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The mere fact that the *societas mercatorum* has an interest in achieving commercial profits through cross-border trade, does not suffice to justify the law-making power of the international community of merchants. The assumption of a transnational legal system requires more than a simple pragmatic policy of reasonable self-interest. It would be wrong to assume that there are transactions which have the transaction itself as their sole end, rather than, *e.g.* the accomplishment of a useful step in a chain from producer to consumer. Also, transnational law has to be distinguished from a mere social structure organized through conventional rules. In order to be recognized as the basis for a true legal system, the collective expectations of the members of that community with respect to compliance with certain rules of behaviour have to be intensified in a way that these rules and principles are regarded as binding and mandatory upon each member. This requires a basic consensus of common values and convictions and the readiness of every member of that community to comply with the relevant rules and principles *even at the risk of losing or doing damage to individual interests*. From an individual perspective, the ‘validity’ of a legal system means nothing more than “being motivated through the existence of legal principles and rules”. With this mandatory element, the law carries an ‘unfriendly moment’ in the regulation of social life.

This is also true in international trade where the business persons’ consciousness of the validity of trade usages, customs, contract practices, and similar rules is guaranteed through ‘black lists’, withdrawal of membership rights, forfeiture of bonds, and similar dangers to the commercial reputation. Above all, it is the inherent danger of losing commercial good will and standing within the community of merchants – and with it the ‘membership’ of this closely knit community – which provides the necessary incentive to adhere to the self-made law of international business. The necessary coordination of the wills of the individual market participants is brought about in the context of ‘conflict avoidance’ during the drafting of the contracts themselves. In participating in the contractual consensus (*consensus ad idem*), each party expresses the confidence that its counterpart will comply with the terms and conditions of the contract. Thus, the contract becomes the most important means to implement the will of the parties in practice because, in the absence of any need to ensure consumer protection, international trade and commerce constitutes an ideal climate for the free development of contractual structures. The notion of ‘private governance’ is thus extended to the contract itself. Contractual governance or ‘governance by contract’ occurs at the level of society, within the society of merchants who take part in the global exchange of goods, services and money. The contract becomes the means of ‘auto-regulation’ within the de-territorialized and, by virtue of modern IT-technology, de-materialized global marketplace.

The realization of this eminent force of the contractual consensus goes back to *Grotius* and *Pufendorf*, who realized that the keeping of one’s word is in harmony with the social nature of humans and the principle of good faith. Through these authors, this realization then penetrated into classical contract law doctrine. The ancient *lex mercatoria* of the middle ages was thus built on the faith in a given word, thereby allowing the actionability of *pacta nuda ‘in curia mercatorum*.

At the fairs, seaports, and market towns of the Middle Ages, ‘purchase and sale of merchandise was continually made’ and ‘the law merchant or law of the market was always followed there continuously’. Today, this ancient contract practice forms the basis of the ‘promise principle’ as the underlying idea of modern contract law. The trust of one side in the promise of the other (‘my word is my bond’) provides the essential basis for modern international trade transactions: ‘The morality of business turns the promise into a categorical imperative’. The legal
obligation that requires performance from every party to a contract is nothing other than the moral duty to respect one’s word. This notion of the contractual consensus, like the classical contract doctrine, is characterized by a lack of concern with distributive questions. However, the NLM only applies outside the consumer context. Also, international merchants bear an increased responsibility for the conduct of their business affairs, resulting in a transnational principle which presumes their professional competence. It is thus in the field of transnational business activities, where the force of the contractual consensus can flourish and develop its law-making quality, unhampered by consumer protection laws and notions of distributive justice that go beyond the general principle of ‘good faith and fair dealing in international trade’.

A typical example of this process, albeit in a closely knit commercial community, is the diamond trade in Antwerp, Belgium and other places of the world. Each day, diamonds worth thousands or even millions of US dollars are traded there. The contracts between the diamond traders, frequently concluded through professional intermediaries, are based solely on the consensus of the parties, the mutual trust in the other party’s performance, a handshake, and a special trading formula. Breach of these informal, unwritten contracts, however, will result in worldwide suspension from trading which will be publicly announced. This provides a strong incentive for the parties to meet their contractual obligations. Similar examples of informal, trust-based contract practices can be found in the commodity trade. When written contracts are required in international, arm’s length transactions, the mutual trust of the parties is made possible and enhanced by the multitude of standard form contracts and uniform contractual models that are circulated in the worldwide business community.

This understanding of the transnational legal process requires the redefining of the traditional theory of legal sources. In modern business relationships, it is the contract which assumes the genuine function of a source of law:

‘It is the contract which now constitutes a legal change. Traditional legal concepts do not include the contract among the sources of law. But if we continue to conceive of the contract as a mere application of the law, and not as a source of law, we will preclude the possibility of understanding how the law of our times is changing. The contract is taking the place of the law, even in the organization of society. Some decades ago Millibad wrote that, more than ever, people considered the state as source of all provisions and even as a source of their happiness. Today we must say that this notion is dissappearing. Society now looks after itself and tends towards self-organization . . .

The inadequacy of the law to make changes derives from two characteristics of contemporary economy. The first is the meta-national nature of the economy which is antithetical to the national character of the legal systems. The second is that the economy is in continuous change which demands flexible instruments of adaptation from the law to change, in antithesis to the rigidity of the laws.

This process implies that the contractual consensus which assumes a law-making force of its own, is shaped, influenced and validated by external criteria other than the parties’ self-interests in making a profitable deal. This process of external validation may be effected by the parties’ adhesion to certain general or sectorspecific market standards, by the reconciliation of the contract with unwritten cultural and/or ethical standards existing in the parties’ home jurisdictions, in third countries (e.g. the place of performance) or on the regional and global level, or by the transformation of written standards contained in soft law instruments such as Codes of Conduct of the relevant industry in which the parties are operating into ‘binary’ contractual obligations. This ‘objectivation’ of the parties’ subjective contractual consent receives additional force if they base their contract not (only) on terms which they negotiate on an ad hoc basis, but on standard forms prepared by industry organizations or formulating agencies operating at the regional or global level, such as the United Nations Economic Commission for Europe (ECE)-General Conditions for the Supply of Plant And Machinery For Export (LW 188) or the International Federation of Consulting Engineers (FIDIC) Conditions or the model contracts for distributorship, agency and international sales issued by the ICC.
If the confidence of one side in the compliance with the contractual terms by the other is disappointed, the arbitrators, whose jurisdiction is based on the consensus of the parties, assume the function of a control instance. The parties’ confidence is no longer focused on the counter-party’s will to comply with the contractual terms but on the competence of the arbitral tribunal as a privately constituted and ‘genuine’ court for international trade. The transfer of the case from the plane of the individual bargain to the arbitral tribunal also leads to a change of perspective. The neutrality of the arbitrators requires them to take an objective view of the case, applying objective commercial standards such as ‘fair dealing’, ‘reasonableness’ and ‘trade usages’, thereby enriching the abstract contractual consensus (‘pacta sunt servanda’) with commercial life. The private character of the arbitral process may therefore not be used as an argument to deny the control competence of international arbitrators. Rather, the contractual character of their competence guarantees the homogenous character of the transnational legal process in that not only the participation in it but also the compliance control is based on the same legal notion, i.e. the contractual agreement as such. It is not surprising, therefore, that both general contract law and arbitration are characterized by the same principle: ‘in favorem validitatis’.

Again, the consensus-based dispute settlement system has important repercussions on the development of transnational law. The drafting practice of international trade, geared towards the ideal of conflict avoidance, reacts to the case law of international arbitral tribunals and thereby consolidates and stabilizes the general structure of the NLM which, in turn, is shaped and influenced by international drafting practice.

This phenomenon of ‘consensual regulation of international commerce’ is well known from the field of investment contracts:

‘It belongs to the regrettable weaknesses of public international law that its norms – frequently still in the status nascendi – are difficult to put in a concrete form. Every arbitral award, every other solution of such a conflict – and every drafting technique adopted to solve such problems – contribute to the finding of the law. One should not be impatient. The ‘actors’ . . . generally know about the consequences of their conduct. Irrational conduct from one or the other side will always have catastrophic consequences for the party . . . there is a major chance for the consolidation of public international law of expropriation because the parties usually behave in a rational manner.’

It is at this juncture that the circle of consensual law-making is closed. Dispute settlement through arbitration or other dispute resolution techniques forms the vital link between spontaneous and reactive drafting techniques and the formation and evolution of the NLM. Transnational law may therefore be traced back to the consensus of the participants of international trade. This consensus has a legal force of its own without the need of a prior acknowledgment by domestic legislatures.

[...]

Part II
The New Lex Mercatoria in Practice: New Approaches towards the Codification of Transnational Commercial Law

[...]

Chapter 4
Informal Approaches Towards the Codification of the New Lex Mercatoria

[...]

I. Restatements of International Contract Law
A. The UNIDROIT Principles of International Commercial Contracts

7. Contents of the Principles

a. Structure

The 1994 edition of the UNIDROIT Principles consisted of 120 articles which were divided into seven chapters. The 2004 edition of the Principles has not changed this basic structure but has lead to the addition of three new chapters and new subsections in Chapters 2 and 5. The 2004 edition consists of 185 articles. The first chapter ('general provisions') of the UNIDROIT Principles contains basic legal notions and principles that deal with such fundamental notions as freedom of contract, freedom of form and proof, pacta sunt servanda, good faith and fair dealing and the primacy of usages and practices in international trade. The other chapters contain provisions relating to the conclusion of contracts, the effect of contracts, the construction of contractual stipulations, the contents of contracts, performance and the legal consequences of non-performance. The structure of the Principles follows the American Restatement of the Law of Contracts in that a basic rule or a general legal principle formulated as blackletter law is followed by a short commentary-like explanation and explanatory illustrations. However, in contrast to the Restatement (2nd) of the Law of Contracts, there are no 'notes' specifying the comparative references (statutory provisions of domestic laws, court judgments, arbitral awards, conventions, doctrinal writings, etc.) on which the wording of the relevant rule or principle is based. The drafters intentionally left out such references to national legal systems in order to emphasize the international character of the UNIDROIT Principles, which are detached from any domestic legal system. Also, the omission of comparative references was intended to avoid highlighting the fact that in the preparation of the Principles, some legal systems played a more significant role than others. The first version of the American Restatement also did not contain any references to the practice of the common law in the various American states. However, in order to enhance its acceptance, such notes were included in the second edition of the Restatement. It was for this very reason that the ‘Principles of European Contract Law’ drafted by the Lando Commission contain comprehensive comparative references. A collection of comprehensive comparative references may attach increased legitimacy and authority to a list of general principles and rules of international commercial law and may serve as a starting point for their differentiation and diversification. This issue will be looked at in more detail when the ‘Creeping Codification’ through the drafting of lists of general principles and rules of the NLM is discussed.

A particular characteristic of many of the provisions contained in the Principles is the attempt to uphold the contract as much as possible. The assertion of the Principle ‘in favorem validitatis’ reflects a general concern of economic practice perceived in the general international law of contracts (‘favor contractus’) and also in the area of international commercial arbitration. Whether formulated as a comprehensive regulatory framework of the parties or drafted by reference to general conditions of trade, the contract detaches the legal relationship between the parties from the ‘otherwise’ applicable domestic law. Due to its selfsufficient character the contract becomes the ‘substitute law’ for the parties. Influenced by Anglo-American drafting techniques, the comprehensive contractual arrangements ‘autonomize’ the parties’ legal relationship from the direct application of substantive law. In both long term business relationships and arms’ length bargains, the parties have a vital interest in upholding their contract. The validity of the contract becomes all the more important since aspects of consumer protection do not play any role in this context. From the perspective of legal theory, the principle of ‘favor contractus’ correlates with the general significance of the contractual consensus of the parties as the driving force behind the creation and evolution of transnational commercial
A survey of those provisions which reflect the principle ‘favor contractus’ may give an indication of the significance which it has played in the drafting of the Principles. These provisions include acceptance of a contractual offer by performing an act without notice to the offeror (Art. 2.6), the modification of contractual terms by writings in confirmation (Art. 2.12), contracts with terms deliberately left open (Art. 2.14), the battle of forms (Art. 2.22), the validity of a mere contractual agreement without consideration (Art. 3.2), the validity of a contractual relationship in spite of initial impossibility (Art. 3.3), the rule of interpretation ‘favor negotii’ (Art. 4.5), the rule to supply an omitted contractual term (Art. 4.8) and finally the right of the non-performing party to cure (Art. 7.1.4). Also, the principles on re-negotiation in case of hardship (Arts 6.2.1 et seq.) and of excuse of non-performance in case of force majeure (Art. 7.1.7) are inspired by the principle of ‘favor contractus’. The last two principles are characterized by their inherent vagueness and lack of clarity. They are workable in practice, only when they are embedded in a comprehensive legal system which is based on such fundamental legal notions as ‘pacta sunt servanda’.

b. Constituent Elements of a Legal System: The Interaction Between ‘General Principles’ and ‘Rules’

aa. The Differentiation Between ‘General Principles’ and ‘Rules’

The differentiation between ‘general principles’ (‘principes généraux’, ‘allgemeine Rechtsgrundsätze’) and ‘rules’ (‘règles’, ‘Regeln’) or between ‘general principles’, ‘rules’ and ‘standards’ is an integral part of legal theory. According to the doctrine of legal sources, all these terms may be grouped under the heading of ‘norm’. This does not mean, however, that the UNIDROIT Principles obtain the quality of a legal norm in the proper sense. Like the American Restatements they are merely drafted like norms so that the principles relevant to the drafting of norms of domestic law may always be applied here by analogy.

Whereas with respect to a rule, there are definite guidelines directing what conditions must be met before the rule can be applied, and there is a determined central area of application surrounded by a fringe of vagueness, i.e. a more or less wide, less distinct peripheral scope of possible applications, general principles are much less precise even at their core, the guidelines for their application are unclear and formulated in a general and vague manner. General principles do not necessarily have pre-set conditions for application. Instead, they merely constitute ‘rules of optimal application’ which means that they may be complied with in varying degrees. The required degree of compliance depends not only on the actual but also on the legal options open to the target group. Application of general principles therefore requires a substantial process of weighing up contradictory principles and rules. General principles are therefore always subject to a continual discussion about their effectiveness and scope.

bb. Consequences of this Differentiation for the UNIDROIT Principles

The UNIDROIT Principles make use of this dialectic between a rule and a general principle of law. They keep to very
definite rules with a clearly defined scope of application. In addition to the provisions relating to the conclusion of contracts (Arts 2.1 et seq.), the following articles should be mentioned in this context: Articles relating to the mode of payment (Arts 6.1.7 et seq.), to the currency of payment (Art. 6.1.9.9), to the costs of performance (Art. 6.1.11), to the right to withhold performance (Art. 7.1.3), to a party’s right to require payment (Art. 7.2.1), to a party’s right to claim damages for non-performance (Art. 7.4.1), to the calculation of damages (Art. 7.4.6), and to the rules governing the calculation of interest claims (Art. 7.4.9). The latter provision is of utmost economic relevance, given the enormous amounts that are frequently in dispute in international commercial cases. However, the UNIDROIT Principles are not restricted to the reproduction of the technicalities of conclusion of contracts by offer and acceptance and the performance of contracts and possible secondary claims. Instead, a number of general principles in the form of general clauses take precedence in the first chapter.

In addition, general principles perform an important gap-filling function. Art. 1.6(2) of the Principles takes up this idea and states that issues within the scope of the Principles but not expressly settled by them ‘are as far as possible to be settled in accordance with their underlying general principles’. These general principles are either expressly contained in the individual articles of the Principles (‘good faith’, ‘reasonableness’ etc.) or must be derived from specific provisions by way of autonomous interpretation, detached from any domestic laws. This concept of an autonomous uniform interpretation without reverting to any domestic law, constitutes an important leading principle in international uniform law. It formed the basis of Art. 17 of the Uniform Sales Law and Art. 7(2) CISG, both of which were drafted on the basis of corresponding provisions of domestic legal systems. UNIDROIT’s official commentary to the Principles accordingly makes it clear that in order to promote uniformity in the application of the principles, gaps should be filled ‘whenever possible, within the system of the principles itself before resorting to domestic laws’. Through this statement, the Working Group directly recognized the ‘openness’ of the ‘system’ and the important function of the general principles contained therein.

The need to weigh legal principles against legal rules becomes obvious when such provisions in the UNIDROIT Principles are applied which, though having the characteristics of rules, allow wide scope for teleological considerations by using broad legal language which requires extensive interpretation and elaboration. The following are examples of such provisions: Duty to pay damages in case of breaking off of negotiations in bad faith (Art. 2.15(2)), supplying an omitted contract term (Art. 4.8), possible sources of implied contractual obligations (Art. 5.2), the duty to cooperate with the other party in the performance of that party’s obligation (Art. 5.3), which, if it can reasonably be expected under the circumstances, may even amount to a duty of active cooperation notwithstanding contractual provisions to the contrary, and the duty to re-negotiate in the event of hardship (Art. 6.2.3).

The general principles which serve as important reference points for the assessment process described above are: the principle of party autonomy as the Magna Charta of international contract law (Art. 1.1), the principle of ‘pacta sunt servanda’ (Art. 1.3), the notion of ‘good faith and fair dealing in international trade’ which the parties have to observe during the negotiations of the contract and for the whole duration of the contract and which may not be excluded or limited by them according to Art. 1.7 of the UNIDROIT Principles.

The notion of good faith in particular belongs to the common core of the legal systems of the civil law countries and is also acknowledged by the American UCC and the Restatement (2nd) of Contracts and other common law jurisdictions such as Australia. The German Federal Supreme Court has stated ‘that the notion of good faith is a supranational legal principle that is inherent in all legal systems’.

English courts, however, have always rejected the idea of a general principle of good faith ever since Lord Mansfield described the notion of good faith as ‘the governing principle . . . applicable to all contracts and dealings’ in 1766. In
the English courts’ view, such a general principle of law would run counter to the parties’ respective positions during
contract negotiations and over the duration of the contract and would also be impracticable. Thus, the English House of Lords

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has ruled that an express agreement that parties must negotiate in good faith is unenforceable. From the perspective of a functional comparative analysis, however, the assumption of a general principle of good faith and its inclusion in the UNIDROIT Principles is justified and has also found its way into Art. 7 CISG. The reason for this is that English courts have applied the principle of good faith as an ‘implied term of the contract’ in individual cases, thereby indirectly acknowledging the existence of a principle of ‘good faith in the performance of the contract’. Also, the principle of good faith lies at the roots of such important legal institutions of the common law systems as ‘promissory estoppel’ or ‘estoppel in pais’. Finally, it seems that under the influence of European law, especially with respect to the EU Directive on Unfair Terms in Consumer Contracts, implemented in the Unfair Terms in Consumer Contracts Regulations 1994, and continental legal traditions, the long-standing hostility against the principle of good faith will soon be overcome by English lawyers and courts.

Thus, it may be said that the principle of good faith is a perfect example for the basic drafting approach of the UNIDROIT Working Group, which has always been rather pragmatic than purely dogmatic.

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In any event, the influence of the Principles in this respect has already been felt. In an unpublished award of 1996, an arbitral tribunal made reference to the Principles in order to demonstrate to the parties that the enforceability of the parties’ agreement to negotiate in good faith under the applicable New York law was in line with international contract practice.

Within the UNIDROIT Principles, the notion of good faith is qualified in that it is mentioned in Art. 1.7(1) simultaneously with the idea of ‘fair dealing in international trade’. This was done in order to make it clear from the outset that the conduct of the parties is not to be measured according to the subjective standards of their bilateral (or multilateral) contractual relationship, or according to the standards of their respective domestic legal systems, but rather according to a far-reaching, objective standard to be found among businesspersons in international trade, amounting to a ‘fairness in the market place’. This objective understanding of the notion of good faith in international business is not only in line with the approach taken in § 1-201 (b) (20) UCC and § 2–103 (1) (j) UCC, but is also reflected in English legal practice where the principle of good faith is always seen in the context of the standards of honesty, fairness and reasonableness that prevail in the relevant legal community. In any event, the standard reflected in Art. 1.7 of the UNIDROIT Principles has to be understood in a transnational sense. It is detached from the particularities of domestic legal systems and has to be seen in the socio-economic environment in which multinational enterprises usually operate. This confirms the general observation that it is impossible to compile a common stock of concrete rules, principles, and applications that are related to the principle of good faith. Instead, this broad and vague notion always has to be interpreted and applied in a context-oriented manner.

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In spite of its general and vague character, Art. 1.7 of the UNIDROIT Principles may rightly be characterized as the Magna Charta of international commercial law. The principle of good faith and fair dealing performs a central function in the interpretation of the Principles and in transnational commercial law in general. By stating in general terms that each party must act in accordance with this standard, the article makes it clear that even in the absence of special provisions in the Principles, the parties’ behaviour throughout the life of the contract, including the negotiation process, must meet certain requirements which are generally accepted within the international business community.

The Magna Charta of international trade law does not stand alone within the system of the UNIDROIT Principles. It is supplemented by the parties’ commitment to trade usages to which they have agreed or which are widely known to and regularly observed in international trade by parties and to practices which they have established between themselves (Art.
The general terminology used in this article was adopted from Art. 9 CIGS and Art. 9(2) of the Uniform Sales Law. The basic difference between the approach chosen in the Principles and in the Uniform Sales Law is that the standard of reasonableness which leads to the exclusion of the application of trade usages, has been changed. The heavily criticized subjective test of the Sales Law (‘ . . . usages, which reasonable persons in the same situation as the parties’ usually consider to be applicable to their contract . . .’) is replaced by an objective test of reasonableness (‘ . . . except where the application of such a usage would be unreasonable’).

This principle of ‘reasonableness’ plays a dominant and recurrent role in almost all of the provisions of the UNIDROIT Principles even though, contrary to the ‘Principles of European Contract Law’ of the Lando Commission, the UNIDROIT Principles do not contain a blanket clause which defines the notion of reasonableness. Under the Uniform Sales Law and the CISG, the ‘reasonableness test’ (‘reasonable person’; ‘reasonable time’; the juxtaposition of ‘reasonable’ and ‘unreasonable’) has been used as a general criterion for the evaluation of the parties’ conduct in those cases where there is no specific provision to be applied to their legal relationship. The Dutch Civil Code also contains specific provisions on the standard of reasonableness which links to the principle of good faith (‘redelijkheid en billijkheid’, Arts 6:1, 6:248, 6:285 BW). The notion of ‘reasonableness’ thus provides the classical standard which attaches an objective quality to the principle of good faith. The standard thereby performs an important prohibitive function which, under German law, is effected by the prohibition of the improper exercise of legal rights under the blanket clause of good faith contained in Sec. 242 of the German Civil Code.

Inclusion of this standard in the general section of the UNIDROIT Principles reflects the particular character of international commercial law. It is composed not only of clearly defined legal duties but also and to a large extent of general standards and duties of conduct (‘obligations de comportement’). They allow for the adaptation of the law to the changing circumstances of international trade and commerce. Under the standard of ‘reasonableness’, it is irrelevant whether or not a party has acted upon what it honestly believed to be reasonable. Instead, it is decisive whether one has put forth his best efforts, exercised due diligence in performing one’s contractual obligations, upheld the common contractual goals, avoided abuse of rights required under the contract, and facilitated the other party’s performance.

The flexibility and ‘souplesse’ of the standard of reasonableness also reflects its major virtue: It allows arbitrators and judges to focus on the search for a fair and ‘equitable’ solution to international commercial disputes. At the same time, the standard provides a further indication for the ‘openness’ of a legal system in general and of the NLM in particular, proving the quality of transnational commercial law as a ‘law in action’. The standard of reasonableness has its origin in a sociological understanding of the contract which is also the basis for the idea of an institutional development of the law through the international community of merchants. This view is confirmed by the fact that reasonable behaviour usually means nothing more than keeping one’s word in all circumstances or at least in the manner (commonly) intended by the parties. The idea of reasonable conduct is therefore inextricably linked to the principle of ‘pacta sunt servanda’ and to the notion of a general transnational liability for breach of confidence as a basic pillar of the NLM.

In the context of the UNIDROIT Principles, the reasonableness test is of particular relevance for all those provisions which require a flexible interpretation and application in individual cases. They include those relating to the application of usages and practices (Art. 1.8(2)), the time of acceptance in case no time has been fixed by the offeror (Art. 2.7), the interpretation of the contract in cases where no common intention of the parties can be determined (Art. 4.1(2)), the determination of the quality of performance which is neither fixed by, nor determinable from, the contract (Art. 5.6), the determination of the contract price where the contract does not fix or make provisions for determining the price (Art. 5.7), the determination of the time of performance absent an agreement by the parties (Art. 6.1.1(c)). The reasonableness test is also relevant for those articles dealing with ‘hardship’ (Art. 6.2.2) and ‘force majeure’ (Art. 7.17). In the context of these provisions, the standard of reasonableness frequently takes the place of party agreements, thereby reflecting the drafters attitude of the existence of a general standard of conduct in international trade. However, the abstract and general provisions contained in the UNIDROIT Principles do not themselves provide this standard. Therefore, the construction of international contracts and the determination of the conduct of the parties depends upon a close interaction between the criterion of good faith (Art. 1.7) and the objective test of fair dealing in international trade.
reasonable on one hand, and the usages and practices of international trade (Art. 1.8) on the other. A contract as well as a unilateral statement or conduct of a party shall be interpreted under the UNIDROIT Principles according to the intention of the party or parties and, where no such intention can be established, according to the meaning that a reasonable person of the same kind as the parties or party would give to it under the circumstances (Arts 4.1 and 4.2). Art. 4.3 of the Principles states that in applying the standard, all the circumstances, including preliminary negotiations between the parties, practices which

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the parties have established between themselves, the conduct of the parties subsequent to the conclusion of the contract, the nature and purpose of the contract and, most importantly, ‘the meaning commonly given to terms and expressions in the trade concerned’ shall be considered. With this latter provision the UNIDROIT Principles refer to Art. 9(3) of the UniformSales Law. The UNIDROIT Principles refer the judge or arbitrator who has to interpret the contractual stipulations to the meaning of typical trade clauses as reflected in the INCOTERMS issued by the ICC. The Principles are therefore even more detailed than the CISG which contains a reasonableness test in Art. 8(2) but has not adopted a provision such as Art. 9(3) of the Uniform Sales Law which refers the judge or arbitrator to the meaning of contractual stipulations commonly given to terms and expressions in the trade concerned.

Further examples from commercial reality may serve to illustrate the functioning of this principle.

Schlechtriem provides the example of Internet communication not envisaged by the drafters of the Principles. In this case, the question may arise as to the time within which the recipient of an Internet sales confirmation has to object. Does it run only from the time the Internet message is reproduced in tangible form or from the moment of receipt in the addressee’s computer? In this case, good faith and fair dealing require that the ‘undue delay requirement’ of Art. 2.19 has to be interpreted so as to give the recipient a reasonable opportunity to take notice of the recorded message regardless of whether and when it is printed.

It is also said that, from the perspective of international business practice, Art. 3.10 of the Principles, dealing with a party’s right to avoid the contract or individual terms of it in case of excessive advantages for one party, would allow a seller who offered products at a low price because it had temporary cash-flow problems to ask the court at a later date to increase the contractually agreed price on the grounds that when the contract was made, this party was under ‘economic distress’ and had an ‘urgent need’ for cash (Art. 3.10(1)(a)). This view would indeed go against free market principles and the fundamental rule of pacta sunt servanda in that it overrules the natural distribution of bargaining powers within each contractual equilibrium. However, Art. 3.10 is not intended to provide the parties with a means to escape their contractual commitments. Even a considerable disparity in the value of the price of performance and counter-performance is not sufficient to permit avoidance of the contract. The application of this provision requires much more than this. Under the circumstances of the case and in the light of reasonable business practice, the disequilibrium ‘has to be so great as to shock the conscience of a reasonable (business) person’. This, of course, does not apply to mere cash-flow problems of one of the parties to the contract.

The same is true for the hardship provision of Art. 6.2.2. It is alleged that this provision allows the adaptation of the contract in case of currency fluctuations or because of an unexpectedly high failure rate under warranty. Again, this would contravene usual business practice and again, the answer to these objections must be that the hardship provision has to be read and construed in a context-oriented manner. Thus, Art. 6.2.1 expressly states that ‘where the performance of a contract becomes more onerous for one of the parties, that party is nevertheless bound to perform its obligations subject to the following provisions on hardship’. In other words, in cases of doubt, the principle of pacta sunt servanda prevails and performance must be rendered as long as it is possible and regardless of the economic burden it may pose on the performing party. This principle is a constituent element of international commercial contract practice and is also reflected in the ‘ICC Guide on Force Majeure and Hardship’. Currency fluctuations are a common element of commercial reality. They are usually regarded as typical business risks which cannot be shifted to the other party in case the contract does not contain a special provision and the pricing structure does not imply a certain ‘currency risk premium’.

Finally, it has been argued that the provisions on public permissions (Arts 6.1.14 et seq.) are impracticable and not in line...
with international business practice. Art. 6.1.17(1), which states that the refusal of a permission affecting the validity of a contract renders the contract void, is alleged to be unacceptable since it would enable a state-controlled entity to evade its contractual duties simply by arranging for the refusal of the public permission. Also, it is claimed that in such cases there should be some claim for non-performance for the aggrieved party. This objection is unjustified for two reasons. First, the public entity’s conduct in this case would violate the general principle of good faith (venire contra factum proprium) which has to be observed in the interpretation of the Principles according to Art. 1.7. Also, Art. 6.1.7(2) calls for the application of the rules on non-performance in cases of refused public permissions that render the contract void, thus opening the way for a claim for damages under Art. 7.4.1.

These examples reveal that the black-letter law of the Principles cannot be applied in a mechanical way without having regard to the general framework and thrust of the Principles as clarified in the official commentary. Instead, the provisions always have to be construed in the light of their underlying guiding notions, of which ‘pacta sunt servanda’ and ‘reasonableness’ are the most important.

The generality of the principles and rules contained in the UNIDROIT Principles, the complex assessment process and the weighing of interests that is necessary for their proper application are by no means proof of a lack of practicability. Rather, they are indications for the quality of international commercial law as a ‘law in action’ which is in a state of constant evolution through international practice. In the context of international commerce and trade, this important function is performed by international arbitrators striving to reach equitable and reasonable solutions for commercial disputes. It is through their decision-making that the UNIDROIT Principles ‘are filled with life’. This reflects the general experience that general principles of law and standards of conduct do not have legal effects in abstracto, but have to be integrated into a law-finding and norm-creation process. In the context of transnational commercial law, this is the functional comparative methodology and the institutional creation of the law.

[...]

II. Escaping the Codification Dilemma: The ‘creeping Codification of the New Lex Mercatoria’

[...]

C. The New Concept: The ‘Creeping Codification’ of the New Lex Mercatoria

[...]

5. Creeping Codification Online: The TransLex Principles

The TransLex Principles, reprinted in Annex III to this Study and available at www.trans-lex.org, provide a unique online tool for the Creeping Codification of the NLM through the Internet. The TransLex Principles are based on the methodological approach and comparative research described in this Study. The functional comparative methodology and the case law of international arbitral tribunals form the two pillars on which the legitimacy of the TransLex Principles is based. They contain legal principles, standards and rules as constitutive elements of a transnational commercial legal system. This online approach to the Creeping Codification of the NLM serves three specific purposes:

- formulating of the rules and principles in black letter text so as to allow the user to apply the NLM in legal practice;
- reproducing the comparative law references for each principle or rule to help to save the time and money that practitioners and academics must invest in comparative research required to determine the contents of transnational law; and
- displaying the relevant materials in full-text versions immediately below the black letter text of each principle and rule to enable the user to make his own judgment about the ‘comparative persuasiveness’ of these sources.
a. History of the List

The first version of the lists which form the basis of the TransLex Principles was published in 1992. The list contained thirty-nine principles and rules of the NLM together with numerous comparative law references. The list was unstructured and not organized in any way. Its sole purpose was to prove the contents of the NLM at that specific point in time. The English version of the list, which was published in 1993, contained forty-four principles and rules.

It was Norbert Horn, one of the most important proponents of the NLM doctrine in Germany, who brought up the idea that the list could be more than just an unsystematic compilation of principles and rules of the NLM:

‘One is puzzled by the list . . . because of its form: A concise listing of individual legal notions and legal principles. Almost each of them would deserve a scientific treatment of its own . . . The reader acknowledges with great interest the – according to my knowledge up to now most comprehensive – listing of such basic notions and legal principles. In my opinion, the list, in and of itself, constitutes an advancement of legal knowledge.

The original German version of the first edition of this book, which was published in 1996, contained the third version of the list, now with sixty-nine principles and rules of the NLM. Again, the list had no structure and was not organized in chapters or subdivisions. It was in that treatise that the idea of the ‘Creeping Codification’ of the NLM was developed and presented. The English version of the German treatise, which was the first edition of this book, was published in 1999. It contained a new version of the list with seventy-eight principles and rules of the NLM.

b. History of the Online Codification Platform ‘TransLex’ (www.trans-lex.org)

There was an intrinsic problem with all lists published between 1992 and 1999. Their growth and character as a mere unorganized compilation of principles and rules reduced their utility. That problem ran counter to the very purpose of the lists, namely the codification of the NLM in a way that makes them easily accessible for practitioners and academics around the globe.

aa. The Predecessor: The Transnational Law Database (Tldb)

In 1999, CENTRAL began to consider the use of modern communication technology for the implementation of the concept of the ‘Creeping Codification’ of the NLM. The idea of publishing a CD-ROM with the text of the list and the numerous full-text materials supporting each principle was quickly abandoned. It was obvious that this technology would not be able to keep pace with the dynamic development of the NLM. Instead, the idea was born to set up a ‘codification platform’ on the Internet. To prepare for this project, a list was published by the Research Team in a CENTRAL publication on transnational law in late 1999 which was, for the first time, subdivided into fifteen chapters and which contained – also for the first time – the black letter text of each principle and rule contained in the list. While the Internet has been regarded as a typical area of business life for which transnational legal structures have developed into a kind of ‘lex informatica’ or ‘lex electronica’, the CENTRAL Research Team regarded the Web as the only technical environment through which the Creeping Codification of the NLM could be implemented. The CENTRAL Research Team quickly realized that the unique character of the World Wide Web avoids the defects inherent in traditional means of codification. The absence of a territorial localization of the Web conforms with the transnational character of the NLM, whose primary goal is to detach commercial law from the territorial constraints of domestic legal systems. The ‘Open-Access’ environment and global scope of the Web complies with the nature of the NLM as a ‘public domain law’. Also, the Web permits easy and free access to the NLM on a global scale. Unlike printed texts, the technical options available on the Web, coupled with modern IT- and database technology, allow for easy everyday access, use, as well as the quick and continuous updating and dynamic evolution of the TransLex Principles. Through the Internet, CENTRAL can take account of the special character of the Creeping Codification concept.
which is as flexible, spontaneous, and highly volatile as the NLM itself\textsuperscript{659}. The use of the highly flexible technical environment of the Web assuages concerns that any attempt to ‘catch’ the NLM, which is floating in the transnational sphere, and to force it back into the straightjacket of a code-like list might ultimately result in compromising not only the autonomy, but also the inherent flexibility and highly dynamic character of the NLM\textsuperscript{660}.

A senior member of the CENTRAL Research Team, Holger Dubberstein, a lawyer and expert in IT and database programming, programmed the database as an Internet-based codification platform. The result of his excellent work, the ‘Transnational Law Database’ (Tldb, \url{www.tldb.de})\textsuperscript{661} was launched at an international conference on ‘Transnational Law in the Age of Globalization’ held at Münster University on October 26, 2001. At the conference, one of the speakers, Gralf-Peter Calliess, stated:

‘... in terms of providing free and easy access to systematic knowledge of Lex Mercatoria and thereby enabling self-reference, the CENTRAL Transnational Law Database launched today could be a milestone on the road to the New Law Merchant’\textsuperscript{662}.

After CENTRAL moved from Münster University to the University of Cologne in April 2002, the Tldb was renamed into ‘Transnational Law Digest & Bibliography’ in order to emphasize the ‘Digest-like’\textsuperscript{663} quality of the platform, while maintaining the acronym ‘Tldb’. The platform was also transferred from a ‘.de’– to a ‘.net’-domain (\url{www.tldb.net}) to underline the transnational character of the codification platform.

\begin{itemize}
  \item \textit{TransLex Principles}: a list of almost 130 principles of transnational law, the ‘New Lex Mercatoria’.
  \item \textit{TransLex Bibliography}: a comprehensive bibliography on transnational law.
  \item \textit{TransLex Materials}: a collection of texts of international conventions, model laws, restatements, domestic statutes, soft law instruments and many other materials.
  \item \textit{TransLex Links}: a collection of selected links which are relevant for research in transnational law and international business law.
\end{itemize}

TransLex was launched at the final rounds of the \textit{Willem C. Vis} Arbitration Moot Competition in Vienna in early April 2009. In fact, many student teams who have participated in that competition in the past have made extensive use of the Tldb, and the teams who participated in the final rounds of 2009 showed great interest in the new TransLex platform.

Like the UNIDROIT and \textit{Lando Principles}\textsuperscript{664}, the TransLex Principles are of a multi-functional nature. They may be used:

(1) to determine the applicable rules in a dispute if the parties have chosen ‘transnational commercial law’, ‘general principles of law’, ‘\textit{lex mercatoria}’ or the like;

(2) to determine the applicable law, if, absent a choice of law by the parties, the arbitrators decide to apply this concept to the dispute before them;
(3) to allow for an autonomous interpretation of and for the filling of internal gaps in international conventions and other uniform law instruments;

(4) to allow for the 'internationally useful' construction of domestic law in international disputes;

(5) to ascertain the disputed meaning of key legal terms of transnational commerce, e.g. 'force majeure', 'hardship', 'best efforts', 'time of the essence', 'FOB', 'CIF' etc.;

(6) to supplement or correct a future European Civil Code in international commercial disputes;

As Features of the TransLex Principles: The Online Codification Process made do not reflect a change in the substantive meaning of the force majeure principle. Rather, the CENTRAL Research Team recognized that the text of the Aproach is an principle and that is not necessary. The list of substantive elements of the force majeure principle, as for example in subsection (ii) of the Tldb, was divided into different subsections and grouped into different subcategories of events. That is a central and structural change that goes beyond mere textual or structural improvements. Many of the examples contained in the current version of that subsection have been added as a consequence of the creeping codification process. As a result, the TransLex Principles are not an unorganized compilation of rules and principles. Rather, the CENTRAL Research Team recognized that the text of the Tldb was not very user-friendly. To address that concern, the TransLex Principles are equipped with a large variety of search filters and reproducing documents which constitute the comparative law references. This makes it easy for the user to ascertain the disputed meaning of key legal terms of transnational commerce and trade in an era of globalization.

The Meaning of 'Codification' in the Context of the New Lex Mercatoria: Codification is a principle of the CENTRAL Research Team. The term 'codification' must be understood as black letter law that contains a coherent set of principles and rules of European private law, that are useful as technical tools to ensure legal certainty and uniformity of legal rules within a given jurisdiction. The term 'codification' used in the context of the TransLex Principles must not be confused with the traditional notion of 'codification' used in the context of the Nevis Lex Mercatoria. The principles and rules contained in the list, either on their own or in their combination, allow for the resolution of the vast majority of international business disputes. TransLex therefore does away with the longstanding criticism that the Centred Lex Principles from the UNIDROIT and the CENTRAL Research Team recognized that the text of the Tldb was not very user-friendly. To address that concern, the TransLex Principles are equipped with a large variety of search filters and reproducing documents which constitute the comparative law references. This makes it easy for the user to ascertain the disputed meaning of key legal terms of transnational commerce and trade in an era of globalization.
principles to the extent permitted by the applicable law.

In the current version of the TransLex Principles, the same principle is formulated in a broader fashion:

1. **Good faith and fair dealing**
   
   The parties must act in accordance with the standard of good faith and fair dealing in international trade.

The parties must act in accordance with the standard of good faith and fair dealing in international trade.

e. Updating and Developing the List

The purpose of providing TransLex Principles is to create a platform for the comparative study of the principles and rules contained therein. They also serve as a comparative **substratum** for the further evolution of the list in a systematic way through computer programs that were provided by the different forms of legal reasoning.

The process of adding a principle or rule **starts with a concrete legal problem that appears in an international business transaction**. Such a problem is typically the result of an interaction between legal principles with conflicting meanings that were published in a dispute that arises in the jurisdiction of a particular country. The problem is then studied in the context of the functional competitive methodology, i.e., using a top-down approach that considers the nature and duration of the contract.
The textual and structural changes reflected in the two versions are not due to a change in the substantive meaning of the developed. Rather, they are intended to improve the quality of transnational legal language, to better reflect the applicability of this very general and basic legal principle. At the same time, the text in section (a), which was included in the original definition of the code of conduct for a party on an ad hoc basis, taking into account all circumstances of the concrete case, would not be met without a comparison with similar provisions in other lists.

The FIDIC-RD: Independent Guarantees

The FIDIC-RD is the latest version of the Tldb in the following words: “The FIDIC-RD is a code-like instrument which has been drafted by reputable international institutions in order to promote international best practices in the field of international construction law, as the new World Bank guidelines for the supply of mechanical, electrical and related Equipment Products”. The FIDIC-RD promotes a number of important conditions of trade such as the FIDIC Conditions, the EPC Conditions, the JCT and the NEC Conditions.

The FIDIC-RD has greatly influenced the shaping of international construction law, as the new World Bank guidelines for the supply of mechanical, electrical and related Equipment Products must also be included in the comparative research. Finally, the verification process has to focus on international standards of conduct and general conditions of trade such as the FIDIC Conditions. The FIDIC-Red Book is the new World Bank guidelines for the supply of mechanical, electrical and related Equipment Products.

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No. IX.3 – Nominal-Value Principle

In order to ensure this legitimacy, the research must include classical legal systems from civil and common law countries and ‘hybrid’ legal systems such as the civil code of the Canadian province of Quebec, the laws of Scotland, South Africa or the so-called Napoleonic law. However, the principles and rules contained therein have been derived from the practice of international arbitral tribunals and those legal instruments which have been drafted by reputable international institutions.

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The results derived from this comparative research may then be verified on the basis of international conventions such as the CISG and its predecessors, The Hague Sales Laws, and with reference to conventions of public international law, such as the Vienna Convention on the Law of Treaties of 1969. The CISG plays a pivotal role in this verification process, as it is considered to be the cornerstone of the codification of the NLM in the field of international sales contracts. Secondly, many of the principles and rules contained therein have been derived from the practice of international arbitral tribunals and those legal instruments which have been drafted by reputable international institutions.

The second aspect in the development of the list relates to the question of whether general principles or rules are in fact supported by the conviction of the general community of merchants. Here, the verification process has to include the case law of international arbitral tribunals and those legal instruments which have been drafted by reputable international institutions in order to promote international best practices in the field of international construction law, as the new World Bank guidelines for the supply of mechanical, electrical and related Equipment Products must also be included in the comparative research. Finally, the verification process has to focus on international standards of conduct and general conditions of trade such as the FIDIC Conditions. The FIDIC-Red Book is the new World Bank guidelines for the supply of mechanical, electrical and related Equipment Products.
The NLM as ‘law in the making’ requires the NLM instead: yes or no? but rather ‘lex mercatoria: when and how’. Focusing on the question of, when and how.

The development of transnational commercial law is instantly visible and accessible for the users around the globe. Due to the rapid development of international trade and commerce. The Restatements of UNIDROIT and of the Lando Commission have nevertheless introduced a static element into the NLM doctrine. At first sight, this consequence seems to be a blow to the NLM’s dynamism. It is true that the static nature of the law in the making is not a contradiction in terms. It is a recognition of the reality of transnational commercial law, i.e. a reflection of the content of the NLM at a given moment in time. Since the highly dynamic character of the major codifications of the last century has been abandoned and the idea of a self-contained and overdogmatized doctrinal discussion is not an abstract subject developed in the academic ivory tower, but a practical working tool for the international practitioner.

The restatements of international contract law presented by UNIDROIT and the Lando Commission have paved the way for the codification of transnational commercial law. Today, informal and pragmatic rule-making prevails over formalized and overdogmatized doctrinal discussions. For the first time, a private group of academics and practitioners was able to show that the need for a transnational commercial law is a reality and must be developed in the future to provide a practical working tool for the international practitioner.

The restatements are no longer ‘lex mercatoria: yes or no?’ but rather ‘lex mercatoria: when and how?’. They reveal the essential weakness of the restatement technique in that they contain an implied acknowledgement of the fact that transnational commercial (contract) law may not be put in statutory form. This need for openness and flexibility in a transnational commercial legal system is of another quality than in domestic legal systems, and the need for a set of common principles that can be applied in different legal environments.

The restatements of international contract law presented by UNIDROIT and the Lando Commission have not provided a solution to this problem. They have simply added a new layer of abstraction to the NLM doctrine. The Restatements of UNIDROIT and of the Lando Commission have not produced a practical working tool for the international practitioner. These projects have transformed the until now amorphous concepts of transnational commercial law into concrete and workable principles and rules for use by contracting parties, arbitral tribunals, and even national courts and legislatures. Focusing on the question of how to codify the NLM instead of being trapped in endless doctrinal discussions on the status of stagnation in which it had been trapped in the past. The perspective has changed dramatically. The question is no longer ‘lex mercatoria: yes or no?’ but rather ‘lex mercatoria: when and how’?

The TransLex Principles constitute an Internet-based codification platform, they can cope with that intrinsic problem of the NLM much better than any other, more traditional codification technique which must necessarily remain static and inflexible.

The TransLex Principles portray with a very high degree of precision the status of the NLM at any given point in time. At the same time, the highly dynamic character of the NLM is reflected in the technique of the Creeping Codification of transnational commercial law which avoids the ‘petrification’ of the law which necessarily goes along with any traditional codification process.
Conclusion

Unification and creation of the law on the transnational plane are neither fashionable phenomena nor are they mere indications of the ‘trends of the time’. Instead, they reflect the commercial realities of modern international business practice. The increasing number of Codes of Conduct and other instruments of private governance show that the privatization of rule- and law-making has become a reality in international business. The Academic DCFR and the Resolution of the EU Parliament of December 12, 2007, which puts particular emphasis on the non-binding, soft law character of the DCFR, prove that even within the work towards a European Civil Code, the persuasive force of a compilation of non-statutory legal principles has been accepted as an efficient means to achieve the ambitious goal of the unification of European private law.

International business has always shown a tendency to favour practice-made rules of a transnational character. Thus, in the international construction industry, a suggestion has been made that a ‘neutral lex mercatoria’ should be applied in public sector procurement in order to create a true ‘level playing field’ for competition for public work and to test the prospects for a general informal harmonization of international construction law. Arbitral case law also confirms that the transnational spirit of international arbitration provides fertile ground for the application of this concept in international commercial practice and that international arbitrators become increasingly aware of this phenomenon. The development of a ‘lex petrolia’ for the international oil industry, a ‘lex numerica’ or ‘lex informatica’ for international data interchange, ‘lex sportiva’ for international sports law or a ‘lex constructionis’ for the international construction industry reveals that the transnationalization of commercial law has already transcended the traditional boundaries of general contract law.

Legal theory has to take account of this phenomenon in order to avoid any claims that it is out of touch with reality or antiquated. Therefore, modern conflict of laws doctrine faces the formidable task of redefining the relationship between autonomous international commercial law on one side and domestic law on the other. Formulating this task also reflects the paradox of traditional conflict of laws doctrine. It was private international law, withdrawn from the competence of domestic legislatures by Savigny and handed over to legal science and the courts for further development. Their economic inefficiency and the resulting legal uncertainty triggered the autonomous and decentralized evolution of the law through the international community of merchants.

In spite of the comprehensive and all-embracing approach towards the NLM as an autonomous ‘third’ legal system between domestic laws and public international law, every attempt to deal with transnational commercial law, as the basic and most controversial question of international commercial law, remains no more than an ‘approach towards a new understanding’ of transnational commercial law. It is true that the discussion on the existence of an autonomous transnational commercial law raises a multitude of methodical, theoretical and practical issues which touch upon basic notions of legal theory and transnational decision-making. This Study has shown that the dogmatic arguments against the NLM ‘are fading away’.

At the same time, the discussion on the viability of a transnational commercial legal system needs to be objectified. While any outright rejection of the theory fails to take into account commercial realities, any emphatic acclamation of the concept of commercial transnationalism lacks persuasiveness in that it fails to provide verifiable legal arguments. This resembles the initial scientific treatment of the phenomenon of reception of law in the early ius commune. At that time, there was a similar concern that the new legal situation would attract ‘illusionists and visionaries’. With respect to the NLM, this danger is increased by a sometimes lax and careless treatment of the concept of an autonomous world trade law. This is especially true with respect to the ‘negative choice of law’ of the parties. Without a further inquiry into the motives and the will of the parties, the assumption of a ‘negative choice’ amounts to a fictitious agreement on the applicable law. This idea is often misused, even in international arbitral practice, to indicate the parties’ will to have their
contract transnationalized, thereby justifying the application of the NLM\textsuperscript{19}. The NLM doctrine, the respect of which for the autonomy of the parties is one of its most prominent features, would be doomed to fail from the outset if its application would be based on such a violation of the will of the parties.

It has been emphasized in the Introduction to this Study that they need ‘definitive’ and ‘provable’ legal standards to negotiate their agreements or to resolve disputes, thereby reducing transaction costs\textsuperscript{20}. Legal theory and legal practice alike, however, are confronted with the codification dilemma in the field of transnational commercial law. The NLM is a ‘law in action’ and depends upon a maximum degree of flexibility and openness. Its rules and principles cannot be fixed in ‘statutory’ form in the proper sense. The UNIDROIT Principles as well as the Principles of European Contract Law drafted by the Lando Commission reveal this dilemma. They provide a serious new indication for the consolidation of legal convictions pertaining to the existence of a transnational commercial legal system\textsuperscript{21}. The great importance of these collections is that they exist. They can be taken to the court or the arbitral tribunal, can be referred to by page and article number, and people who are referred to their provisions can locate and review them without difficulty\textsuperscript{22}. At the same time, however, they do not present the flexible codification method that takes account of the peculiar character of the NLM which, being an open legal system, requires a codification technique that corresponds to the highly dynamic nature of the NLM.

The alternative presented in this Study is the idea of ‘Creeping Codification’ of the NLM through the TransLex Principles. This innovative approach is intended to provide international legal practice with an easily, freely and globally accessible Web-based platform to allow for the application of the NLM in everyday arbitration and drafting practice. If the ‘[t]he Internet is becoming the town square for the global village of tomorrow’ (Bill Gates 2003\textsuperscript{23}) then the World Wide Web must be regarded as the ideal forum for the codification of the NLM. It is the online character of the TransLex Principles which avoids the ‘petrification’ of the law that necessarily goes along with any traditional codification process. Unlike domestic law-making procedures, the Creeping Codification of the NLM is an ongoing, spontaneous and dynamic process which is never completed. This process requires a codification technique with a corresponding openness and dynamism. This dynamism can be guaranteed only through the use of the Internet. The open-access public domain created by the Internet, combined with modern database technology, provides the ideal substratum for the constant development and enrichment of the NLM through the process of Creeping Codification.

That process must not be confused with the traditional notion of codification by domestic legislatures. There is not and cannot be a single ‘legislator’ of the NLM which is created ‘bottom up’ by the community of merchants. Rather, by putting the principles and rules of the NLM in the form of black-letter rules with a synopsis of the relevant comparative law references, the TransLex Principles establish a presumption, i.e. prima facie evidence, that the principles and rules reproduced in the list do in fact form part of the NLM. With this approach, the TransLex Principles aim at alleviating the burden of arbitrators and contract lawyers who need to be concerned, in their daily work and in every single case, with the ‘validity’ and ‘application-worthiness’ of a particular principle or rule of the NLM.

Today, in an age of self-regulation and private governance, ‘Cartesian pragmatism’\textsuperscript{24} prevails over theoretic trench fighting about the nature and doctrinal underpinnings of the NLM doctrine. In economics, the ‘Economics of Governance’ theory concludes that private ordering is central to the performance of any economy, regardless of the particular conditions of lawfulness because in many instances, business actors can devise more satisfactory solutions to their problems and disputes than can professionals (lawmakers, courts) who are constrained to apply general rules on the basis of limited knowledge of the problem or the dispute\textsuperscript{25}.

As a consequence of these new legal and economic developments, the traditional theory of legal sources which is centred around the notion of sovereignty of the state\textsuperscript{26} is being replaced by a legal pluralism which accepts that society’s ability for self-organization and self-coordination is more than a mere factual pattern without independent legal significance.

In this age of private governance and legal pluralism, the NLM is not a myth or dream of the future. Today, transnational commercial law, the New Lex Mercatoria, is a fact of life\textsuperscript{27}. 

Molineaux, id.

Stammler, Wirtschaft und Recht, at 529.


Rühl, Rechtsschöpfung durch die Wirtschaft, at 9.

Stammler, Wirtschaft und Recht, at 532.

Rühl, Rechtsschöpfung durch die Wirtschaft, at 16.


See supra Chapter 1 III.

Zumbansen, Ind.J.GI.Legal Studies 2007, at 191, 211.

See Loquin, in: Souveraineté étatique et marchés internationaux à la fin du 20ème siècle, at 23, 31; see also Berger, in: Berger (ed.), The Practice of Transnational Law, at 1, 14 et seq.

Hyland, supra note 538, at 425 et seq. citing from Pufendorf, De jure naturae et gentium libri octo et Grotius, De jure belli ac pacis libri tres.

See Aliyah’s Introduction to the Law of Contract, at 9 et seq.

Zimmermann, ZEuP 1993, at 4, 30; cf. also for the principle ‘ex pacto nudo datur actio’ Hyland, supra note 538, at 417.


Hyland, id., at 427 et seq. (citing Flour and Averbart).

See Aliyah, supra note 602, at 9 et seq.; cf. for the classical ‘trust theory’ (‘Vertrauenstheorie’) as the means to bind a party to its promise Schermaier, ZEuP 1998, at 60, 73 et seq. (with reference to Grotius and Domingo de Soto).


See generally Bernstein, J.Legal Stud. 1992, at 115 et seq.

Galgano, Ann.Surv.Int'l & Comp.L. 1995, at 99, 102 et seq.; see also Gandolfi, RTD civ. 1992, at 707, 710 stating that this law-making through contract practice is tending towards an ‘éloignement progressif d’une vision étatiste du droit’.

Loquin, in: Souveraineté étatique et marchés internationaux à la fin du 20ème siècle, at 23, 33 et seq.; see also for the view that a contract which is considered as a source of transnational law must be open to challenge as not inherently rational and, indeed, as oppressive or injurious to the wider public interest’ Goode/Kronke/McKendrick, Transnational Commercial Law, No. 1.43.

See supra Chapter I III.B.

Loquin, supra note 613, 34; Mustill, Arb.Int'l 1988, at 86. 89; Goode/Kronke/McKendrick, id., No. 1.50: ‘. . . standard-term contracts drawn up by trade or professional bodies which are designed to balance the competing interests may give a guide to the legitimate expectations of the market and can form the basis of a legal norm.’

Cf. for the genuine adjudicatory function of arbitral tribunals supra D.2.a.

Cf. Bonell, ICLQ 1978, at 413, 428: ‘. . . in interpreting commercial transactions, particularly when concluded at an international level, it is not sufficient to base oneself on the confidence which the parties might have established between themselves; due consideration must also be given to the expectation which the generality of the operators has of fair dealing in the respective trade sector’; cf. also infra Chapter 4 I.A.7.b.bb.; Kahn, in: Gaillard (ed.), Transnational Rules in International Commercial Arbitration, at 237, 242: ‘On constatera que l’introduction de la notion de professionnalisme donne une coloration spécifique à la règle générale que le contrat tienne lieu de loi aux parties’; cf. also David, Le Droit Du Commerce International, at 127 et seq.


Cf. infra Chapter 4 I.A.7.a.


**Goldstaijn**, Festschrift Schmitthoff, at 171, 179: ‘... it is a fact that Standard Contracts and the General Conditions have often been corrected through competition and therefore constitute rational solutions’.

The term was coined by **Schanze**, Investitionsverträge im internationalen Wirtschaftsrecht, at 151.

**Sandrock**, ZHR 152 (1988), at 66, 86 (translation by the author); cf. also **Gramlich**, Rechtsgestalt, Regelungstypen und Rechtsschutz bei grenzüberschreitenden Investitionen, at 527: ‘Without a minimum degree of convergence with respect to the systematic categorization of the multitude of cross-border transactions and operations, which have their common denominator in the typical activities of international investment ... – the criteria of which have to be deduced not only from domestic law but also from rules developed on the international plane, and not necessarily only those derived from public international law – the law, especially in the sphere of transnational economy, runs the risk of not being able to follow the realities of meta-legal facts, of being reduced to a mere mechanical image of these facts without being able to assume the function of reflecting these facts, let alone to serve as a device to influence and structure transnational economy’ (translation by the author).

Cf. generally **Stammler**, Wirtschaft und Recht, at 508.

See infra 11.

These provisions are of extreme relevance for international arbitration where the issue of contract interpretation plays a role far more important than that of determining the applicable law, see *Lalive*, in: Bonell/Bonelli (eds.), Contratti Commerciali Internazionali E Principi Unidroit, at 73, 81.

Cf. supra Chapter 3 I.B.1.

**Bonell**, An International Restatement of Contract Law, at 68.


Cf. supra Chapter 3 I.B.1.

Cf. for details infra 8.B.2.b.

**Schanze**, Investitionsverträge im internationalen Wirtschaftsrecht, at 135 ('consensual regulation of commerce').

Cf. supra 6.b.

Cf. for details supra Chapter 2 II.G.3.d.

Cf. for the general evolution of a principle of law in this area **Lorenz**, JZ 1962, at 269, 274.

Cf. supra et seq.


Cf. generally **Bonell**, An International Restatement of Contract Law, at 117 et seq.

Cf. generally for the interaction of the principle of 'pacta sunt servanda' with other rules of general contract law Lando, in: Cranston (ed.), Essays in Honor of RoyGoode, at 103, 106 et seq.


**Pound**, Tul.L.Rev. 1933, at 475; cf. also **Perelman** (ed.), Les notions à contenu variable en droit.

**Schneider**, Gesetzgebung, § 2, No. 16; **Atienza/Manero**, in: Festschrift Valdés, at 109, 114.

Cf. supra Chapter 3 I.B.


**Atienza/Manero**, in: Festschrift Valdés, at 109, 112; cf. also **Rheinstein**, U.Chi. L.Rev. 1957, at 597, 600: ‘1. Rules. They are precepts attaching a definite, detailed legal consequence to a definite, detailed state of facts ... 2. Principles. These are authoritative starting points for legal reasoning, employed continually and legitimately where cases are not covered or are not fully or obviously covered by rules in the narrower sense ... ’.


**Dworkin**, Law’s Empire, at 210 et seq.


**Watt**, id., at 409.

**Watt**, id., at 403, No. 3, for French private international law.

Cf. **Berger**, RabelsZ 61 (1997), at 313 et seq.; see also for interest as an item of damages TransLex Principle No. VII.6.

181 Cf. the project of Cornell Law School, which excluded any teleological valuation processes supra Chapter 3 II.A.2.


183 Cf. already supra Chapter 2 II.A.2.c. and Chapter 3 II.A.2.c.

184 Bonell, An International Restatement of Contract Law, at 83 et seq.

185 Cf. Dölle-Wahl, EKG, Art. 17, Nos. 13 et seq. (with reference to the ‘ius gentium’ of classical Roman law);

186 Bianca/Bonell-Bonell, Commentary on the International Sales Law, Art. 7, Nos. 2.3 et seq.


188 Cf. for the importance of such provisions which ensure the ‘openness’ of domestic codifications supra Chapter 2 II.G.2.c.


190 Cf. for the application of the principle of good faith on re-negotiation UNIDROIT (ed.), Principles of International Commercial Contracts, at 153; generally Horn, AcP 1981, at 255 et seq.


192 Cf. Sec. 242 of the German Civil Code (German BGB) (‘The debtor is bound to perform according to the requirements of good faith, ordinary usage being taken into consideration’), see Ebke/Steinhauer, in: Beatson/Friedmann (eds.). Good Faith and Fault in Contract Law, at 171 et seq.; see also Art. 1366 of the Italian Codice Civile and Art. 1134(3) of the French Code Civil.

193 Cf. § 1-201 (19) UCC: ‘Good faith means honesty in fact in the conduct or transaction concerned’; § 1-304: ‘Every contract or duty within [the Uniform Commercial Code] imposes an obligation of good faith in its performance and enforcement’; see also Sec. 205 of the Restatement (2nd of the Law of Contracts; cf. also Diamond v. Oreamuno, 287 NYS 2nd. 300, affd. 24 NY 2nd 494; cf. also Farnsworth, Contracts, § 3.26 (especially at 190) (‘duty to bargain in good faith’); the notion of good faith was introduced into the UCC by Professor Karl Llewellyn, Chief Reporter for the UCC, who was inspired by the good faith (‘Treu und Glauben’) provision of Sec. 242 of the German Civil Code, see Farnsworth, in: Beatson/Friedmann (eds.), Good Faith and Fault in Contract Law, at 153, 155.

194 Farnsworth, id., at 156 et seq.

195 BGH, NJW 1993, at 259, 263.


200 Cf. Art. 5.2 UNIDROIT Principles; see Lalive, in: Bonell/Bonelli (eds.), Contratti Commerciali Internazionali E Principi Unidroit, at 73, 81.

201 Chitty on Contracts, Vol. 1, No. 1-032.

202 O’Connor, Good Faith in English Law, at 15 et seq.; Scally v. Southern Health and Social Services Board, 1 A.C. [1992] 294; Algussein Establishment v. Eton College, 1 W.L.R. [1988] 587; Interfoto Library Ltd. v. Stiletto Ltd., 1 Q.B. [1989] 433, 439: ‘English law has, characteristically, committed itself to no such overriding principle [as good faith] but has developed piecemeal solutions in response to demonstrated problems of unfairness’; but cf. Judge Steyn: ‘In my respectful view the body of rules, which are described as the uberrima fides principle, are rules of law developed by the judges . . . In my judgment it is incorrect to categorize them as implied terms . . . ’; see also Lando, in: Cranston (ed.), Essays in Honor of Roy Goode, at 103, 124.

203 Chitty on Contracts, Vol. 1, No. 1-034.

204 See Steyn, L.Q.Rev. 1997, at 433, 440: ‘Given the needs of the international market place, and the primacy of European Union law, English lawyers cannot avoid grappling with the concept of good faith . . . where in specific contexts duties of good faith are imposed on parties our legal system can readily accommodate such a well tried notion. After all, there is not a world of difference between the objective requirement of good faith and the reasonable expectations of parties’; cf. also Goode, supra note 197, at 240: ‘The fact that two separate groups of scholars working largely independently of each other, and including lawyers from the United Kingdom, the United States and Ireland, produced restatements embodying in almost identical terms a general requirement of good faith should give powerful spur to reconsideration of the traditional perspective of English law, at least in international transactions’; Beatson/Friedmann, in: Beatson/Friedmann (eds.), Good Faith and Fault in Contract Law, at 3, 15.
206 See Bonell, Unif.L.Rev. 1997, at 34, 40 et seq.
208 Cf. supra Chapter 2 II.G.3.e.
210 Both provisions define good faith as ‘honesty in fact and the observance of reasonable commercial standards of fair dealing in the trade’.
211 Cf. for the definition of ‘good faith’ O’Connor, Good Faith in English Law, at 120: ‘The principle of good faith in English law is a fundamental principle derived from the rule pacta sunt servanda, and other legal rules, distinctively and directly related to honesty, fairness and reasonableness, the application of which is determined in a particular time by the standards of honesty, fairness and reasonableness prevailing in the community which are considered appropriate for formulation in new or revised legal rules’; cf. also Chitty on Contracts, Vol. 1, Nos. 1-026 et seq.; Steyn, supra note 204, at 438: ‘ . . . good faith additionally sets an objective standard, viz., the observance of reasonable commercial standards of fair dealing in the conclusion and performance of the transaction concerned’.
213 Schlechtriem, Good Faith in German Law and in International Uniform Law, at 6 et seq.
214 Cf. supra Chapter 2 II.B.1.; see also Kramer, in: Bonell/Bonelli (eds.), Contratti Commerciali Internazionali E Principi Unidroit, at 163, 164 et seq.
216 Article 1.8 UNIDROIT Principles refrains from adhering to the ‘subjective’ theory of Anglo-American law employed in Art. 9(2) CISG (‘The parties are considered . . . to have impliedly made applicable to their contract a usage . . . ’); if, however, trade usages are applicable if both parties or one of them ‘ought to have known them’, there is no room left for subjective criteria and the trade usages apply ipso iure, thereby rendering the ‘implied’ agreement-requirement into a mere fiction, cf. Bianca/Bonell-Bonell, Commentary on the International Sales Law, Art. 9, No. 2.2.1; cf. also Bonell, An International Restatement of Contract Law, at 142 et seq.; Bonell, ICLQ 1978, at 413, 432.
218 Cf. Bianca/Bonell-Bonell, supra note 216, Art. 9, Nos. 1.3 et seq.
219 Uniform Law on the International Sale of Goods of July 17, 1973 (BGB1. I at 856); see generally Dölle, EKG, Art. 9, Nos. 2 et seq.
220 Cf. Bianca/Bonell-Bonell, supra note 216, No. 1.4.1.
221 Cf. infra B.2.b.
222 Cf. Dölle-Wahl, EKG, Art. 17, Nos. 59 et seq.
223 Bianca/Bonell-Bonell, supra note 216, Art. 7, No. 2.3.2.2; Ferrari, Rev.int.dr.comp. 1996, at 813, 849.
226 Joachim, Comp.L.Yb.Int’l Bus. 1992, at 341, 353: ‘The notion of reasonableness implies a reasonable use of rights. The reasonable man would not carry a legal interest to an extreme. The reasonable man test is, therefore, employed by judges as a means against abuse of rights. This thought relates to the “doctrine of reasonable use” in the United States’.
228 Nassar, see supra note 225, id.
230 Cf. supra Chapter 2 II.G.2.
231 Nassar, see supra note 225, at 146; Joachim, Comp.L.Yb.Int’l Bus. 1992, at 341, 359 et seq.
232 Cf. supra Chapter 2 II.G.3.d.
233 Storme, in: Hartkamp, et al. (eds.), Towards a European Civil Code, 1st ed., at 159, 184: ‘Certainly the prevailing view has been that reasonable behavior consists of nothing more than keeping to one’s word in all circumstances, or least to keep to one’s word in the manner (commonly) intended by the parties’; cf. also supra Chapter 2 II.G.3.d.
235 Cf. Art. 55 CISG; cf. for a commentary on this provision von Caemmerer/Schlechtriem-Hager, CISG, Art. 55, Nos. 8 et
Article 9(3): ‘Where expressions, provisions or forms of contract commonly used in commercial practice are employed, they shall be interpreted according to the meaning usually given to them in the trade concerned’; cf. Dölle, EKG, Anhang. Cf. Dölle id., No. 18.

For a criticism of this omission Bianca/Bonell-Bonell, Commentary on the International Sales Law Art. 9, No. 3.5. Schlechtriem, Good Faith in German Law and in International Uniform Laws, at 12.


See UNIDROIT (ed.), Principles, at 78 (Commentary).

See Berger, in: CENTRAL (ed.), Transnational Law in Commercial Legal Practice, at 1999, at 121, 144.


See supra Chapter 2 II.C.2 and D.2.

Cf. supra note 217, id.

Esser, Grundsatz und Norm, at 69 et seq.

Cf. supra supra note 240, at 167.

Cf. supra Chapter 2 II.A. and G.

Cf. supra supra Chapter 2 II.A.1.

Cf. supra Chapter 2 II.D.2.

Berger, Internationale Wirtschaftsschiedsgerichtsbarkeit, at 374 et seq.

Berger, International Economic Arbitration, at 544 et seq.

See De Ly, International Business Law and Lex Mercatoria, at 234; Marrella, La Nuova Lex Mercatoria, at 690; see also supra Introduction, I.A.1, footnote 31.

Translation by the author of this book, the German original is published in Berger, in: CENTRAL (ed.), Jahresbericht 2007/2008, at 38. See also Winiger, ASA Bull. 1992, at 565: ‘The compilation of substantive legal principles which are being used increasingly by international arbitrators in lieu of domestic laws, coupled with comprehensive references, is of particular value especially for the legal practitioner’ (translation from the German original by the author).

Berger, Formalisierte oder ‘schleichende’ Kodifizierung des transnationalen Wirtschaftsrechts, at 217 et seq.

See Berger, id.


Ipsen, Private Normenordnungen als Transnationales Recht?, at 104 et seq.; Kahn, in: Fouchard/Vogel (eds.), L'actualité de la penséee de Berthold Goldman, at 25, 26 et seq.

See Frischkorn, Eur.J.L. Reform 2005, at 331, 343: ‘By the time the list is prepared, the Lex Mercatoria may have changed.’

See e.g. Fortier, Arb.Int'l 2001, at 121, 126: ‘I cannot help but wonder whether Berger’s proposal does not end up impaled on the horns of the very “codification dilemma” that he himself invokes. One may legitimately ask whether any institutional framework is able to maintain the degree of openness and flexibility required to keep pace with the world of international commerce – particularly the world of e-commerce’ (emphasis in the original); Wasserstein Fassberg, Chi.J.Int'l L. 2004, at 67, 82: ‘This push towards formalised codification . . . requires lex mercatoria theorists to relax the qualifications for membership and compromise its autonomy in a way which ultimately belies the standard justification offered for its existence – the more formal and explicit the rules, the less organic, the less spontaneous, the less authentic they are’.


See supra note 551.

See supra I.A.10 and I.B.2.c.

Purpose and Concept at www.Trans-Lex.org/000010.

See supra Chapter 2 I.I.G.1.b.

See supra C.1.

Shephard, supra note 560, at 217.

But see Brunner, Force Majeure and Hardship under General Contract Principles, at 20 who argues that the drawback of the UNIDROIT Principles – the absence of comparative law materials – is considerably mitigated by the fact that the UNIDROIT Principles correspond to a large degree with the *Lando* Principles which contain such comparative law references. That, however, would require the burdensome process of constant comparisons between UNIDROIT and *Lando* Principles. The TransLex Principles combine the black letter text and comparative law references at a glance, *i.e.* within a single instrument.

Cf. supra Chapter 3 I.B.

Cf. supra I.B.2.b.

*Cf. Langen*, Transnationales Recht, Part I, No. 30: ‘The judge may not be allowed to assume, without any further considerations, the equality of principles of different legal systems. This is indeed no longer reconcilable with legal certainty’ (translation by the author); *cf. also Zimmermann*, JZ 1995, at 478, 480, who rightly characterizes the omission of any comparative references through the UNIDROIT Working Group as ‘not very convincing’.

*Berger*, Formalisierte oder ‘schleichende’ Kodifizierung des transnationalen Wirtschaftsrechts, at 213 note 11.


See *Nassar*, Sanctity of Contracts Revisited, at 161.

See *e.g.* *Macneil/Gudel*, Contracts: exchange transactions and relations, at 11 *et seq.,* 177 *et seq.*


The ‘See principle history’ section for this TransLex Principle indicates that ‘the wording of the Principle was revised according to Brunner, Force Majeure and Hardship under General Contract Principles, Exemption for Non-Performance in International Arbitration 2009, at 451 *et seq.*’


See for piracy activities the website of the Piracy Reporting Centre established in Kuala Lumpur, Malaysia, by the International Maritime Bureau (IMB), a specialized division of the International Chamber of Commerce (ICC), www.icc-ccs.org/index.php?option=com_content&view=article&id=30&Itemid=12.

But see *Herber*, IHR 2003, at 1 *et seq.* who seems to misunderstand that fundamental difference between the traditional notion of ‘codification’ and its meaning as ‘privatized law-making’ in the context of the NLM.


See supra Chapter 2.


*Coing*, ZVglRWiss 81 (1982), 1, 15; *van den Berg*, De politiek van codificatie in Europa, at 8 (available at www.recht.nl/doc/codificatie_in_europa.pdf); K. Schmidt, Die Zukunft der Kodifikationsidee, at 64 *et seq.* *(for a critical view on the German Commercial Code); see for an early critical view on codification techniques Clarke*, The Science of Law and Lawmaking, at 41: ‘... neither for the layman nor for the lawyer, can it be said that the law can be successfully limited to one book of a few hundred pages [*i.e.* a Code]. The history of every Code that has ever been in operation – with its numerous volumes of commentaries, decisions of Courts as to its meaning, and revisions, repeals, and reenactments, gives the lie to the contention.’

*Caroni*, Gesetz und Gesetzbuch, at 125 *et seq.*

See supra Chapter 3 I.E. and Chapter 4 I.B.3.

*Ferrante*, in: Piergiovanni (ed.), *From Lex Mercatoria to Commercial Law*, at 121, 123. The DCFR has been characterized as a *non-legislative codification of European private law* and as a *codification-like system of legal norms* with immediate application*, Jansen/Zimmermann*, NJW 2009, at 3401, 3406 (emphasis added).

See supra B.1.


*Zeh*, in: Merten/Schreckenberger (eds.), *Kodifikation gestern und heute*, at 135, 144 (translation by the author, emphasis added).


See supra Chapter 2 II.G.3.c.

See *Brunner*, Force Majeure and Hardship under General Contract Principles, at 20 *et seq.*

See *Hight*, 63 Tul. L. Rev. 1989, at 613, 616; *Marrella*, La Nuova Lex Mercatoria, at 636; *see also Lowenfeld*, in *Lowenfeld*, Collected Essays Over Three Decades, 2005, at 173, footnote 71, stating that ‘[t]here is some appeal to this point, though, ... it is clearly too late to change the name of a concept so widely described if not always understood’.

417, footnote 53 (emphasis added).

698 Strömholt, Festschrift Zweigert, at 909, 910.

699 The flexibility of the ‘creeping codification’ may also lead to the striking of a principle or rule from the list. So far, this has happened very rarely.

700 Cf. supra Chapter 2 II.A.1.c.

701 See Lando, ICLQ 1985, at 747, 748 et seq.


703 But see Larroumet, La Semaine Juridique 1997, at 147, 148 stating that the UNIDROIT Principles could be regarded as a potential source of the lex mercatoria; however, see id., at 149 stating that the Principles may not contravene the law applicable to the contract which may be a domestic law, public international law or the lex mercatoria.

704 See Goode, ICLQ 1997, at 1, 26: ‘More significant is their availability as a tool for courts and arbitrators seeking to identify current norms of contract established by mercantile usage or general principles of law, to ascertain what in modern legal thinking are conceived as best solutions to typical contract problems . . .’: van Houtte, Arb.Int’l 1995, at 382, note 4: ‘The Principles will only be part of the lex mercatoria if they are recognized as such by the business community and by arbitrators’; cf. also Perales Viscasillas, Ariz.J.Int’l & Comp.L. 1996, at 383, 398; Raeschke-Kessler, in: Institute of International Business Law and Practice (ed.), UNIDROIT Principles of International Commercial Contracts: A New Lex Mercatoria?, at 167, 174 et seq.

705 See supra 1.

706 See for the significance of comparative references for the legitimacy of any attempt to ‘codify’ transnational commercial law supra Chapter 2 II.A.1.

707 Cf. for details supra I.A.3.b.aa.

708 See generally Solotych, Das Zivilgesetzbuch der Russischen Föderation, at 3 et seq.


710 Glöckner, id.; Waehler, id.

711 Glöckner, supra note 709, id.

712 Waehler, see supra note 709, at 29.

713 Cf. for the function of the UN Sales Convention as promoter of legal unification Magnus, ZEuP 1993, at 79, 80 et seq.; see for the work on the UNIDROIT Principles Hartkamp, in: Boele-Woelki, et al. (eds.), Comparability and Evaluation, at 85 et seq.


716 Cf. supra Chapter 2 II.G.3.c.


718 ICC Publ. No. 600; cf. also ICC (ed.), Commentary on UCP 600, ICC Publ. No. 680; see for the significance of the UCP as an element of the NLM Kahn, Annex I infra.

719 ICC Publ. No. 458, cf. Berger, DZWir 1993, at 1 et seq.; the rules are considered part of the lex mercatoria in the ICC Award No. 8365, Clunet 1997, at 1078, 1080.

720 ICC Publ. No. 560; the materials mentioned are partly reprinted at von Caemmerer/Schlechtriem, CISG, Annexes V–VII.


723 But see Lybian Arab Foreign Bank v. Bankers Trust Co. [1989] Q.B. 728 stating (per Staughton J.) that wire transfer through CHIPS or Fedwire is not a trade usage or custom; see Goode, ICLQ 1997, at 1, 8 et seq.

724 Cf. Braeckmans, TvPr. 1986, at 1, 10 et seq.

725 General Conditions For The Supply of Plant and Machinery For Export, prepared under the auspices of the United Nations Economic Commission for Europe, Geneva, March 1953, UN Publication Ref.: ME/188 bis/53.

726 ORGALIME General Conditions for the Supply of Mechanical, Electrical and Electronic Products, of August 2000, available at www.orgalime.org/publications/conditions.htm; ORGALIME is located in Brussels, Belgium, and groups the central trade federations of the mechanical, electrical, electronic and metalworking industries in twenty-two European countries and provides liaison between these organizations in the legal, technical and economic fields.

727 Fédération Internationale Des Ingénieurs-Conseils, Conditions of Contract for Works of Civil Engineering Construction,
Part I: General Conditions with Forms of Tender and Agreement, Part II: Conditions of Particular Application with Guidelines for Preparation of Part II Clauses, 4th ed. 1987; see for the influence of FIDIC on the evolution of a genuine ‘lex constructionis’ Molineaux, J.Int’l Arb. 1997, issue 1, at 59 et seq.

1 Molineaux, id.

2 Cf. supra Chapter 2.

Bonell, ZfRV 1996, at 152.

3 Cf. supra Chapter 2 II.G.2.

1 See Kötz, RabelsZ 56 (1992), at 215 et seq.

2 See supra Chapter I III.B.

3 See supra Chapter 4 I.B.3.


6 Cf. the statement of the sole arbitrator in ICC Award No. 8385, Clunet 1997, at 1061, 1066: ‘L’application de principes internationaux offre beaucoup d’avantages. Ils s’appliquent uniformément et sont indépendants des particularités de chaque droit national. Ils prennent en compte les besoins des relations internationales et permettent un échange fructueux entre les systèmes parfois exagérément liés à des distinctions conceptuelles et ceux qui cherchent une solution juste et pragmatique de cas particuliers. C’est donc une opportunité idéale pour appliquer [in this arbitration] ce qui est de plus en plus nommé lex mercatoria’; cf. also ICC Award No. 8365, Clunet 1997, at 1078, where the tribunal developed eight principles which, in its view, form part of the lex mercatoria; Paris Chamber of Arbitration Award No. 9246, YCA 1997, at 28, 31: ‘ . . . the tribunal deems it . . . proper to refer to the body of rules of international commerce which have been developed by practice and affirmed by the national courts (lex mercatoria)’.


10 Molineaux, J.Int’l Arb. No. 1 1997, at 55, 64 et seq.

11 See Ipsen, Private Normenordnungen als Transnationales Recht?, at 65 et seq.

12 von Hoffmann/Thorn, IPR, § 2, No. 56 in fine.


14 Cf. supra Chapter 1 I.A

15 Bärmann, Festschrift Mann, at 547, 571.

16 Lando, in: Festschrift till Stig Strömholm, at 567, 578.


18 See supra Chapter 2 II.F.2.a.

19 Cf. supra Chapter 2 II.F.2.a.

20 See Borchers, in: Raisch/Shaffer (eds.), Introduction to Transnational Legal Transactions, at 139, 156 et seq.


24 See supra Chapter 2 I.B, note 40.

25 See Williamson, The Economics of Governance, www.aeaweb.org/annual mtg_papers/2005/0107_1645_0101.pdf, at 2 et seq; see for the conflict of the lack of democratic legitimacy and political accountability of decision-making and the increased effectiveness of rule-making within international institutions such as ISO and ICANN Fukuyama, America at the Crossroads, at 163 et seq.

26 von Jhering, Der Zweck im Recht, Vol. 1, at 249: ‘Only those rules imposed by society deserve the name of law which have behind them the force of the law or . . . the force of the sovereign state, meaning that only those rules adopt the quality of legal norms that have been vested with this effect by the sovereign state or that the state is the only source of the law’ (translation by the author).

27 De Ly, Diritto del Commercio Internazionale 2000, at 555, 570.

Referring Principles:
I.1.1 - Good faith and fair dealing in international trade
I.2.1 - Standard of reasonableness
II.4 - Agency by estoppel / apparent authority
IV.5.3 - Interpretation in favor of effectiveness of contract
IV.6.9 - Duty to notify / to cooperate