



A commercial contract refers to a legally binding agreement between parties in which they are obligated to do or not do certain things. **Contracts may be written or verbal and drawn up in a formal or informal way.** Most businesses create contracts in writing to make the terms of agreement clear, often seeking legal counsel when drawing important contracts. Contracts can cover all aspects of business, although the most commonly used commercial contracts are:

- [Distribution Contract](#)
- [Agency Contract](#)
- [Commission Contract](#)
- [Sales Representative Agreement](#)
- [Services Contract](#)
- [Franchise Contract](#)
- [Supply Contract](#)
- [Manufacturing Contract](#)
- [Joint-Venture Contract](#)

In international trade the [UNIDROIT Principles](#) (International Institute for the Unification of Private Law) establishes general rules applicable to commercial contracts. They shall applied when the Parties have agreed that their contract be governed by them. They also may be applied when the Parties have not chosen any law to govern their contract. In other cases may be used to interpret or supplement domestic law.

Some of this Principles are:

Article 1.9 Usages and practices

1. The Parties are bound by any usage to which they have agreed and by any practices which they have established between themselves.
2. The Parties are bound by a usage that is widely known to and regularly observed in international trade by Parties in the

particular trade concerned except when the application of such a usage would be unreasonable.

Article 1.16 Duty of confidentiality

Where information is given as confidential by one party in the course of negotiations, the other Party is under a duty not to disclose that information or to use it improperly for its own purposes, whether or not a contract is subsequently concluded. Where appropriate, the remedy for breach of that duty may include compensation based on the benefit received by the other party.

Article 2.2.3 Agency disclosed

1. Where an agent acts within the scope of its authority and the third party knew or ought to have known that the agent was acting as an agent, the acts of the agent shall directly affect the legal relations between the principal and the third party and no legal relations are created between the agent and the third party.
2. However, the acts of the agent shall affect only the relations between the agent and the third party, where the agent with the consent of the principal undertakes to become the party to the contract.

Article 3.2.5 Fraud

A party may avoid the contract when it has been led to conclude the contract by the other party's fraudulent representation, including language or practices, or fraudulent non-disclosure of circumstances which, according to reasonable commercial standards or fair dealing the latter party should have disclosed.

Article 3.1.16 Damages

Irrespective of whether or not the contract has been avoided, the party who knew or ought to have known of the ground for avoidance is

liable for damages so as to put the other party in the same position in which it would have been if it had not concluded the contract.

A breach of contract occurs when one of the Parties fails to live up to the agreements. In such a case, the law is required to provide a remedy, which in many cases involves the court system enforcing the contract or asking the party to compensate for any damage done by the breach.



To obtain the main models of commercial contracts,
click [here](#).