Mistakes in Electronic Contracts in Iranian Law and UN Convention on the Use of Electronic Communications in Electronic Contracts

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Abstract

One of the most important topics in electronic contracts (e-contracts) is mistake in the process of contract formation. Mistakes can easily happen in e-contracts due to the automation and speed in the internet environment. Concerning the mistakes in e-contracts, most countries follow the general rules. In Iranian law, Articles 19 and 20 on Electronic Commerce Act have briefly discussed the mistakes in e-contracts. According to Article 20 Electronic Commerce Act, if a message is sent by mistake, the addressee is not entitled to regard the data message. Since no specific article has been issued in this regard, the general rules of contracts are applicable concerning the e-contracts. The only convention that studied the e-communication in e-contracts was UN Convention. It only discussed the mistakes in data entry and considered the right to correct the mistake as the compensation method for the wrongdoer.

1. Introduction

Agreement is the result of dealing in the same path. Concerning the internet, such deals are performed through messages and the contract is formed. As mistakes are expected in traditional contracts, mistakes in internet contracts are also possible. Mistake is the result of human’s incorrect perception. If an understanding is opposite of reality, such perception is an unquestionable incorrect one that cannot meet the needs. This article aims to study the mistakes in e-contracts. For instance, a buyer intends to purchase a product from Japanese Sony Company. He visits the website which is seemingly providing Japanese Sony products. After signing the contracts and delivery, it appears that the product was sent from Singapore. The main question here is what will happen in case of mistakes in e-contracts? Are the results and consequences similar to traditional contracts?

To this end, we study the mistake in e-contracts in Iranian Law System concerning the e-commerce and the general governing rules. UN Convention considered the international rules and regulations concerning the e-communication in 2005 international contracts. This article aims to study the effects of mistakes in e-contracts.

2. Mistakes in E-Contracts in Iranian Law

In the section, we study the common mistakes in contracts, contract party, and main and secondary features of contracts and the effect of each of them on the validity of electronic contracts. These mistakes are separately studied due to the importance of human and automatic system mistakes. Some mistakes were finally stated in large corporations around the world.

2.1 Effective Mistakes in E-Contracts

2.1.1 Mistake in Subject of Contract

Article 200 of Civil Law states that" only mistakes connected with the subject of a transaction will invalidate it." In Iranian law, there are different theories regarding the subject of transaction. Notably, "mistake in the subject of transaction" means when both parties disagree on the subject. If such mistake occurs, it invalidates the contract. This type of mistake is not vices of consent and refers to one of the elements of the contract that the parties will agree. This type of mistake is similar to mutual mistake. It was raised during the Raffles lawsuit against Rachel House. In 1964, the defendant and Raffles had agreed that the plaintiff purchases a ship called Pearless containing cotton, which moved from Mumbai, India. In fact, two ships were moving from Mumbai in two different months with similar names containing cotton which belonged to the plaintiff (October and December).
The defendant meant the October ship, while the plaintiff meant the December one. The court invalidated the contract. Some law experts have stated that what they mean in "the subject of contract" mentioned in Article 200 is mistake in the subject according to the personal perception. The basic description of the transaction is the description in another party’s perception. The main problem of this theory is that if Article 200 Civil Law is only considered in this regard, it is not consistent with other Iranian laws. Some experts believe that false interpretation does not invalidate the contract, while others do not follow this opinion. However, Articles 235 and 410 Civil Law state that if there is a condition of description which is not fulfilled, the party who stands to benefit by the contract shall have the right to cancel it. According to the third theory under the "hyper" theory and probably contemporary jurists, mistakes in the subject are believed to be the mistake in common form of transaction and such mistake invalidates the contract. According to this belief by the experts, accepting this theory leads to the consistency between the mistake of description and mistake in the subject: a common mistake in the subject invalidates the contracts, while mistake in the description does not invalidate the contract.

2.1.2 Mistake as to the Identity of Contracting Party in E-Contracts

Mistake as to the identity of contracting party invalidates the contract because what has been intended is not fulfilled. Most lawyers are in favor of this opinion, while some law authors are influenced by the European law and Article 199 to 201 Iranian Civil Law and believe that such mistake does not invalidate the contracts. Article 201 Civil Law is also ambiguous and Articles 199 to 201 of Iranian Civil Law state that such mistake will not make a contract enforceable. Article 201 Iranian Civil Law is, however, ambiguous, leading to dispute over the matter.

Article 201 Civil Law: A mistake made as to the identity of one party will not affect the interests of the other party in the transaction, except when the identity of this second party forms the principal reason of the transaction.

The party in this article refers to a certain human being and the identity refers to the characteristics by which an individual is differentiated from others. The identity in this article also refers to the descriptions of an individual. According to the above definitions, mistake in the party and identity needs to be separated. Although Article 201 Civil Law states the mistake in party invalidates the contracts, Article 762 Civil Law and the nature of Article 201 state that mistakes in the party and some of his descriptions invalidate the contract. Mistake as to identity in Common Law is discussed when the identity of the part is important. Take the following examples into account:

A) In the lawsuit "Phillips versus Brads" in 1919, the identity of the party was not considered important. In this lawsuit, a trickster referred himself to another name and purchased a valuable ring from the jewelry store. In return, the trickster gave paper money and gave the ring to a third person. Plaintiff took the case to the court against the ring receiver. The court, however, validated the purchase since the mistake was in the value, not the identity. Therefore, the third party was addressed the owner and the contract was invalidated due to the deception.

B) In a similar lawsuit "Ingram versus little" in 1961, the court invalidated the contract.

C) In another similar lawsuit, Louis versus Avri, in 1972, the court followed the "Phillips versus Brads" result and validated the contract. In this case, the court argued that when both parties meet face to face, the seller intends to sell something. There is no evidence that the automobile seller intends to go through a deal with a well-known actor. Therefore, although the deal can be invalidated, it is not invalidated. This is similar to the right of invalidation.

3. Ineffective Mistakes in E-Contracts

Observing the principle of autonomy in legal acts and the stability of contracts lead the invalidation of contracts in case of mistakes related to the contracts. Any different mistakes from the main perception of both parties lead to the contract invalidation.

3.1 Mistake in the Secondary Quality of E-Contracts

The mistakes related to the secondary principles cannot lead to the contract invalidation such as the description, motives, and objective. Descriptions are divided into three categories: Successor description, important description, and secondary description. Successor description is similar to the mistake in the nature of the deal, leading to the contract invalidation (Article 200 Civil Law). Some believe that although some important descriptions are effective in parties’ attraction, they will not invalidate the transaction. It does not also cause the emergence of right to terminate the contract unless in some options such as option/liberty of the buyer to reject thing bought on ground of seller’s incorrect description of it, either quantitatively qualitatively, with or without his own knowledge of the falsehood of that description, buyer reserving the liberty to accept thing bought despite
The third case: invalidation. Over 600 million requests were sent to the company. Surprisingly, one customer asked for 1,700 TV sets. The contacts were

The second case: Kodak was required to the contracts, though.

The First Case: Early 2002, Kodak advertised almost $100 digital cameras in its website. However, each was priced at almost $329. Kodak denied the contract due to the mistake and the fact that it was just an advertisement. Kodak was required to the contracts, though.

3.2 Mistake in Intention in E-Contracts

According to the principle of intention, a legal act is valid if it is consistent with the real intention of both parties because a contract is validated if based on intention. Therefore, what shapes the intention is the one which cannot have the common consequences of consent. A mistake in intention can happen while deciding. Any mistakes in the intention need to be corrected. For instance, wherever the name of residuary is mistakenly written, the mistake does not terminate the right of the residuary. Another example is that if a seller, by mistake, mentions the price of a product 10,000 Rials instead of 10,000 Tomans, and misleads the customer, the contract invalidates and leads to canceled deal. Such mistake is the oneof agreement not intention. Some have stated that although such mistake should not validate the nature of the contract, it leads to the inconsistency of agreement, leading to the cancelation of the contract. Sometimes, mistake might happen in the development of intention and there is no dispute between the real and announced request. At the same time, the other party is misled due to the external force or incorrect interpretation such as the mistakes between two different nationalities concerning the currency or any other technical problems during the message. Here, most experts believe that anyone who makes the mistake is responsible for and the benefits of the other party must not be neglected because of the mistake. Sometimes, the reasons are not justifiable because, in most cases, the sender does not select the equipment according to his/her own intention especially in internet and online transactions. When the message or telegram sender or the support system makes a mistake, they need to compensate. However, the responsibility does not influence the deal. In Common Law, mistakes are divided into three types: Common, Unilateral, and Mutual. In case of a mistake by the seller (unilateral mistake), the court might cancel the contract. The key question in this regard is that whether or not the buyer is aware of the mistake. The most important law suits in RE-contracts are related to Kodak, Argos, and Amazon companies. All three companies made mistake in false advertising concerning the price. Finally, despite other two companies, Kodak Company was obliged to the contract.

The First Case: Early 2002, Kodak advertised almost $100 digital cameras in its website. However, each was priced at almost $329. Kodak denied the contract due to the mistake and the fact that it was just an advertisement. Kodak was required to the contracts, though.

The second case: Late 1999, Argos made a mistake concerning the sale of each TV set for 3 dollars. Almost one million requests were sent to the company. Surprisingly, one customer asked for 1700 TV sets. The contacts were invalidated.

The third case: Early 2003, Amazon made a mistake concerning iPhone Pocket PC version e1910H for $7.32.
The real price was $275, however. The advertisement remained in the website until noon. Almost 100 requests were submitted. In the afternoon, the ad was removed from the site and Amazon announced that no contract had been formed between the company and customers because the online terms of conditions were not observed and no payment was made by the order providers. A contract is generally formed when an agreement is made. Concerning orders, there was a $7.32 bid for iPhone. The main question is whether or not Amazon has accepted or not.

4. Mistake in Message Data between Individual and Automated System

Mistake in e-commerce is mainly related to the e-messaging systems, as might be expected from the human performance such as typing errors or technical failure in information system. In e-commerce, some domestic laws have been enacted complying with the UNCITRAL Model Law. Such laws are relevant to the mistakes made by human being during a deal with an automated computer system. These rules are designed in a way that the operator is not committed to the contract in case of making a mistake. The logic behind these rules is the contract risk between the natural human being and automated system which is far higher than the one between two human beings because the contracts between people are let for correction prior to the finalization. However, no opportunity is found for the contracts between the human being and automated system. UNCITRAL Model Law has not focused on a basic point in forming the contracts and the consequences have not been discussed in e-contracts. Convention on the International Sale has clearly stated that issues related to the validity of the terms are out of this convention. However, the principles of international commercial contracts (Rome Law Institute) have briefly discussed the case and considered a contract invalidated in case of important mistakes not being accepted by the parties. Iranian rules and regulations have not referred to specified mistakes in e-messages especially in contracts between individuals and automated system. The only articles in this regard are Article 19 and 20 legislated in 2003.

Article 19 Electronic Commerce Act:

The addressee is entitled to regard the "data message" which is sent according to one of the following conditions as having been sent and to act on that assumption (having been sent):

a) A method is introduced by or agreed with the originator indicating that the "data message" is in fact the same "data message" that was sent by the originator.

b) The "data message" as received by the addressee resulted from the actions of a person whose relationship with the originator or with any agent of the originator enabled that person to gain access to a method used by the originator to identify “data messages” as its own.

Article 20 Electronic Commerce Act:

Article 19 of this Law does not comprise the cases where the message is not issued from the originator or is mistakenly issued.

Therefore, all data messages sent by the sender through the computer systems make him/her committed. According to Article 20 Electronic Commerce Act, if a data message is sent by mistake, the addressee cannot attribute the messages to the original sender. Since no other regulations have been introduced in this regard, public criteria of contracts concerning the mistakes in e-contracts and communications will be true. In Iranian Law perspective, an effective mistake concerning the subject invalidates the contract (Article 200 Civil Law).

According to Article 201 Civil Law, a mistake made as to the identity of one party will not affect the interests of the other party in the transaction, except when the identity of this second party forms the principal reason of the transaction. Therefore, although Article 20 Electronic Commerce Act seeks to take out the mistakes in data messages from the assumption of addressing the data message to the original sender, mistakes consist of effective ones the identity of one party is the main part of the contract. Eventually, a contract is true even if a mistake was made during sending the message. Mistakes in the identity of one party, both in identity or personality, because the invalidated contract when the party is the main part of the contract. General issues of mistakes in Iranian Electronic Commerce Act and the 2005 Geneva Convention concerning the data entry mistakes are attributed to the domestic rules and regulations. Paragraph 2 of Article 14 in this Convention states that: this Article this article, in no way, impedes law enforcement on the wrong consequences, in addition to in paragraph 1. Therefore, domestic rules and regulations are true at both issues not being referred in this Convention and other internal rules concerning the data entry. Damage needs to be compensated according to the Civil Law. According to Article 3 Civil Law, some authors stated that the text of laws must be published in the Official Gazette. Therefore, this theory can be dependent on when there are some not-referred issues in the Convention and other internally related issues. No contract is made if there is no mutual consent to refer the
mistake to the wrongdoer. An equal amount of money might be imposed to the party. According to the general legal rules, the party might prove the incorrect data message otherwise he/she is required to the legal consequences.

5. Mistake in E-Contracts in United Nations Convention Concerning the Use of E-Communication in E-Contracts

In foreign law, the rules in some countries legislated rules and regulations following the UNCITRAL model law concerning the mistakes in e-contracts. However, the consequences have not been discussed. In addition, Article 4 Convention on the International Sale has clearly stated that the issues related to the validity of contract and correct contract are out of this convention. However, the principles of international commercial contracts (Rome Law Institute) has briefly discussed the case and considered a contract invalidated in case of important mistakes not being accepted by the parties. 2005 United Nations Convention has carefully discussed the use of e-communication in international contracts. This convention aims to carefully study the case since the likelihood of mistake is far more and faster in e-contracts than the conventional ones.

5.1 Input [Data Entry] Error

There are two sources of mistakes in e-contracts: either of parties and automated system. If the natural person makes a mistake, it can be imagined in two ways: 1- Mistake in data entry 2- Patently false. Input error [mistake in data entry] means that the buyer makes a mistake in conclusion through the website or enters a digit twice while ordering a book, ordering 11 books instead of 1. In such mistakes, the buyer intends to purchase but makes a mistake in data entry such as the number of goods or the type. Different legal consequences have been taken into account for mistakes in legal systems. The convention offered solutions for such mistakes. In other words, the convention seeks to compensate. However, some legal systems invalidate the contracts in case of the mistake or require paying a cash fine. "Patently false" occurs when the buyer does not seek to buy a product. For example, a buyer follows the procedures to submit a purchase but intends to refuse the contract. By mistake, he/she press ENTER. Nothing has been discussed in this regard in the Convention. It is possibly not discussed because it is a clear fact. It seems that the contract is clearly invalidated.

Article 14: Where a natural person makes an input error in an electronic communication exchanged with the automated message system of another party and the automated message system does not provide the person with an opportunity to correct the error, that person, or the party on whose behalf that person was acting, has the right to withdraw the portion of the electronic communication in which the input error was made if:

(a) The person, or the party on whose behalf that person was acting, notifies the other party of the error as soon as possible after having learned of the error and indicates that he or she made an error in the electronic communication; and (b) The person, or the party on whose behalf that person was acting, has not used or received any material benefit or value [Tom the goods or services, if any, received from the other party.

2. Nothing in this article affects the application of any rule of law that may govern the consequences of any error other than as provided for in paragraph I.

This Article is not associated with the rules governing the rules related to the mistake but regarding the mistake correction. Other general issues will be resolved by internal legal system of countries. Another point worth mentioning is that when the Convention rules are true at the time of mistake, the contract is automatically made between the natural person and the automated messaging system because mistakes in the contracts between the natural persons and automated messaging system happens more than the conventional ones because if the contract is made between two natural parties, they have the opportunity to correct the mistake. However, there is no chance between the natural person and automated messaging system. Therefore, Article 14 is only true in data entry when the contract is made between the natural person and the automated messaging person.

5.2 Convention Solution for Compensation

During the Convention compilation concerning the compensation, two theories were introduced. Some believed that the right of correction and the right to withdraw the mistake must be considered because compensation is provided by the right of correction in some cases. Others believed that the former must be taken into account, while the latter is believed to be wrong since it can be the source of abuse. The right of correction can really help. In Article 14 Convention, there are two solutions for such mistakes:

5.2.1 Right of Correction

In e-contracts formed between natural people and automated messaging system, there is a chance to inform the other party in case of mistakes in order to correct it. This is mainly used in minor input error. In some websites
such as amazon.com, it is possible to modify the information in case of input error by the natural person prior to delivery. Some other websites show the data before submitting in order to enable the customer to modify the information in case of mistake. If the mistake is not corrected in this stage, it cannot be corrected afterward. The addressee can be notified by e-mail in order to review the request and modify the mistakes. Automated messaging system owners basically seek to consider the opportunity to correct the mistake because lack of such possibility would lead to responsibility for the automated messaging system user. The Convention requires the equally valid message after correction. As a result, e-message data need to be valid.

5.2.2 Right to Withdraw
Regarding the withdraw, Article 14 of the Convention states that if the natural person makes a mistake in data entry and the automated messaging system does not let him/her correct the mistake, the parts of e-message with the mistake can be ignored. As we can see, the convention used the word "withdraw" or ignorance. This correction is only applicable in the part of message containing the mistake. The other parts remain unchanged. An ignored point in the Convention seems to be the consequences of the mistakes. The same enforcement is taken into account for all types of mistakes. As it is clear, the consequences of mistakes are different. Sometimes, the mistakes are effective which basically alter the nature of the contract and makes a different contract from what was intended. In this case, if the natural person ignores the part containing the mistake, he/she will experience an enormous loss. Therefore, it seems that the whole contract must be ignored in this case instead of a specific part. On the contrary, there is a secondary mistake and does not alter the nature of the contract. It seems that the contract validates and the minor mistake can be ignored. After identifying the withdraw, it is essential to know how to impose it. According to the Article 14 of the Convention, four conditions are required for the right to withdrawal: first, the mistake must occur between the natural person and the automated messaging system and the mistake is made by the natural person. As a result, when both parties use the automated messaging system or the mistake is not made by the natural person, the Article cannot be applied. Here, the domestic law of the country is applicable. Second, the automated messaging system does not let the correction. This does not mean that the automated messaging system needs to provide the opportunity for correction. Conversely, it means that if the system provides the opportunity for correction, the other party is required to correct the mistake and cannot ignore the right for correction for imposing the withdrawal. Third, the natural person must immediately inform the other party as soon as being aware of the mistake (notice as soon as possible). The Convention use the term "as soon as possible" and has provided no criteria. Some believe that the silence of the Convention indicate the "immediate action" and some consider 24 hours for informing. In Consumer Protection Guidelines, the consumer can use the right for withdrawing within a 14-day period in case of mistakes in e-contracts. According to the European guideline, a 14-day period is taken into account to apply this right after the contract is formed or the party is informed by the seller or service provider. A period of six months was gradually introduced to use this right. Fourth, the product or service is not used by the receiver. The party has not benefited from the product or service as well. The Convention, in fact, has stopped the unfair use of a product or service. As a result, individuals are not allowed to apply the right for withdrawing after using the benefitting. Therefore, the rights of both parties are observed and no natural person can take advantage of the right for withdrawing in order to damage the other party.

6. Conclusion
In Iranian law system, mistakes in e-contracts do not have a different and independent nature compared to the conventional contracts and they are considered like the general rules of contracts. Some mistakes are against the mutual agreement. Such mistakes are not considered vices of consent and they invalidate the contracts. Mistakes in the type of contract, mistake in the nature of mistake, and mistake as to the identity of the party are among such mistakes. The second group of mistakes is those considered the vices of consent such as the mistake in description and mistake in the conventional shape or character of an object of transaction. According to the Article 200 Iranian Civil Law, some believe that such mistakes invalidate the contract. Mistakes in minor and secondary issues do no invalidate the contract. Mistakes in intention do not affect the contract unless some believe that if it influences the nature of the contract, it causes invalidation. Concerning the mistake between the human being and automated system, there are no specific rules in Iranian law system. Only Article 19 Electronic Commerce Act states that the addressee is entitled to regard the "data message" which is sent according to two conditions as having been sent and to act on that assumption. Article 20 Electronic Commerce Act, however, seeks to extract the mistakes attributed the sender in effective cases. Therefore, depending on the fact that the mistake interfere the agreement or intention, it can validate or invalidate the contract. 2005 Geneva Convention only considered the input error. The convention tries to find a way to correct the mistake by giving an opportunity for correction. One of these solutions is the right to correct and the contract is still valid. Another
solution is the right for withdrawing. The one applying this right must immediately inform the other party about
the mistake as soon as possible and he/she must not use the product or service. Except for the cases mentioned in
Iranian Law System and 2005 Geneva Convention, general rules of conventional contracts are applicable for
contracts.

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