

Introductory note

Orgalim general conditions for the supply of standard products – STP 18

June 2018

As the international sale of products represents the core business of companies in the mechanical and electrical engineering industries in Europe, Orgalim has for a long time recognised that these companies would benefit from a set of general conditions for the supply of products. To satisfy this demand Orgalim has since 1992 published its “General Conditions for the Supply of Mechanical, Electrical and Electronic Products” (the newest version titled S 2012). These conditions are intended for tailor-made products and technically more complex products.

In addition to these products the mechanical and the electrical industry produces a wide range of products that are not manufactured according to the special requirements of an individual customer, but can be applied as components in many technical products. Such products, meeting general market needs, but not any special requirements of an ordering customer, are considered as standard products.

Against this background, Orgalim S 2012 Conditions might not always be appropriate for the supply of standard products. As an example: the S 2012 Conditions contain fairly detailed rules concerning the supplier’s liability for defects. According to S 2012, one of the obligations mostly chosen by the supplier, when the purchaser notifies him about a defect which appears in a product, is to remedy the defect in question. However, when dealing with standard products, the supplier would normally replace the defective product with a new one as the price of such a product is in many cases lower than the cost for repair.

By the publication of the new Conditions for Standard Products Orgalim meets the demand from companies asking for concise conditions fitted to standard products. It should also be emphasized that Orgalim here fulfils the tradition of the organisation to issue general conditions which, in a reasonable way, balance the interests of the purchaser and the supplier.

Orgalim represents Europe’s technology industries, comprised of innovative companies spanning the mechanical engineering, electrical engineering, electronics, ICT and metal technology branches.
Together they represent the EU’s largest manufacturing sector.

General conditions for the supply of standard products

Brussels, June 2018

Preamble

1. These General Conditions shall apply when the parties agree In Writing or otherwise thereto. Any modifications of or deviations from them must be agreed In Writing.

Definitions

2. In these General Conditions the following terms shall have the meanings hereunder assigned to them:
 - **“Gross Negligence”**: an act or omission implying either a failure to pay due regard to serious consequences, which a conscientious contracting party would normally foresee as likely to ensue, or a deliberate disregard of the consequences of such an act or omission;
 - **“In Writing”**: communication by document signed by both parties or by letter, fax, electronic mail and by other means as are agreed by the parties;
 - **“the Product”**: the object(s) to be supplied under the contract, including documentation.

Packaging

3. Prices quoted in tenders and contracts shall, unless otherwise specified, be deemed to include the Supplier's standard packaging.

Deviations in weight or quantity

4. The delivery may deviate from the agreed weight or quantity only if the parties have so expressly agreed.

Product information

5. All information and data contained in general product documentation and price lists shall be binding only to the extent that they are by reference In Writing expressly included in the contract.

Delivery, passing of risk

6. Any agreed trade term shall be construed in accordance with the INCOTERMS® in force at the formation of the contract.
 - If no trade term has been specifically agreed, the delivery shall be Free Carrier (FCA) at the place named by the Supplier.
 - If, in the case of delivery Free Carrier, the Supplier, at the request of the Purchaser, undertakes to send the Product to its destination the risk will pass not later than when the Product is handed over to the first carrier.
 - Partial delivery shall not be permitted, unless otherwise agreed.

Time for delivery, delay

7. If delay in delivery is caused by an act or omission on the part of the Purchaser, the time for delivery shall be extended by a period, which is reasonable having regard to the circumstances. The time for delivery shall be extended even if the cause for delay occurs after the originally agreed time for delivery. Except as specified in Clause 20, second paragraph, the Supplier's right to an extension of time for delivery shall also apply when delivery is delayed due to a circumstance which constitutes Force Majeure under Clause 19.
8. If the Supplier fails to deliver the Product on time, the Purchaser may by notice In Writing to the Supplier fix a final reasonable time for delivery, stating the Purchaser's intention to terminate the contract if delivery does not take place within such final time. If delivery does not take place within such final time, the Purchaser may terminate the contract by notice In Writing to the Supplier.
 - If the delay in delivery is of substantial importance to the Purchaser, or if it is clear from the circumstances that such a delay will occur, the Purchaser may forthwith terminate the contract by notice In Writing to the Supplier.
9. If the Purchaser terminates the contract pursuant to Clause 8, he is entitled to compensation from the Supplier for the increased costs he may incur in procuring a substitute product from another source provided that the Purchaser proceeds in a reasonable manner. The Purchaser is hereby excluded from any other claim for compensation in respect of the Supplier's failure to deliver in time.
 - If the Purchaser does not terminate the contract, he shall not, unless otherwise agreed, be entitled to any compensation for the Supplier's failure to deliver in time.

Payment

10. Unless otherwise agreed, payment shall be made within 30 days after delivery of the Product and dispatch of the invoice.
 - If the Purchaser fails to take delivery of the Product on the agreed date, payment shall nevertheless be made as delivery would have taken place in accordance with the contract.
11. If the Purchaser fails to pay by the stipulated date, the Supplier shall be entitled to interest from the day on which payment was due and to compensation for recovery costs. The rate of interest shall be as agreed between the parties or otherwise 8 percentage points above the rate of the main refinancing facility of the European Central Bank. The compensation for recovery costs shall be 1 per cent of the amount for which interest for late payment becomes due.
12. If the Purchaser has not paid the amount due within three months, the Supplier shall be entitled to terminate the contract by notice In Writing to the Purchaser and, in addition to

Clause 11, to claim compensation for the loss he incurs. Such compensation shall not exceed the agreed purchase price.

Retention of title

13. The Product shall remain the property of the Supplier until paid for in full, to the extent that such retention of title is valid under the relevant law.

The Purchaser shall, at the request of the Supplier, assist him in taking any measures necessary to protect the Supplier's title to the Product.

The retention of title shall not affect the passing of risk under Clause 6.

Liability for defects

14. The Supplier undertakes to replace a Product which is defective due to faulty design, materials or workmanship.

15. The Supplier's liability is limited to defects, which appear within one year after the date of delivery of the Product.

The Purchaser shall, after the appearance of any defect, without undue delay notify the Supplier In Writing. If the Purchaser fails to do so he shall forfeit his right to have the Product replaced under Clause 14.

16. If the Supplier fails to deliver a Product in replacement within a reasonable time after receipt of the Purchaser's notice under Clause 15, the Purchaser may by notice In Writing to the Supplier terminate the contract in respect of the defective product.

If the Purchaser terminates the contract, he is entitled to compensation from the Supplier for the increased costs he may incur in procuring a substitute Product from another source provided that the Purchaser proceeds in a reasonable manner.

17. The Supplier shall have no liability for defects in the Product or failure to deliver a product in replacement, except as specified in Clauses 14 and 16. This applies to any loss that may be caused by the defect or the failure to deliver a product in replacement, such as loss of production, loss of profit and other indirect loss. This limitation of the Supplier's liability shall not apply if he has been guilty of Gross Negligence.

Allocation of liability for damage caused by the Product

18. The Supplier shall not be liable for any damage to property caused by the Product after it has been delivered and whilst in the possession of the Purchaser. Nor shall the Supplier be liable for any damage to products manufactured by the Purchaser or to products of which the Purchaser's products form a part.

If the Supplier incurs liability towards any third party for such damage to property as described in the preceding paragraph, the Purchaser shall indemnify, defend and hold the Supplier harmless.

If a claim for damage as described in this Clause is lodged by a third party against one of the parties, the latter party shall forthwith inform the other party thereof In Writing.

The Supplier and the Purchaser shall be mutually obliged to let themselves be summoned to the court or arbitral tribunal examining claims for damages lodged against one of them on the basis of damage allegedly caused by the Product. The liability between the Supplier and the Purchaser shall however be settled in accordance with Clause 22.

The limitation of the Supplier's liability in the first paragraph of this Clause shall not apply where the Supplier has been guilty of Gross Negligence.

Force majeure

19. Either party shall be entitled to suspend performance of his obligations under the contract to the extent that such performance is impeded or made unreasonably onerous by Force Majeure, meaning any of the following circumstances: industrial disputes and any other circumstance beyond the control of the parties such as fire, war, extensive military mobilization, insurrection, requisition, seizure, embargo, restrictions in the use of power, currency and export restrictions, epidemics, natural disasters, extreme natural events, terrorists acts and defects or delays in deliveries by sub-contractors caused by any such circumstance referred to in this Clause.

A circumstance referred to in this Clause whether occurring prior to or after the formation of the contract shall give a right to suspension only if its effect on the performance of the contract could not be foreseen at the time of the formation of the contract.

20. The party claiming to be affected by Force Majeure shall notify the other party In Writing without delay on the intervention and on the cessation of such circumstance. If a party fails to give such notice, the other party shall be entitled to compensation for any additional costs which he incurs and which he could have avoided had he received such notice.

If Force Majeure causes a delay in the performance by either party, which is of substantial importance to the other party, the latter may forthwith terminate the contract by notice In Writing.

Notwithstanding other provisions of these general conditions, either party may terminate the contract by notice In Writing to the other party if performance of the contract is delayed more than three months due to a Force Majeure as defined in Clause 19.

Consequential losses

21. Save as otherwise stated in these General Conditions there shall be no liability for either party towards the other party for loss of production, loss of profit, loss of use, loss of contracts or for any other consequential or indirect loss whatsoever.

Disputes and applicable law

22. All disputes arising out of or in connection with the contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.

23. The contract shall be governed by the substantive law of the Supplier's country.

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