

The Status of CIF Contracts between the Sale of Goods and the Sale of Documents

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Abstract: The intricate nature of international trade is encapsulated in the complexities of CIF (Cost, Insurance, and Freight) contracts, which stand at the intersection of the sale of goods and the sale of documents. This paper seeks to dissect the pivotal roles played by documents and goods within CIF contracts and to ascertain whether these contracts are more accurately defined as sales of documents rather than sales of goods. By examining legal cases and dissecting the contractual obligations of parties involved in CIF contracts, this study aims to shed light on the essence of these contracts in the context of international law and trade practices.

The research is divided into four main parts. Initially, it analyzes the duties of parties and the role of CIF documents in the sale of goods. The second part delves into the implications of documents and goods concerning the transfer of risk and property, probing into the critical claim of documents. The third part scrutinizes the buyer's right to refuse the documents or the goods, and which aspect takes precedence. The fourth part evaluates the claim that CIF contracts made en route are essentially 'sales of documents'.

This study culminates by presenting arguments on the nature of CIF contracts, weighing the significance of documents against the goods themselves. Despite the increasing tendency to use documents to represent physical goods in trade, this paper concludes that CIF contracts inherently constitute contracts for the sale of goods. It highlights the distinctive rights related to the rejection of either documents or goods, thereby reinforcing the primacy of the actual goods over their documentary representations in CIF contracts.

Keywords: CIF Contracts, International Trade Law, Sale of Goods, Sale of Documents, Risk Transfer

INTRODUCTION

The most popular way of trading goods at the international level is being made through CIF contracts. The International Chamber of Commerce (ICC) presents important terms (INCOTERMS) for contracts, and CIF is the most famous.¹ International trade proliferated following globalisation in the world. Based on this growth, distances among traders expanded, and the necessity occurred to make routes more common. Before CIF, buyers received the goods from the seller's port, or sellers brought the goods to the buyers. For now, it is possible to send the goods via documents.

In the case of *Ireland v Livingston*², Blackburn J defined CIF contracts as "the terms at a price 'to cover the cost, freight, and insurance, payment by acceptance on receiving shipping documents,' are very usual and are perfectly well understood in practice." Emergent CIF contracts gathered the invoice,

insurance, and freight together on one hand and provided a system to put them in collocation.³ CIF terms must be pointed out clearly in the sales contract to have a legal effect because Incoterms do not have binding features except contractual agreements. In practice, some problems arise regarding the pass of risk and property and obligation of both buyer and seller; to resolve these issues, it is essential to decide the nature of the CIF contract, whether CIF contracts are the sale of goods or the sale of documents. It is claimed that documents are at the core of and vital for the goods transportation agreed with the contract of sale.⁴ Related to the implementation form of these contracts, due to binding the operability of the goods to the documents instead of natural movement, CIF contracts are perceived as the sale of documents: However, this presumption overshadows the importance of goods which is the reason why contracts are made. Most scholars agree that the papers are functional components that represent the goods. The debate of whether CIF contracts are the sale of goods or documents may differ in the conclusion of some issues. First of all, in case of deciding them as a sale of documents; it won't be regulated under the Sale of Goods Act, also occurring infringement will be the

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¹William VJr Roth and William V III Roth, 'Incoterms: Facilitating Trade in the Asian Pacific Essay' [1997] University of Pennsylvania Journal of International Economic Law 731,735. <<https://heinonline.org/HOL/P?h=hein.journals/upjiel18&i=749>>

²*Ireland v. Livingston* [1872] L. R. 5 H. L. 395, 406.

³Filippo Lorenzon and others, *CIF and FOB Contracts* (5th edn, Sweet & Maxwell 2012) 3-014.

⁴Ademuni Odeke, 'The Nature of CIF Contract-Is It a Sale of Documents or Sale of Goods?' (1993) 6 Journal of Contract Law 158,163.

place of arrival related to documents meaning that even if the goods shipped is incompatible, the place of infringement would be a place of arrival thus it may affect the determination among countries jurisdictions. Moreover, accepting CIF as a sale of documents in a war situation, even if the goods are shipped to a place of enemies if the UK is the place of document tender, the contract of sale would be legal and valid while admitting CIF contracts as the sales of goods won't make the contract legal.⁵ Therefore, it is argued that CIF contracts are a contract purchase for the purchase of goods due to the significance of delivery place goods.⁶

This paper intends to determine the extent to which essential role documents and goods play by comparing one another in the CIF contract in consideration of legal cases and whether it is more accurate to construe the contracts as a sale of documents rather than a sale of goods. This paper has been divided into four parts. The first part will analyse the duties of parties and the role of CIF documents in the sale of goods. Part 2 will discuss the roles of documents and goods regarding passing risk and property, considering the critical claim of documents. Part 3 will investigate whether the documents or the goods play a vital role in the buyer's refusal right of the documents and the goods and which one prevails. Part 4 will evaluate 'sale of documents' allegations related to CIF contracts made en route. Finally, this study will summarise the arguments on the nature of CIF contracts.

1. CIF CONTRACTS AND DUTIES OF PARTIES

It is essential to define the duties of parties and functions of documents to evaluate the performance of records in the CIF contracts.

a) Advantages of CIF Contract for Parties

Despite carrying the risk of the fluctuation in the cost of insurance, freight and goods, it is satisfactory for the seller to be get paid at the time of the documents tendered rather than goods delivered before the goods reach the place of arrival or, even if they have damaged or lost during the shipment.⁷ It also draws the seller's attention because of the ability to set

more prices regarding the general implementations done on behalf of the buyer.⁸ As for the buyer, the advantage of the CIF contracts is the certainty and inclusivity of the price, which have to be paid and not be affected by fluctuating prices in insurance, freight and cost.⁹ Also, be able to have the power of disposition before the goods arrive.¹⁰

b) Duties of Parties

Goods shipped by the seller must be in order with quality dedicated in the sales contract; it is also admitted implicitly in the Sale of Goods Act that goods must remain intact during the shipment.¹¹ The seller's duty in CIF contracts is shipping the goods to the arrival port, which is decided in the sales agreement, and tendering the invoice, insurance policy, bill of lading and other relevant documents to the buyer.¹² Seller is not responsible for what happened during the voyage.¹³ The documents provided by the seller ensure the protection against the risks of the journey and give the buyer the right to recourse to the carrier. The seller makes a contract with the page on behalf of the buyer; if he could not design appropriate documents and the goods are damaged or lost, he will be responsible for the harm.¹⁴ Therewithal, the seller is obligated not to hamper the reaching of the goods to the destination rather than ensuring that.¹⁵ In concurrence with tendering the corresponded documents regarding the sales contract, the buyer is obliged to make the payment regardless of the condition of the goods.¹⁶ Buyer doesn't have the right to reject the amount before inspecting whether the goods are consistent with the main agreement.¹⁷ However, only in two situations exceptions to this rule may be the subject; in the case of fraud¹⁸ and sending different types of goods.¹⁹ For example, if there are different features in arrived goods related to quantity,

⁵Duncan, Fox & Co v Schrempff & Bonke [1915] 1 K.B. 365; 3 K.B. 355.

⁶MG Bridge (ed), *Benjamin's Sale of Goods* (Tenth edition, Sweet & Maxwell 2017) 19-008.

⁷Lorenzon and others (n 3).

⁸Indira Carr, *International Trade Law* (6th edn, Routledge 2017) 7. <<https://www.taylorfrancis.com/books/9781315543970>> accessed 10 May 2020.

⁹Lista (n 5) 13.

¹⁰Lorenzon and others (n 3) 3-020.

¹¹Sale of Goods Act 1979 s (14)(2).

¹²*Manbré Saccharine Co Ltd v Corn Products Co Ltd* [1919] 1 K.B. 198, 202.

¹³*Shipton, Anderson & Co v John Weston & Co* [1922] 10 L.L.R. 762, 763.

¹⁴Vienna Convention on Contracts for the International Sale of Goods 1980 s (32); *Johnson v Taylor Bros* [1920] A.C. 144.

¹⁵*Hindley & Co Ltd v East Indian Produce Co Ltd* [1973] 2 Lloyd's Rep. 515; *Peter Cremer v Brinkers Groudstoffen NV* [1980] 2 Lloyd's Rep. 605; *Empres ortadora a Expde Azucar v Industria Azucarera Nacional SA (The Playa Larga)* [1983] 2 Lloyd's Rep. 171, 180; *Scottish & Newcastle International Ltd v Othon Ghalanos Ltd* [2006] EWCA Civ 1750; [2007] 2 Lloyd's Rep. 341, 342.

¹⁶*Duffus SA v Berger and Co Inc* [1984] AC 382, 391.

¹⁷*Polenghi v Dried Milk Co Ltd* [1904] 10 Com. Cas. 42; *Biddell Brothers v E. Clement Horst Company* [1912] A.C. 18.

¹⁸*Armitage v Nurse* [1998] Ch. 241, 251.

¹⁹*Gill & Duffus SA v Berger Co Inc* [1984] A.C. 382, 390.

date of shipment or character of goods than agreed in the contract, the buyer may avoid paying based on fraud.²⁰ Or the buyer may refuse payment in case of receiving walnut despite agreement on shipment of peanuts. To put it differently, the buyer cannot refuse to pay the contract fee according to whether receiving goods: the seller's obligation in CIF agreements does not contain whether the shipped goods arrived or are in the proper position.²¹

c) Type of Documents

Unless otherwise agreed, the seller's obligation consists of the seller consisting of tendering three essential documents related to the sales contract. First of the papers is the bill of lading which ensures; transparency regarding the delivered goods in quantity and shape and proves that the bearer took the goods.²²

The importance for the buyer to get the bill of lading is that the person who has the bill of lading has the right to have goods and be able to crosscheck whether shipped goods match what was agreed in the sales contract.²³ Second document is the insurance policy affixed to the carriage contract which protects the interests; it provides a facility to claim damages from the carrier in case of goods lost or defected.²⁴ Third document is the bill of sale related to the sales contract between buyer and seller. It includes details of goods, and the price agreed.²⁵

2. ASSESSMENT IN TERMS OF PASS OF PROPERTY AND RISK

It needs to be clarified when the property passes from seller to buyer. Even though the Sale of Goods Act 1979 s (17)²⁶ states that possession passes when intended to pass, related to CIF contracts generally, it assumes that the property passes when the payment is made, and the documents are received.²⁷ However, if the goods are specific, they may pass after the parties reach an agreement, or if it is certain during transport, they may pass after loading the goods. Sale of Goods Act 1979 s (28)²⁸ indicates that shipment of the goods and payment in return must be made simultaneously

unless otherwise contested. However, the Sale of Goods Act 1979 s (20)(1)²⁹ allows CIF contracts to change the rule of simultaneously passing property and risk. After the possession of goods passes to the buyer, risk will die if not otherwise agreed. Still, it is not essential whether the buyer has received the goods if the property of goods passes somehow.

Although the property pass can be in several ways, the damage or loss risk passes from seller to buyer when the goods are loaded.³⁰ By the time the seller submits the documents, the risk passes from the beginning of shipment if the goods have been sold at the shipping time. Thus, buyers undertake the risk retrospectively.³¹ So, despite several types of contracts for the trade of goods, why do in CIF contracts do the vital legal provisions cover the sale of documents rather than the sale of goods which most international agreements related to. Although the buyer pays for the goods rather than the documents, if considered that the shipping time of the papers is faster than goods and the paper forms are representing represent the goods, it could be interpreted as, because of facilitating the trade, sales of copies instead of goods, be much more convenient.³²

It is also argued that the buyer's ability to tender the documents even after the damaged or lost goods shows the importance of the documents.³³ Furthermore, when the default risk of the carrier is a kenneled into consideration, those documents define the role of goods. In case of loss or damage, the buyer can only use these documents to show his damage and claim. In other words, it is possible to get back the goods or damages with these documents; thus, it can be said that CIF contracts are the sale of documents.³⁴

In contrast, it is held that the position of the sale of documents for CIF contracts needs to be more accurate.³⁵ There are descriptions in the cases related to CIF contracts, which vary in terms of expressions but are primarily identified in the meaning. For example,

²⁰Bridge (n 7) 19-079.

²¹Manbré Saccharine Co Ltd v Corn Products Co Ltd [1919] 1 K.B. 198, 202.

²²Bridge (n 7) 19-002.

²³Lorenzon and others (n 3) 135.

²⁴Bridge (n 7) 19-081.

²⁵Ireland v. Livingston [1872] L. R. 5 H. L. 395, 406.

²⁶Sale of Goods Act 1979 s (17).

²⁷Comptoir d'Achat et de Vente du Boerenbond Belge S.A. v Luis de Ridder Limitada (The Julia) [1949] AC 293, 317.

²⁸Sale of Goods Act 1979 s (28).

²⁹Ibid s (20) (1).

³⁰Comptoir d'Achat et de Vente du Boerenbond Belge S.A. v Luis de Ridder Limitada (The Julia) [1949] AC 293, 309; Bowden Bros & Co Ltd v Little (1907) 4 C.L.R. 1364; M Golodetz & Co Inc v Czarnikow Rionda Co Inc (The Galatia) [1980] 1 W.L.R. 495, 510.

³¹James J Lightburn and Gawie M Nienaber, 'Out-Turn Clauses in Cif Contracts in the Oil Trade' [1987] Lloyd's Maritime and Commercial Law Quarterly 177,177-178.

³²Carole Murray and others, *Schmitthoff the Law and Practice of International Trade* (12th ed, Sweet & Maxwell 2012) 2-020.

³³Lista (n 5) 16.

³⁴ibid.

³⁵SIAT di del Ferro v. Tradax Overseas SA [1978] 2 Lloyd's Rep. 470.

CIFs are contracts for the sale of documents representing goods, or are contracts for the sale of goods to be formed by delivery of documents.³⁶ The majority opinion has been given in the case of *Arnold Karberg & Co. v. Blythe*³⁷. After the decision that attributes CIF contracts as the sale of documents by Scrutton J, Bankes LJ in Court of Appeal denying the high court's determination stated that interpreting CIF contracts as a sale of copies is not a proper approach. It must be defined as a "contract for the sale of goods to be performed by delivering documents".³⁸

Even though it has been presumed that payment will be made in return for tendering the documents, it is possible to put a condition to the contract, such as if 'dispatched of the goods'.³⁹ *Sassoon* held that setting provisions in the contract might be done to determine the payment time. Still, conditions are against the core of CIF contracts unless otherwise contested upon the agreement.⁴⁰ Nevertheless, according to law cases, these provisions will end the feature of being CIF contracts.⁴¹

3. REJECTION OF DOCUMENTS AND GOODS

The significance of documents given by cases; the amount they have seen as a core of the agreement. For example, if the seller did not send the document record, there would be no more existing CIF contract⁴²; if tendering time of the papers hasn't been decided, they must be delivered in a reasonable time⁴³. Also, if the vendor fails to tender the documents at the stipulation time, the buyer has the right to reject them.⁴⁴ Lastly, if goods are delivered in contrast to the insurance policy to buyer safely, the buyer has the right to avoid payment or accept goods.⁴⁵ It is claimed that the right of rejection is related to documents rather than goods because if the papers are taken, there is no way to reject the goods.⁴⁶ The sacrifice of records by the buyer may be the subject of the contract breached by the seller regarding the seller's duties, which are

related to bills, insurance policy or appropriate loading of goods at the beginning.⁴⁷ Nevertheless, if the payment is made without any objection, it leads to the loss of the right to reject the documents.⁴⁸ For example, in the case of *Panchaud Freres SA v Establishments General Grain Co*, it is held that if the buyer realised the false date in the documents a while after making payment, the right to reject the documents has been precluded.⁴⁹ On the other side, if the condition of goods contradicts the main contract shown clearly in the papers, the buyer who accepts the documents must also get the goods.⁵⁰ The House of Lords hold in *Berger & Co. Inc v Gill & Dufus SA* that the rejection of documents by the buyer because of the received goods which contravene the contract is a breach of contract.⁵¹ However, it is decided that the court may consider the situation of goods while estimating damages.⁵² *Odeke* put a different viewpoint on the perceived status of documents by saying they are much more than symbolising goods; they are proof of the agreement and paper version of goods.⁵³

Lord Wright states that the effectivity of performance that documents play makes it difficult to understand the fundamental notion of documents in CIF contracts.⁵⁴ Documents are only business instruments to protect goods and rights. *McCardie J* exemplified the situation; documents only represent the goods, like the payment made to acquire a house; when the payment price is this one, keys are received, but it doesn't mean that the buyer made for keys instead of a house.⁵⁵ In this direction, Lord Heatherly LC enounced that it is impossible to transfer the property of goods during the shipment; thus, the documents are conceived as a representor.⁵⁶ On the other hand, in the CIF contract, if unconformity with the main contract is determined, there are two types of individual rejection rights: goods and documents.

⁵⁷Nonetheless, losing or rejecting the right of the document does not block the rejecting right of delivered

³⁶*Hindley & Co Ltd v East Indian Produce Co Ltd* [1973] 2 Lloyd's Rep. 515; *Trasimex Holdings SA v Addax BV* [1999] 1 Lloyd's Rep. 28, 32.

³⁷*Arnhold Karberg & Co. v Blythe, Greene, Jourdain & Co. Theodor Schneider & Co. v. Burgett & Newsam* [1915] 2 K.B. 379.

³⁸*Arnhold Karberg & Co. v Blythe, Greene, Jourdain & Co. Theodor Schneider & Co. v. Burgett & Newsam* [1916] 1 KB 495,510.

³⁹*Odeke* (n 4) 162.

⁴⁰*Lorenzon and others* (n 3) 55.

⁴¹*Comptoir d'Achat et de Vente du Boerenbond Belge S.A. v Luis de Ridder Limitada (The Julia)* [1949] AC 293, 312; *The Gabbiano* [1940] 166, 174.

⁴²*Continental Imes Ltd. v Dibble (HE)* (1952) 1 Lloyd's Rep. 220.

⁴³*Biddell Brothers v E. Clement Horst Company* [1911] 1 K.B. 214, 220.

⁴⁴*Toepfer v Lenersan-Poortman NV* (1980) 1 Lloyd's Rep. 143 (CA).

⁴⁵*Orient Co. v. Brekke & Howld*, [1913] 1 K.B. 531.

⁴⁶*Lista* (n 5) 18.

⁴⁷*Murray and others* (n 34) 2-026.

⁴⁸*ibid* 310.

⁴⁹*Panchaud Freres SA v Establishments General Grain Co* [1970] 1 Lloyd's Rep. 53, CA.

⁵⁰*Lista* (n 5) 342.

⁵¹*Duffus SA v Berger and Co Inc* [1984] AC 382, 390.

⁵²*Duffus SA v Berger and Co Inc* [1984] AC 382, 390.

⁵³*Odeke* (n 4) 163.

⁵⁴*Roy Goode, Herbert Kronke and Ewan McKendrick, Transnational Commercial Law: Text, Cases, and Materials* (Oxford University Press 2015) 270.

<<http://ebookcentral.proquest.com/lib/warw/detail.action?docID=4083329>>.

⁵⁵*Manbre Saccharine Co. v. Corn Products Co.*, [1919] 1 K.B. 198, 202.

⁵⁶*Meyerstein v Barber* [1867] L R 2 CP 661.

⁵⁷*Murray and others* (n 34).

goods which is improper with the contract.⁵⁸ The deniability right of the buyer's returned goods clearly expresses that the documents are just a formal procedure, and the goods are the ones that matter, thus the core of the CIF contracts. Court of appeal defined CIF contracts as "a contract for the sale of goods by delivering documents".⁵⁹ As it is considered in *Manbre Saccharine Co. v. Corn Products Co*⁶⁰ and *C Groom Ltd v Barber*⁶¹, it has been argued that there were no goods shipped; at this moment, tendered documents were improper; however, the judge indicated that the duties of the seller accomplished. The court decided that the buyer's rejection to make the payment was correct, not because of the loss of goods but because of the wrong description in the documents and lack of tender of the insurance policy.⁶² McCardie J stated that despite the goods or ship having been lost or damaged and this has been known by the seller, it is still possible to send the documents for him.⁶³ There would be no detriment for the buyer. It can get the documents which provide insurance and compensation for devastation. It was highlighted in the *Kwei Tek Chao v British Traders and Shippers* case by Devlin J that the obligation of the seller ended when he loaded the goods; however, it is also required to send the proper documents, but when there is a late shipment, to hide the original date most probably seller won't send the documents too which means two different types of breaches in the same act.⁶⁴ It is decided that the seller's obligation has not been fulfilled, and the bill of lading is not valid if no goods are shipped.⁶⁵ Due to false documents, the seller cannot get paid, while buyers have the right to claim compensation.⁶⁶ As an implicit rule, the bill of lading must be seen as proper and genuine; it must be off.⁶⁷ There are also various infringements related to goods and documents; however, their significance level is indistinguishable.⁶⁸ These decisions infer that it is

impossible to define the CIF contracts as a sale of records.

4. NATURE OF CIF IN SALES DURING THE SHIPMENT

In CIF contracts, due to the buyer receiving the documents before then the goods, it may be possible to transfer the goods via sharing the documents, in exchange for the price to second person, while the shipment is running on. It is asserted that, despite accepting the CIF contract as a sale of goods between buyer and seller, there is no doubt that the CIF contract between buyer and second buyer is a sale of documents.⁶⁹ It is argued that CIF contract is a sale of goods, which presumes physical transfer of goods and represents documents; thus, the records are worthless without goods.⁷⁰ In case the goods had been lost before the agreement of parties, it is argued in the *Couturier v. Hastie* that "the purchaser bought, in fact, the shipping documents, the rights and interests of the vendor".⁷¹ However, due to the existing intention of referring to the goods, the argument has been refused by the House of Lords.⁷² Also Sale of Goods Act 1979 s (6) specifies that the contract would be accepted as void if the goods had been destroyed unknowingly by the seller when the contract was made.⁷³ Furthermore, in the case of *Hindley and Co Ltd v East Indian Produce Co Ltd*,⁷⁴ it is argued that if the buyer becomes a seller during the shipment and somehow, the goods don't reach the new buyer contrary to documents, due to CIF contracts being the sale of records; the seller is not responsible. Kerr J⁷⁵ decided that interpreting CIF contracts as a sale of documents is not helpful by attributing the *Arnhold Karberg and Co v Blythe, Greene*⁷⁶ and *Biddell Brothers v E Clemens Horst Co*.⁷⁷ cases. It is also stated that CIF contracts are the sale of goods, and there is no reason to distinctively assess the first and middle seller of a ship to assess the first and middle sellers of a vessel

⁵⁸Lista (n 5) 17.

⁵⁹*Arnhold Karberg & Co. v Blythe, Greene, Jourdain & Co. Theodor Schneider & Co. v. Burgett & Newsam* [1916] 1 KB 495, 510.

⁶⁰*Manbre Saccharine Co. v. Corn Products Co.*, [1919] 1 K.B. 198, 402.

⁶¹*C Groom Ltd v Barber* [1915] 1 KB 316, 317.

⁶²Eric Baskind, Greg Osborne and Lee Roach, *Commercial Law* (Third edition, Oxford University Press 2019) 553.

⁶³*Manbre Saccharine Co. v. Corn Products Co.*, [1919] 1 K.B. 198, 204.

⁶⁴*Kwei Tek Chao (Trading as Zung Fu Co) v British Traders and Shippers* [1954] 1 Lloyd's Rep. 16,36.

⁶⁵*Hindley & Co v East Indian Produce & Co* [1973] 2 Lloyd's Rep. 515; *Holland Colombo Trading Soc. Ltd v Alawdeen* [1954] 2 Lloyd's Rep. 45.

⁶⁶Lorenzon and others (n 3) 53; *Motis Exports Ltd v Dampskibsselskabet AF 1912 A/S* (No.1) [2000] 1 Lloyd's Rep. 211.

⁶⁷*Hindley & Co v East Indian Produce & Co* [1973] 2 Lloyd's Rep. 518.

⁶⁸*Kwei Tek Chao (Trading as Zung Fu Co) v British Traders and Shippers* [1954] 1 Lloyd's Rep. 16,37.

⁶⁹Harold J Berman and Colin Kaufman, 'Law of International Commercial Transactions (Lex Mercatoria)' [1978] *Harvard International Law Journal* 221,242-243. <<https://heinonline.org/HOL/P?h=hein.journals/hilj19&i=250>>.

⁷⁰Philip W Thayer, 'C.I.F. Contracts in International Commerce' [1939] *Harvard Law Review* 792,798.

<<https://heinonline.org/HOL/P?h=hein.journals/hlr53&i=846>>.

⁷¹*Couturier v Hastie* [1856] 5 HLC 673, 677; *Lloyd v Fleming* [1872] L.R. 7 Q.B. 299, 303.

⁷²*Couturier v Hastie* [1856] 5 HLC 673, 681.

⁷³Sale of Goods Act 1979 s (6)

⁷⁴*Hindley and Co Ltd v East Indian Produce Co Ltd.* [1973] 2 Lloyd's Rep. 515.

⁷⁵*Hindley and Co Ltd v East Indian Produce Co Ltd.* [1973] 2 Lloyd's Rep. 517.

⁷⁶*Arnhold Karberg & Co. v Blythe, Greene, Jourdain & Co. Theodor Schneider & Co. v. Burgett & Newsam* [1916] 1 K.B. 495.

⁷⁷*Biddell Brothers v E. Clement Horst Company* [1911] 1 K.B. 214, 220.

distinctively; thus, if there is a fault in shipping the goods, sellers are in breach of the contract.⁷⁸

CONCLUSION

In sum, the emergent difference in approaches related to CIF contracts becomes more frequent since documents are used more frequently to represent objects in the trading area. The present study was designed to determine the effect of documents and goods in the contracts to determine whether CIF contracts are for the sale of goods or documents. Even though carrying out contracts by using documents on behalf of interests presents the value of documents in terms of usage, it is clear that documents use is not because of their weight but their ability to make the process faster and deal with problems which may arise.⁷⁹ Incoming the conclusion that CIF contracts are contracts for the sale of goods, in contrast to the argument that if the buyer accepts arrived documents, it is not possible to reject the goods, there are two separate rights related to rejection, one is for documents, and other is for the goods. The operation rules of the CIF system indicate that CIF contracts are contracts for the sale of goods. Although the seller's obligation ends with the delivery of documents regardless of the arrival of goods, the buyer must accept the documents in case of compatibility of documents with the sales contract. It is only possible to reject the documents in rare circumstances because of the necessity to maintain the trade flow without disruption. Despite that, due to the significance and being at the core of the sales contract, it is always possible to reject the arrived goods in case of contradiction to the sales contract.

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