before he was informed of the performance of the buyer, or
- b. in the event of other non-performance, without unreasonable delay from the time that he knew, or ought to have known, of the non-performance or after the reasonable additional deadline pursuant to Paragraph 2 of Article 55.

Article 60 Decisions on Characteristics of Goods

In the event that the buyer is intended to decide the shape, measurements or other characteristics of goods and fails to do so by the agreed time or without unreasonable delay from the request of the seller, the seller may himself decide on these characteristics in accordance with what he may assume to be the buyer's interests. This does not preclude the seller from exercising any other claims he may have.

The seller shall inform the buyer of the characteristics he decides pursuant to Paragraph 1 and allow the buyer reasonable time to alter them. If the buyer fails to do so without unreasonable delay after receiving the notification from the seller, the seller's decision on the characteristics are binding.

Chapter VIII Common Provisions on Foreseeable Non-performance, Insolvency, etc.

Article 61 Suspension of Payments Owing to Foreseeable Non-performance etc.

If it becomes apparent, following a purchase, from the conduct of a contracting party or from a serious deficiency in his ability to pay or perform, that the contracting party will not perform a substantial part of his obligations, the other party may suspend performance of his obligations and withhold his payment.

If the seller has already dispatched the goods, and the circumstances referred to in Paragraph 1 above become apparent in relation to the buyer, the seller may prevent delivery of the goods to the buyer or his estate. This shall apply whether or not the buyer or his estate has accepted delivery of shipping documents.

The party suspending performance or preventing delivery of goods shall immediately notify the other party. Failing such notification, the other party may claim damage for losses which could have been avoided had notification been sent.

A party suspending performance or preventing delivery of goods must continue performance if the other party provides adequate security for his performance.

Article 62 Rescission on the Grounds of Foreseeable Non-performance

If it becomes apparent before the deadline for performance that non-performance will occur giving rise to rescission rights for a party, that party may rescind the purchase before the deadline for performance. The rescission may be prevented if the other party immediately provides adequate security for performance of the contract for his part.

Time permitting, the party wishing to rescind the purchase shall warn the other party in order to give him an opportunity to provide security and thereby prevent the rescission.

Article 63 Insolvency

The right to take over a sale, withhold payment or rescind a sale on the grounds of the insolvency of the parties is subject to legislation on bankruptcy.

Chapter IX Common Rules on Rescission or New Delivery

Article 64 Legal Effects

Rescission of a purchase releases the parties from the obligation to perform.

If a purchase has been performed in part or in full by either party a return may be claimed of any delivery. However, a party may retain what he has taken delivery of until the other party returns whatever he has received. The same applies when a party is entitled to damages or interest and adequate security is not provided.

If the seller is to redeliver, the buyer may retain what he has already taken delivery of until the redelivery has taken place.

Rescission has no effect on contract terms regarding trade secrets, settlement of disputes or the parties' rights and obligations resulting from the rescission.

Article 65 Return and Interest on Restitution

On the rescission of a purchase, the buyer shall credit to the seller any returns which he may have obtained from the goods and pay reasonable compensation for any substantial use he may otherwise have had of the goods.

If the seller is to refund the purchase price, he shall pay interest pursuant to Article 71 from the date on which he received the payment.

Article 66 Loss of Right to Rescission and Redelivery

The buyer may only rescind a purchase or claim redelivery if he is able to return the goods in exactly or substantially the same condition and quantity as they were when the buyer took delivery of them. However, the buyer does not lose his right to claim rescission or redelivery if

- a. the reason that he cannot return the goods in exactly or substantially the same condition and quantity is due to the properties of the goods or other circumstances not relating to the buyer,
- b. the goods have deteriorated, suffered damage or perished as a result of an action which was necessary in order to verify whether they were defective, or
- c. the goods have been sold in part or in full in the course of normal business or they have been used or altered by the buyer in the course of the intended use before he became aware, or ought to have become aware, of the defect leading to the rescission or claim for redelivery.

Furthermore, the buyer does not lose the right to rescission or redelivery if, on returning the goods, he compensates for the reduction in their value. This provision does not apply to international sales.

Chapter X Extent of Damages. Interest

Article 67 General Rules

Damages in respect of non-performance on the part of either contracting party shall correspond to the losses, including costs, price differences and lost profits, suffered by the other party as a consequence of the non-performance. However, this applies only to the losses that a party could reasonably foresee as a possible consequence of the non-performance.

Indirect losses refers to

- a. losses which can be attributed to reductions or stoppages in production or business (breakdown in operation);
- b. losses which can be attributed to the fact that goods are not suitable for the intended use;
- c. losses which can be attributed to lost profits, when a contract with a third party is lost or cannot be duly performed, but only to the extent that the buyer fails, without reasonable grounds, to contract with another party or take other measures to prevent or mitigate his losses;
- d. losses which can be attributed to damage to property other than the goods themselves and to items for whose manufacture the goods are used or which are closely and directly connected with their intended use.

The Rules of paragraph 2 do not apply to costs in respect of:

- a. normal measures taken in compensation when goods are delayed or defective, or
- b. measures to mitigate losses other than those covered by Paragraph 2.

In consumer sales it may be stipulated by contract that no damages should be paid for indirect losses covered by Paragraph 2.

Article 68 Differences in Price on Substitution

If a purchase is rescinded and the buyer purchases from another party (substitute purchase) or the seller sells to another party (substitute sale) in a reasonable manner and within a reasonable time following rescission, the price difference shall be calculated based on the purchase price and the price of the substitute goods.

Article 69 Price Difference in the Absence of Substitute Measures

If a purchase is rescinded without substitution measures pursuant to Article 68, and if the market price of the goods can be verified, the price difference shall be calculated based on the purchase price and the market price at the time of the rescission. If a purchase is rescinded after delivery has been taken of goods, the market price at the time of delivery shall be used instead.

The market price is the price of comparable goods at the place of delivery. If there is no market price at the place of delivery, the price at another place which may reasonably be regarded as equivalent to the place of delivery shall be used, taking into account differences in shipping costs.

Article 70 Obligation to Limit Losses. Relief from Liability. International Sales

A contracting party who invokes non-performance on the part of the other party shall take reasonable measures to limit his losses. If he fails to do so, he shall bear the resulting part of the loss.

The amount of damages may be reduced if the damages are regarded as unfair to the liable party, taking into account the amount of the losses in comparison with the financial losses normally occurring in comparable cases and circumstances.

In international sales, damages extend only to the losses which a contracting party could reasonably have expected to result from his non-performance in the light of cases which he knew, or could reasonably have been expected to know, at the time that the contract was made. Damages in such case may not be reduced pursuant to the provisions of Paragraph 2.

Article 71 Interest

If the purchase price or other outstanding amount is not paid in time, the debtor shall pay interest on the amount pursuant the provisions of the Interest Act, i.a. as regards the interest rate, starting date of interest payment and calculation of interest.

Chapter XI Care of Goods

Article 72 Obligation of the Seller to Preserve the Goods

In the event that the buyer does not collect goods or does not accept delivery of them in due time, or other circumstances relating to the buyer have the effect that he does not receive delivery of the goods, the seller shall then, at the cost of the buyer, preserve the goods in a reasonable manner based on circumstances, provided he has the goods in his custody or is in other respects able to preserve them.

Article 73 Obligation of the Buyer to Preserve the Goods

If the buyer rejects goods of which he has taken delivery, he shall, at the cost of the seller, preserve the goods in a reasonable manner based on circumstances.

If the buyer rejects goods dispatched to him and placed at his disposal at the destination, he shall preserve the goods at the cost of the seller, provided that he is able to do so without paying the purchase price or incurring thereby unreasonable cost or inconvenience. This does not apply if the seller himself or a person acting on his behalf is able to preserve the goods at the destination.

Article 74 Preservation by a Third Party

A contracting party who is responsible for the preservation of goods may entrust the preservation to a third party at the expense of the other party provided that this does not involve unreasonable expense. A contracting party is released from this responsibility if a custodian has been selected in a proper manner and taken delivery of the goods.

Article 75 Damages and Security for Expenses

A contracting party taking custody of goods at the cost of the other party is entitled to reimbursement of reasonable costs of such custody. He may retain possession of the goods until the cost has been paid or adequate security provided.

Article 76 Sale

A contracting party who is under obligation to preserve goods may sell the goods if he cannot preserve them without incurring substantial expense. The same applies if there is an unreasonable delay on the part of the other party in taking delivery of the goods or paying the purchase price or cost of preservation.

If there is a risk of rapid deterioration or destruction of the goods, or unreasonable cost of their preservation, the goods shall be sold if possible.

The measures taken to sell the goods shall be reasonable. Wherever possible, the other party shall be notified in reasonable time that the goods will be sold.

Article 77 Disposal Other than Sale

If a party is entitled to sell goods pursuant to the provisions of Article 76, but the goods cannot be sold, or if it is evident that the proceeds will be insufficient to meet the cost of the sale, the party may dispose of the goods in another reasonable manner. The other party shall be warned if possible.

Article 78 Accounts and Crediting Process

The party who has preserved goods shall credit the other party for the proceeds obtained from the sale of the goods or by other means, and submit an invoice for his costs. The balance shall accrue to the other party.

Chapter XII Dividends and other Returns

Article 79 Benefits from Goods

Any benefits from goods created before the agreed time of delivery shall accrue to the seller, provided that there was no reason to anticipate that the benefits would accrue later. Any benefits from goods created thereafter shall accrue to the buyer, provided that there was no reason to anticipate that the benefits would accrue earlier. The parties may negotiate other terms, including in consumer sales, provided that such terms are in favour of the buyer.

Article 80 Equity Shares

Purchases of equity shares include dividends which had not fallen due before the purchase. The same applies to subscription rights to new shares, provided that the rights could not be exercised before the purchase.

Article 81 Interest-bearing Claim

The purchase of an interest-bearing claim extends to accrued interest which has not fallen due on the agreed date of delivery. The equivalent of the interest shall be paid as an addition to the price, unless the claim has been sold as doubtful.

Chapter XIII Various General Provisions

Article 82 Risk of Sending Notices

If a party sends a notice in accordance with the provisions hereof and in a manner which is reasonable under the circumstances, and in the absence of other indications, the sender may claim that the notice was sent in time, even if it is delayed, an error occurs in its transmission or the notice fails to reach the other party.

Article 83 Place of Business

If a contracting party has more than one place of business, and the place of business is of significance, the relevant place of business is the place relating to the sale, taking into account the circumstances contemplated by the parties at the time of the sale.

If a contracting party does not have a place of business relating to the sale, his home shall be regarded as the relevant place.

Chapter XIV Claims Relating to Prior Sales

Article 84 Conditions for Claims Relating to Prior Sales

In sales other than consumer sales, and in the absence of other contractual provisions, the buyer may submit a claim in respect of a defect against a prior seller, provided that the seller can make a corresponding claim in respect of the defect.

In consumer sales, a buyer may in any case take any claim he has against a seller in respect of a defect and bring it against a prior seller who was professionally involved in the sale, provided that a corresponding claim in respect of the defect can be brought by the seller or any other party who obtained the goods from the prior seller. The same applies to sales between consumers.

Any contract from a prior sale which curtails the right of the seller or other transferee cannot be invoked against the claim of the buyer in a consumer sale under Paragraph 2 to a greater extent than could have been agreed in the transaction between the consumer and the seller.

Article 85 Notification.

The buyer shall submit his claim against the prior seller without unreasonable delay from the time that he became aware, or ought to have become aware, of the defect. At the latest, he shall submit his claim before the deadlines for notification applicable in the transactions between the seller and prior seller.

Claims against prior sellers pursuant to Paragraph 2 of Article 84 are subject to the rules of Article 32 on notification. If used goods have also been previously sold to a consumer, the deadline pursuant to Paragraph 2 of Article 32, in respect of each seller, shall be calculated from the date that the immediately preceding consumer took delivery of the goods.

The buyer shall notify the prior seller of the substance of his claim as soon as the occasion arises.

Article 86 Responsibility for Notification under Article 18

When the manufacturer of goods, or another prior seller, has supplied the information referred to in Paragraph 2 of Article 18 hereof, he shall be liable for any loss sustained by the buyer as a result of the information, jointly or severally with the seller, as appropriate. The rules of Article 40 apply correspondingly.

Chapter XV Special Rules on International Sales

Article 87 International Sales

"International sales" under this Act refers to sales between parties who have their places of business in different states, provided that this is specified in a contract, is apparent from previous business dealings between the parties or may be inferred from information provided by them before or at the time that the sale was made.

Article 88 Interpretation of the Act. Unresolved Issues. Specific Performance

In international sales, the interpretation of the provisions hereof shall take into the account the need to promote uniform application of rules based on the United Nations Convention of 1980 on Contracts for the International Sale of Goods, and their international character. Furthermore, the interpretation shall take into account the need for honesty and good faith in international trade.

Issues concerning incidents covered by, but not unambiguously resolved in, the UN Convention shall be settled in accordance with the general principles of the Convention and in other respects in accordance with any national legislation which may be applicable under international civil law.

Claims for specific performance to be settled in Iceland, or on the basis of Icelandic law, shall always be governed by the provisions hereof, cf. Article 28 of the UN Convention.

Article 89 Interpretation of Parties' Statements

The statement of a party and other conduct shall be construed in accordance with his intent when the other party knew, or ought to have known, what the intent was. In other respects, the interpretation should be used which a sensible person in the same situation could reasonably be expected to use in comparable circumstances.

In determining intent or understanding pursuant to Paragraph 1 hereof, consideration shall be given to all relevant facts of the case, e.g. discussions, previous practices between the parties, trade usage and subsequent conduct of the parties.

Article 90 Trade Usage

Except as otherwise provided by contract, parties are bound by trade usage which was known, or ought to have been known, to them and which is well known in international trade and generally observed by parties in comparable trade relations. In such cases, trade usage shall be regarded as forming a part of the contract between the parties.

Article 91 Oral or Written Contract

A sale need not be concluded or confirmed in writing and is not subject to any other formal requirements. A sale may be proven by any available evidence, including witnesses.

A contract may be amended or terminated with the mutual consent of the parties.

A written contract which specifies that any amendment or termination must be effected in writing cannot be amended or terminated by other means. However, a party can, through his conduct, forfeit his right to invoke such provisions if the other party has taken measures in anticipation of such conduct.

Article 92 Foreign Legislation Requiring Written Contracts

The provisions of Article 19 do not apply to international sales if either party to a contract has his place of business in a contracting state whose legislation does not recognise contracts other than written contracts, provided that the state has made a declaration pursuant to Article 96 of the 1980 United Nations Convention on Contracts for the International Sales of Goods.

Article 93 Telegrams and Telex

The provisions of Articles 91 and 92 hereof do not preclude the use of telegrams, telex messages, facsimiles and other electronic communications, provided there are means in place to verify and confirm their authenticity.

Article 94 Substantial Non-performance

Non-performance on the part of a party is regarded as substantial if it results in such losses for the other party that he is placed in a substantially worse position than he was justified in anticipating pursuant to the contract, unless the result could not have been reasonably foreseen by the non-performing party nor by another sensible person in the same position and in the same circumstances.

Article 95 Delivery and Correction of Documents

If the seller has undertaken to deliver a document relating to the goods, he shall deliver such document at such time and in such place and condition as contracted.

If the seller has delivered the document before the contracted time, he may, before the deadline for delivery, correct defects in the document if this does not cause unreasonable inconvenience or cost to the other party. However, the buyer retains any right to claim damages.

Article 96 Third Party Copyrights, Industrial Property Rights etc.

The seller shall deliver goods free of restrictions deriving from any third-party copyrights, industrial property rights or other intellectual property rights of which the seller was aware, or ought to have been aware, at the time of the making of the contract, if the right or claim is based on

a. the legislation in the state where the goods are meant to be resold or used, if it was the understanding of the parties at the time of the negotiation of the contract that the goods were intended for sale or use in that state, or

b. in other cases, the legislation of the state where the buyer has his place of business at the time of the making of the contract.

The obligations of the seller under Paragraph 1 do not apply when:

a. the buyer knew, or ought to have known, at the time of the making of the contract, about the right or claim, or

b. the right or claim is a consequence of the seller's compliance with technical drawings, descriptions, formulae, models or other instructions supplied by the buyer.

Article 97 Derogation from Rules of Notification

The seller may not invoke the buyer's neglect to inspect pursuant to Article 31 or his neglect to notify pursuant to Article 32 if the seller knew, or ought to have known, the circumstances relating to the defect and did not inform the buyer.

In the event of a deficiency of title or other third-party claim pursuant to Articles 41 or 96, the seller cannot invoke the buyer's neglect as referred to in Paragraph 1 if the seller knew of the right or claim and its substance. The rule regarding the two-year period for notification under Paragraph 2 of Article 32 does not apply to such claims.

Even when a buyer has not sent notification pursuant to Paragraph 1 of Article 32 above, he may claim a discount or damages for losses other than loss of profit, provided he had a reasonable cause for omitting to send such notifications.

Article 98 Premature or Excessive Delivery

If goods are delivered prematurely, the buyer may consent to accepting delivery or refuse, provided that he observe his duty to preserve the goods.

If goods are delivered in greater quantity than contracted, the buyer may consent to accept the delivery or reject the excess quantity. If the buyer accepts the excess quantity delivered, in part or in full, the price for the excess quantity shall be calculated proportionally based on the contract price.

Chapter XVI Entry into Effect, Repeal of Previous Legislation, etc.

Article 99 This Act shall take effect on 1 June 2001.

...

This Act applies only to contracts concluded following its entry into force.

Interim provisions. The Minister for Commerce shall appoint an Appeals Committee on the Sale of Goods and Services, which will function from the entry into effect of the Act until the end of the year 2005. The committee shall be composed of three members. The Minister shall appoint one member based on the nomination of the Consumers' Association of Iceland, another based on the nomination of the Iceland Chamber of Commerce, and a third without nomination, who shall serve as chairman of the committee. The third member shall have the qualifications required of a judge.

The cost of the work of the Appeals Committee on the Sale of Goods and Services shall be paid out of the State Treasury.

In the event of a dispute between parties to a contract on the sale of goods regarding their rights and obligations pursuant to this Act, the parties, one or more, may appeal to the Appeals Committee on the Sale of Goods and Services and request an opinion from the Committee on the issue in dispute.

The conclusions of the Appeals Committee cannot be appealed to other government authorities, but the parties may submit their dispute to the courts in the normal manner.

The Minister shall issue a regulation with more detailed provisions on the jurisdiction and work of the Appeals Committee, rules of procedure before the Committee and other matters relating to the work of the Committee.