

Assessing the Relationship Between Fundamental Breach of Contract and Breach of Contractual Obligation under the Doctrine of Unity of the Intended Purpose in Iranian Law and the United Nations Convention on Contracts for the International Sale of Goods (CISG)

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Abstract

Contracts, as the principal instruments for regulating legal relations between persons, are founded on the principles of contractual binding force and the obligation to perform contractual undertakings. Nevertheless, numerous situations arise in practice in which one party refuses to perform its contractual obligations or performs them defectively. Different legal systems provide distinct remedies depending on the seriousness and significance of the breach. In international commercial law, the United Nations Convention on Contracts for the International Sale of Goods, adopted in Vienna in 1980 (CISG), distinguishes ordinary breaches from breaches affecting the continued existence of the contract by introducing the concept of “fundamental breach” in Article 25. Under this approach, the right to avoid the contract arises only when the breach substantially deprives the aggrieved party of the benefits it was entitled to expect under the contract. Although the concept of fundamental breach has not been expressly recognized by the Iranian legislature, certain legal doctrines and remedies—including the doctrine of unity of the intended purpose, the right of termination for breach of a contractual condition, and non-conformity with the essential attributes of the subject matter—perform comparable functions. The doctrine of unity of the intended purpose is based on the premise that the performance of an obligation or the existence of a particular attribute may be so integral to the parties’ motives and contractual objectives that its absence destroys the essential purpose sought through the contract and renders its continuation futile. Employing a descriptive-analytical method and a comparative approach, the present study examines the possibility of establishing a conceptual and functional relationship between fundamental breach under the CISG and breach of contractual obligation where there is unity of the intended purpose under Iranian law. The findings indicate that, although the theoretical foundations of these two legal doctrines differ, the principal criterion in both legal systems is the frustration of the contract’s essential purpose and the deprivation of the obligee of the expected contractual benefit. Accordingly, the doctrine of unity of the intended purpose may be regarded as the Iranian domestic legal institution most closely corresponding to the concept of fundamental breach under the CISG.

Keywords: fundamental breach, unity of the intended purpose, contractual obligation, avoidance of contract

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1. Introduction

Contract law has always been regarded as one of the most important branches of private law because a substantial proportion of individuals' economic and social relationships are formed through contracts. The principal purpose of every contract is to enable the parties to attain the outcomes and benefits contemplated at the time of its conclusion. Accordingly, the proper performance of contractual obligations plays a fundamental role in preserving economic order and ensuring legal certainty (Katouzian, 2020). The principle of *pacta sunt servanda*, which is rooted in Imami jurisprudence and Islamic law, constitutes one of the most important foundations of the binding force of contracts. Article 219 of the Iranian Civil Code likewise emphasizes this principle by providing that contracts validly concluded between the parties are binding upon them unless they are terminated by mutual consent or pursuant to law. Nevertheless, one party may refuse to perform its obligations or may perform them incompletely. In such circumstances, the question arises whether every breach of obligation may result in the dissolution of the contract or whether only certain breaches produce such an effect. Legal systems do not provide a uniform answer to this question. Many contemporary legal systems distinguish between minor and fundamental breaches. The purpose of this distinction is to prevent instability in contractual relations and to preserve contracts to the greatest extent possible. Indeed, if every minor breach could justify termination, the security of economic transactions would be jeopardized (Safaei, 2018).

The United Nations Convention on Contracts for the International Sale of Goods (CISG) similarly introduces the concept of "fundamental breach of contract" as the principal criterion for avoidance. Article 25 of the Convention provides that a breach is fundamental when the resulting detriment substantially deprives the other party of what that party was entitled to expect under the contract. Thus, the mere occurrence of a breach is insufficient to justify avoidance; rather, the breach must be sufficiently serious to undermine the principal purpose of the contract (Schlechtriem & Schwenzer, 2016). Although the Iranian Civil Code does not employ the term "fundamental breach of contract," it recognizes legal institutions that may produce similar effects in specific circumstances. One of the most important of these is the doctrine of unity of the intended purpose. Under this doctrine, where the contractual objective contemplated by the parties is indivisible and partial performance cannot satisfy the principal purpose of the contract, the obligee may terminate the contract because the essential objective sought has not been achieved (Shahidi, 2022). A comparative examination of these two institutions is important because Iranian law has increasingly encountered international transactions and the concepts of global commercial law. Identifying the similarities and differences between unity of the intended purpose and fundamental breach may contribute to the theoretical development of contract law and promote greater convergence between domestic law and international standards. The principal rationale underlying this institution is to prevent the premature termination of contracts while simultaneously protecting the parties' legitimate expectations. Consequently, a contract may be dissolved only where the breach eliminates the obligee's essential contractual interests (Honnold, 2009).

By contrast, Iranian law does not recognize an independent institution expressly designated as fundamental breach of contract. Nevertheless, courts and legal scholars have frequently relied on concepts such as breach of an essential condition, absence of a fundamental attribute, impossibility of performance, and unity of the intended purpose to justify the right of termination (Katouzian, 2020).

The doctrine of unity of the intended purpose is particularly significant where the obligee's principal objective in concluding the contract depends upon the complete performance of a specific obligation. For example, where a person purchases a building exclusively for commercial use and it is subsequently discovered that the legally required authorization for such use cannot be obtained, the principal purpose of the contract may have been defeated. In such circumstances, although some obligations may have been performed, the obligee's ultimate contractual objective has not been achieved. This situation bears a considerable resemblance to the criterion of substantial deprivation under Article 25 of the Convention. In both cases, the decisive consideration is not merely the failure to perform an obligation, but the effect of that failure on the principal purpose and benefit of the contract. Accordingly, this study seeks to answer whether the doctrine of unity of the intended purpose may serve as a basis for the implicit recognition of fundamental breach in Iranian law. To this end, using a descriptive-analytical method, the study examines the relationship between fundamental breach and breach of contractual obligation under the doctrine of unity

of the intended purpose in Iranian law and the United Nations Convention on Contracts for the International Sale of Goods (CISG).

2. Concepts and Theoretical Foundations of the Obligation to Perform Contractual Undertakings

2.1. *The Concept of Contractual Obligation and Breach of Contractual Obligation*

A contractual obligation is a legal relationship pursuant to which a person is required to perform an act, refrain from performing an act, or transfer property to another person. Such an obligation results from the parties' mutual agreement, and its effects are shaped by the principle of party autonomy (Emami, 2019). Contractual obligations may assume various forms, including an obligation to transfer ownership, deliver goods, provide services, preserve the confidentiality of information, or guarantee the quality of goods. The common feature in all these instances is the obligee's legitimate expectation that the obligation will be properly performed.

Lexically, breach means breaking, destroying, or violating a covenant or undertaking (Amid, 1983). Its legal meaning does not substantially depart from its lexical meaning. A breach of contract occurs when one or both parties fail to comply with the obligations they have undertaken under the contract. More specifically, breach and refusal to perform arise where a party fails to fulfil a contractual obligation, informs the other party that it will not comply with its contractual undertakings, or demonstrates through its acts or conduct that it is incapable of performing the contract (Doroudian, 2003). Accordingly, a breach of contractual obligation occurs when the obligor refuses to perform the obligation or performs it inconsistently with the terms of the contract. Legal scholars have classified breach of obligation into several forms, the most important of which are: (a) complete non-performance; (b) partial performance; (c) delay in performance; (d) defective performance; and (e) definitive refusal to perform (Jafari Langroudi, 2021).

Under traditional Iranian law, each of these forms may give rise to different remedies. The principal remedies include specific performance, compensation for damages, and, in certain circumstances, termination of the contract.

2.2. *The Concept of and Distinction Between Ordinary and Fundamental Breach*

Developments in contract law during the twentieth century led to the emergence of a distinction between ordinary and fundamental breach. An ordinary breach is a violation that, although giving rise to contractual liability, does not defeat the principal purpose of the contract. By contrast, a fundamental breach concerns circumstances in which the expected benefit of the obligee is seriously destroyed (Treitel, 2015).

Fundamental breach is a form of contractual non-performance that is not recognized in the law of many countries. In essence, a fundamental breach is a violation of contractual obligations that affects the foundation of the contract. This classification is highly important within the system of remedies because it influences the legal status and continued existence of the contract. The remedy available for a fundamental breach differs from those provided for other forms of contractual non-performance. Domestic legal systems express this remedy through different concepts. The common feature of these remedies is that the obligee becomes entitled, as a consequence of the fundamental breach, to withhold performance of its own obligations (Taghizadeh, 2017). This distinction between ordinary and fundamental breach was subsequently reflected in international instruments, including the UNIDROIT Principles, the Principles of European Contract Law, and the United Nations Convention on Contracts for the International Sale of Goods, and has become one of the principal issues in international commercial law.

2.3. *Foundations of the Obligation to Perform Contractual Undertakings*

A breach of contractual obligation can be conceived only where contracts are presumed to be binding and the obligations arising from them are required to be performed. Consequently, examining the legal foundations of the duty to perform contracts is a necessary preliminary step in understanding the concept of breach and its consequences. In Iranian law, the obligor's duty to perform contractual obligations is founded upon several legal principles and theories, the most important of which include the principle of the binding force of contracts, pacta sunt servanda, party autonomy, and the theory of guaranteed contractual performance. The binding force of contracts is one of the most fundamental principles of contract law. Pursuant to Article 219

of the Civil Code, once a contract has been validly concluded, it becomes binding upon the parties, who are required to perform the resulting obligations. Therefore, breach of obligation is a concept dependent upon the binding force of contracts because a breach can exist only where a prior legal duty to perform has arisen (Shahidi, 2022).

Another foundation of the obligation to perform contracts is the principle of *pacta sunt servanda*, which is among the most important rules recognized in Imami jurisprudence and Islamic law. This principle is supported by numerous Qur'anic verses and traditions, including the first verse of Surah al-Ma'idah, "Fulfil your contracts," verse 34 of Surah al-Isra, "And fulfil the covenant, for the covenant will be questioned," and the well-known hadith, "Believers are bound by their conditions." These authorities establish that once persons undertake an obligation, they are legally and religiously required to perform it, and non-performance may give rise to legal liability and statutory remedies (Mohaghegh Damad, 2021). Accordingly, the performance of contractual undertakings is not merely an ethical obligation but also a binding legal duty. Alongside these foundations, the doctrine of party autonomy also plays an important role in explaining the binding nature of contractual obligations. According to this theory, a contract is the product of the parties' free and informed will, which the legislature respects. Because individuals voluntarily assume obligations, they are likewise required to comply with their terms. In other words, the binding force of a contract originates in the will of the contracting parties themselves, and breach constitutes a departure from the binding will that they have personally created (Katouzian, 2020).

In addition to these traditional foundations, modern contract law has also considered the theory of guaranteed contractual performance. Under this approach, a contractual obligation is not merely a formal or moral duty but is a means of securing the economic and legal interests of the other party. Accordingly, the obligor must provide the result expected under the contract, and a breach occurs whenever non-performance deprives the obligee of the contemplated benefit. The significance of this theory lies in shifting attention from the merely formal performance of an obligation to its actual role in achieving the contractual purpose. This approach contributed to the emergence of concepts such as "fundamental breach of contract" in international commercial law (Treitel, 2015).

Therefore, the principles of the binding force of contracts, *pacta sunt servanda*, party autonomy, and the protection of contractual interests collectively constitute the theoretical foundations of the obligation to perform contractual undertakings. On the basis of these principles, breach of contractual obligation is regarded as a legally undesirable act for which remedies such as specific performance, compensation for damages, and, in exceptional circumstances, termination of the contract are provided.

3. The Doctrine of Unity of the Intended Purpose in Iranian Law and the Consequences of Breach in This Context

One of the important issues in contract law that plays a significant role in determining the consequences of breach is the doctrine of "unity of the intended purpose." Although the Iranian Civil Code does not expressly refer to this doctrine, it has been recognized in legal scholarship and judicial practice as an analytical instrument for interpreting the parties' intentions and determining appropriate contractual remedies.

Unity of the intended purpose means that the subject matter of the contract as a whole, or the agreed attributes and conditions, constitutes an indivisible whole from the perspective of one or both parties, such that the absence of one component defeats the principal objective of the contract. In such circumstances, the components of the contract cannot be separated because the parties' principal motivation was directed toward the realization of all elements of the agreement (Katouzian, 2020).

By contrast, under the "plurality of intended purposes," each component of the contract possesses independent utility, and the absence of one component does not necessarily render the entire contract useless. For example, where a person purchases a collection of books and one volume is unavailable, that person may still require the remaining volumes. However, where a person purchases a machine for a particular activity and it is subsequently discovered that its most essential component is missing, the principal purpose of the contract will have been defeated.

Iranian legal scholars have discussed unity of the intended purpose primarily in relation to contractual conditions, essential attributes of the subject matter of sale, and principal contractual obligations. In such cases, where the breached obligation played an essential role in motivating the conclusion of the contract, the obligee may terminate the contract because it no longer fulfils the expected purpose (Shahidi, 2022).

3.1. *The Status of and Criteria for Determining Unity of the Intended Purpose under the Iranian Civil Code*

Although the Civil Code does not employ the expression “unity of the intended purpose,” several provisions support the practical acceptance of this doctrine, including the following:

(a) **The option to terminate for non-conformity with a stipulated attribute:** Articles 410 to 415 of the Civil Code address non-conformity with stipulated attributes. Under these provisions, where the subject matter of sale does not possess the agreed characteristics, the buyer is entitled to terminate the contract. The basis of this rule is that the stipulated attribute influenced the motivation for concluding the contract. In many cases, the attribute is so important that its absence defeats the principal intended purpose of the contract (Safaei & Rahimi, 2018).

(b) **The option to terminate for breach of condition:** Articles 235 to 246 of the Civil Code recognize a right of termination arising from breach of a contractual condition. Where a condition forming the basis of the agreement is not performed, the party in whose favour the condition was stipulated may terminate the contract. The significance of these provisions lies in the legislature’s differentiation between essential and non-essential conditions and its recognition of a more severe remedy where the condition played a determinative role in the parties’ intentions.

(c) **Impossibility of performance:** Various provisions of the Civil Code concerning impossibility of performance are also based, to some extent, on the same rationale. Where performance becomes impossible and the principal purpose of the contract is defeated, continuation of the contractual relationship lacks legal justification (Emami, 2019).

One of the most difficult issues in this field is determining when unity of the intended purpose exists. Legal scholars have proposed several criteria for this purpose.

The first criterion is the parties’ actual intention or their common intention at the time of concluding the contract. Where the terms of the contract or the surrounding circumstances demonstrate that complete performance was of essential importance to the obligee, unity of the intended purpose may be established (Shahidi, 2022). The second criterion concerns the role of the obligation in motivating the conclusion of the contract. In some circumstances, the importance of the obligation may be inferred from its position within the parties’ contractual motivations. The more closely the breached obligation is connected with the principal purpose of the contract, the more likely it is that unity of the intended purpose will be established. Commercial custom also plays an important role in determining unity of the intended purpose. In certain transactions, trade usage regards particular attributes or obligations as essential elements of the contract. In such cases, even where they have not been expressly stipulated, their absence may give rise to a right of termination (Jafari Langroudi, 2021).

3.2. *Functions and Legal Consequences of Breach under the Doctrine of Unity of the Intended Purpose*

One of the principal functions of the doctrine of unity of the intended purpose is to preserve the contractual equilibrium. Contractual justice requires that no party remain bound by a contract whose principal purpose has been defeated.

Some scholars maintain that the doctrine of unity of the intended purpose is, in fact, a legal response to the principles of fairness and contractual equilibrium. In such circumstances, termination is not an exceptional privilege but an instrument for restoring the lost balance between the parties’ rights and obligations (Mohaghegh Damad, 2021).

Where unity of the intended purpose is established and an essential contractual obligation is breached, several legal consequences arise. The most important consequence is the creation of a right of termination for the obligee because the principal contractual purpose has not been achieved and the continued existence of the contract lacks any rational benefit (Katouzian, 2020). Compensation for damages constitutes the second legal consequence of breach under the doctrine of unity of the intended purpose. Termination does not preclude a claim for damages. In addition to terminating the contract, the obligee may claim compensation for losses resulting from non-performance. Finally, the third consequence is the extinction of the duty to continue performing the contract. Following termination, the parties’ future obligations cease, and each party must return the counter-performance it has received.

3.3. *The Relationship Between the Doctrine of Unity of the Intended Purpose and Fundamental Breach of Contract*

The doctrine of unity of the intended purpose bears substantial similarities to the concept of fundamental breach in terms of both its foundations and consequences.

Under both institutions, the mere occurrence of a breach is insufficient; rather, the significance of the breached obligation must be assessed. In both legal constructs, the principal criterion is the defeat of the contract's essential purpose, and the obligee consequently acquires the right to terminate or avoid the contract. Nevertheless, the general principle remains the preservation of the contract, and termination is exceptional.

Differences nevertheless exist. The most important is that Iranian law places greater emphasis on the parties' intention and will, whereas the United Nations Convention on Contracts for the International Sale of Goods considers both the parties' intentions and objective commercial criteria when determining whether a breach is fundamental. These similarities and differences provide an appropriate basis for a comparative examination of the two legal systems, which will be undertaken in detail in the following section under the heading "Fundamental Breach of Contract under the United Nations Convention on Contracts for the International Sale of Goods (CISG)."

4. **Fundamental Breach of Contract under the United Nations Convention on Contracts for the International Sale of Goods (CISG)**

One of the most prominent innovations of the 1980 Vienna Convention on Contracts for the International Sale of Goods (CISG) is its recognition of "fundamental breach of contract" as the principal criterion for applying the remedy of avoidance. Aware of the differences among legal systems regarding the consequences of contractual breach, the drafters of the Convention sought to establish a balance between two important objectives: preserving the contract and protecting the parties' legitimate expectations.

In many traditional legal systems, any breach of obligation could, under certain conditions, result in termination of the contract. In international transactions, such an approach created instability in commercial relations and increased transactional risks. The Convention therefore adopts preservation of the contract as the general principle and limits avoidance to cases in which the breach has extremely serious effects on the interests of the other party (Schwenzer, 2022). Accordingly, fundamental breach has become one of the most important pillars of the CISG remedial system, and numerous provisions of the Convention, including Articles 49, 51, 64, 72, and 73, are structured around it.

Article 25 of the Convention provides with respect to fundamental breach: "A breach of contract committed by one of the parties is fundamental if it results in such detriment to the other party as substantially to deprive that party of what it is entitled to expect under the contract, unless the party in breach did not foresee such a result and a reasonable person of the same kind in the same circumstances would not have foreseen such a result." This provision is among the most important and, at the same time, most complex provisions of the Convention. Its content demonstrates that the international legislature has made the existence of a fundamental breach dependent upon several essential elements: (a) the occurrence of a contractual breach; (b) substantial detriment; (c) deprivation of the injured party of the expected contractual benefits; and (d) foreseeability of the result by the breaching party.

Accordingly, not every contractual breach is necessarily fundamental, and a breach may be characterized as fundamental only when all these elements are present (Honnold, 2009).

4.1. *The Rationale for Recognizing Fundamental Breach under the United Nations Convention on Contracts for the International Sale of Goods (CISG)*

To understand Article 25 correctly, it is necessary to examine the rationale underlying the development of this institution.

Before the adoption of the CISG, certain legal systems, including common-law systems, distinguished between a "condition" and a "warranty." Breach of a condition generally gave rise to a right of termination, whereas breach of a warranty ordinarily resulted only in a claim for damages. By contrast, civil-law systems did not recognize the same distinction and placed greater emphasis on the seriousness of the breach. The drafters of the Convention sought to formulate a solution acceptable to both legal families. Their efforts resulted in the adoption of the concept of fundamental breach, which, rather than concentrating on

the formal characterization of the obligation, emphasizes the practical consequences of the breach and the extent of its effect on the other party's interests (Bridge, 2017). Accordingly, the principal purpose of Article 25 is to protect contractual stability and prevent unnecessary avoidance.

4.2. *Conditions for Establishing Fundamental Breach under the United Nations Convention on Contracts for the International Sale of Goods (CISG)*

The first condition for establishing fundamental breach is the occurrence of a contractual breach. Under the CISG, breach of contract is a broad concept and includes: (1) failure to deliver the goods; (2) delay in delivery; (3) delivery of defective goods; (4) failure to transfer the required documents; (5) failure to pay the price; (6) delay in payment; and (7) refusal to perform contractual obligations. Article 25 therefore does not concern a specific type of breach; any form of non-performance may constitute a fundamental breach where the required conditions are satisfied.

The second element of fundamental breach under the Convention is the substantial deprivation of the injured party of the benefits expected under the contract. The principal question is whether the breach has defeated the contract's essential purpose. Where the answer is affirmative, the likelihood that the breach will be regarded as fundamental is substantial. Examples include the sale of industrial machinery incapable of performing the intended function, the delivery of goods incompatible with the buyer's essential purpose, and failure to deliver at a time when timely performance constituted a vital element of the contract. In such cases, the buyer has effectively failed to receive what it expected, and the contract has lost its economic function (Schlechtriem & Butler, 2009). In determining this matter, courts generally consider the following factors: (a) the economic purpose of the contract; (b) the parties' legitimate expectations; (c) the importance of the breached obligation; (d) the possibility of curing the breach; and (e) the cost of remedying the non-performance. The greater the effect of the breach on the obligee's interests, the more likely it is to be considered fundamental.

The Convention does not focus exclusively on the consequences of the breach; it also recognizes foreseeability of the detriment as the third element of the analysis. Under the final part of Article 25, where the breaching party could not have foreseen the result and a reasonable person would likewise have been unable to foresee it, the breach will not be fundamental. This condition reflects the Convention's concern with fairness because a party should not be held responsible for consequences that were fundamentally unforeseeable (Ferrari, 2015).

Moreover, the Convention employs the "reasonable person" standard. This means that the adjudicator does not consider only the obligor's subjective position but also evaluates how a reasonable trader would have acted or understood the circumstances. Consequently, in professional commercial transactions, the scope of foreseeability is ordinarily broader than in non-commercial transactions.

One of the most effective means of understanding fundamental breach is to examine judicial and arbitral decisions. Relevant examples include the following:

(a) **Delivery of unusable goods:** In a well-known German case, the seller delivered machinery that was incapable of performing the agreed function. The court characterized the matter as a fundamental breach because the buyer had been deprived of the contract's principal benefit (Schwenzer, 2022).

(b) **Substantial delay in delivery:** As a general rule, delay alone does not constitute a fundamental breach. However, where the time of performance is of vital importance to the other party, delay may be considered fundamental. Examples include the delivery of flowers for a particular ceremony, equipment required for an international exhibition, or seasonal and occasion-specific goods. In such cases, delay destroys the economic value of the contract.

(c) **Failure to pay the price:** Where the buyer refuses to pay the price or clearly declares that it does not intend to make payment, such conduct may constitute a fundamental breach (Bridge, 2017).

(d) **Express refusal to perform the contract:** Where one party expressly declares that it will not perform the contract, courts generally regard the conduct as a fundamental breach because the other party's confidence in contractual performance has been destroyed.

4.3. *The Relationship Between Fundamental Breach and the Right to Avoid the Contract under the Convention*

The most important consequence of fundamental breach is the creation of a right to avoid the contract. Under Article 49 of the United Nations Convention on Contracts for the International Sale of Goods (CISG), the buyer may avoid the contract where the seller has committed a fundamental breach. Article 64 similarly grants the seller a right of avoidance in response to a fundamental breach by the buyer. This demonstrates that fundamental breach constitutes the principal basis for dissolution of the contract within the CISG system.

Despite recognizing the right of avoidance, the Convention adopts preservation of the contract as the governing principle.

Consequently, circumstances such as the possibility of repairing the goods, delivering substitute goods, curing the defect, or belatedly performing the obligation may, in many cases, prevent the breach from being characterized as fundamental. Where the breach can be remedied without seriously prejudicing the other party's interests, courts generally decline to recognize a fundamental breach (Lookofsky, 2018). This feature constitutes one of the principal differences between the Convention and certain traditional systems of contract law.

4.4. *Preliminary Similarities Between Fundamental Breach under the Convention and the Doctrine of Unity of the Intended Purpose in Iranian Law*

An examination of fundamental breach demonstrates that this institution resembles the doctrine of unity of the intended purpose in Iranian law in several respects. First, both legal systems consider the significance of the breached obligation, and not every violation results in dissolution of the contract. Second, under both institutions, the principal criterion is the destruction of the benefit expected by the obligee. Third, both systems seek to balance preservation of the contract against protection of the injured party's interests. Finally, in many cases, both institutions ultimately give rise to a right of termination or avoidance for the obligee.

Despite these similarities, differences also exist between the two concepts, and a detailed examination of those differences is necessary to answer the principal research question. Accordingly, the following section comparatively analyzes the relationship between fundamental breach and breach of contractual obligation under the doctrine of unity of the intended purpose.

5. **Comparative Analysis and Assessment of the Relationship Between Fundamental Breach and Breach of Contractual Obligation under the Doctrine of Unity of the Intended Purpose**

Having examined the theoretical foundations of unity of the intended purpose in Iranian law and analyzed the concept of fundamental breach under the United Nations Convention on Contracts for the International Sale of Goods, it is now possible to address the most important part of the study: evaluating the relationship between these two legal institutions. The principal question is whether breach of contractual obligation under the doctrine of unity of the intended purpose may be regarded as equivalent, or at least closely analogous, to fundamental breach under Article 25 of the Convention. The answer to this question is not merely theoretical but also has substantial practical importance. The expansion of international trade and the increasing interaction of Iranian law with transnational legal systems have brought numerous concepts of international commercial law to the attention of domestic legal scholarship. Among them, fundamental breach is one of the most important analytical instruments within the law of contractual remedies, and examining whether it may be aligned with existing institutions of Iranian law could contribute to the development of domestic contract law.

5.1. *Similarities and Differences Between Fundamental Breach and Breach of Contractual Obligation under the Doctrine of Unity of the Intended Purpose in Iranian Law and the United Nations Convention on Contracts for the International Sale of Goods (CISG)*

The first and most important similarity between fundamental breach and unity of the intended purpose is that both institutions focus on the principal purpose of the contract. Traditional contract law concentrated primarily on the obligation itself, meaning that breach was established whenever the obligation was not performed. Modern approaches, however, assess the importance of an obligation according to the role it plays in achieving the contractual purpose (Treitel, 2015). Article 25 of the Convention

is structured precisely on this basis. Under that provision, the criterion for fundamental breach is not the mere failure to perform but the substantial deprivation of the obligee of the benefits expected under the contract.

A similar approach applies under the doctrine of unity of the intended purpose. What gives rise to a right of termination is not merely non-performance but the defeat of the principal contractual objective. Both institutions are therefore based on the proposition that the value of contractual obligations depends upon their contribution to achieving the ultimate purpose of the agreement (Shahidi, 2022). It may thus be argued that both systems adopt a functional approach to contracts.

Another important similarity is the attention given to the obligee's expected benefit. Under the Convention, the phrase "substantially to deprive [the party] of what it is entitled to expect" constitutes the principal criterion for identifying a fundamental breach. This language demonstrates that the decisive issue is the legitimate expectations arising from the contract rather than the mere occurrence of financial loss. For example, delivered goods may be defective by only ten percent, but the defect may nevertheless make the buyer's intended use impossible. In such circumstances, a fundamental breach may be established.

The same logic applies under the doctrine of unity of the intended purpose. Where the breached obligation constitutes the foundation of the contractual objective, the obligee's expected benefit is destroyed and the contract loses its economic value (Katouzian, 2020).

Accordingly, both institutions focus not on the apparent quantitative extent of the loss but on the degree to which the breach affects contractual expectations.

Moreover, one of the most important structural similarities between the two systems is their recognition of the principle of preserving the contract. Under the Convention, avoidance is an exceptional remedy available only where a fundamental breach has occurred. The principal purpose of this approach is to preserve the stability of international commercial relations (Bridge, 2017). Although Iranian law does not expressly formulate this principle through the doctrine of fundamental breach, its effects are observable in various provisions of the Civil Code. The obligor's duty to perform, the availability of compulsory performance, and the limited circumstances in which termination is permitted all demonstrate a preference for preserving rather than dissolving the contract. Even under the doctrine of unity of the intended purpose, termination is available only where defective or incomplete performance has effectively defeated the purpose of the contract. Thus, termination or avoidance is treated as a remedy of last resort in both systems.

It is also important to note that not all obligations possess equal value under either institution. Some obligations are ancillary, and their breach gives rise only to damages. Others are so important that their non-performance destroys the very rationale of the contract. Delivery of the goods, payment of the price, the existence of essential qualities, and compliance with time requirements in time-sensitive contracts may all constitute essential obligations.

The same analysis applies under the doctrine of unity of the intended purpose. The importance of an obligation is derived not from its formal designation but from the role it plays in the parties' common intention (Safaei, 2018). In this respect, both institutions are founded upon a hierarchy of contractual obligations.

Despite these numerous similarities, important differences also exist. The first concerns the basis of determination. In Iranian law, the doctrine of unity of the intended purpose is principally founded upon the parties' common intention. To determine whether unity of the intended purpose exists, the judge must ascertain the actual intention of the contracting parties.

In other words, the motivation for concluding the contract, implied agreements, the specific circumstances of the transaction, and all relevant contextual evidence play an essential role in the analysis (Shahidi, 2022). By contrast, Article 25 of the Convention relies more extensively on objective criteria. Although the parties' intentions remain important, the principal issue is whether a reasonable person would also regard the breach as producing substantial deprivation.

It may therefore be stated that Iranian law adopts a more subjective approach, whereas the CISG applies a more objective standard. Another important feature of Article 25 is the element of foreseeability. Under this provision, where the breaching party could not have foreseen the detrimental consequences of the breach and a reasonable person would likewise have been unable to foresee them, the breach is not fundamental. This element has no independent position within the doctrine of unity of the intended purpose.

Under Iranian law, where it is established that the obligation constituted an essential component of the contractual objective, the foreseeability or unforeseeability of the consequences of its breach ordinarily does not have a determinative effect on the

creation of the right of termination (Emami, 2019). It may therefore be concluded that the CISG gives greater consideration to protecting the breaching party and to the principle of commercial fairness.

Another difference concerns the field of application or scope of the two institutions. Fundamental breach under the Convention has a defined statutory scope and applies to all contracts governed by the CISG. Unity of the intended purpose, however, is an interpretative doctrine derived from the general rules of civil law, and the legislature has not provided a comprehensive definition of it. Consequently, its limits and scope remain disputed in certain circumstances among legal scholars (Jafari Langroudi, 2021).

The final difference between fundamental breach and unity of the intended purpose concerns their position within the remedial system. Under the Convention, fundamental breach constitutes the central basis of the system of contractual avoidance. In almost every circumstance in which avoidance is sought, the existence of a fundamental breach must be established. Under Iranian law, however, termination may arise from various sources, including statutory options, contractual conditions, impossibility of performance, breach of condition, and unity of the intended purpose. Unity of the intended purpose is therefore only one possible basis for termination and does not occupy a position equivalent to Article 25 of the Convention.

5.2. *Analysis of the Possibility of Aligning Unity of the Intended Purpose with Fundamental Breach*

The principal research question must now be answered: Can unity of the intended purpose be regarded as equivalent to fundamental breach? The answer appears to be negative because the structural and conceptual differences between the two institutions prevent them from being considered entirely identical. Nevertheless, unity of the intended purpose may be regarded as the closest institution in Iranian law to the concept of fundamental breach.

The reasons supporting this conclusion are as follows. First, both institutions focus on the defeat of the contract's principal purpose. Second, both apply only to important and essential obligations. Third, both may ultimately result in termination or avoidance of the contract. Fourth, both reflect a transition from a purely formal view of contracts toward a functional and economic analysis of contractual obligations. Accordingly, although unity of the intended purpose and fundamental breach do not fully correspond in terms of their theoretical foundations, they demonstrate substantial convergence in their practical effects and legal rationale. The principal hypothesis of the study was that breach of contractual obligation under the doctrine of unity of the intended purpose bears substantial similarity, in terms of its legal effects, to fundamental breach under the CISG. The analysis substantially confirms this hypothesis. Under both systems, where the breached obligation constitutes an essential element in achieving the contractual purpose: (a) the contract loses its economic function; (b) the obligee is deprived of the expected benefit; (c) a claim for damages becomes available; and (d) a right to terminate or avoid the contract arises. It may therefore be concluded that the doctrine of unity of the intended purpose possesses considerable capacity for interpreting and analyzing many instances of fundamental breach in Iranian law and may provide a basis for developing Iranian contract-law doctrine toward greater convergence with international commercial law.

Nevertheless, although fundamental breach and unity of the intended purpose developed within different legal contexts, they both respond to the same fundamental problem: determining the boundary between ordinary breaches and breaches that render continuation of the contract futile. For this reason, unity of the intended purpose may be regarded as the closest functional equivalent of fundamental breach in Iranian law, although the full incorporation of this concept into domestic law would require the formulation of clearer criteria and the development of consistent judicial practice.

6. Conclusion

The present study examined the possible relationship between “fundamental breach of contract” under the United Nations Convention on Contracts for the International Sale of Goods (CISG) and “breach of contractual obligation under the doctrine of unity of the intended purpose” in Iranian law. The importance of this subject arises from the gradual movement of contemporary contract law away from the traditional approach, which focused exclusively on the formal performance of obligations, toward an assessment of the role played by each obligation in achieving the economic and legal purpose of the contract. Within this framework, the principal question was whether Iranian law contains an institution that performs a function comparable to fundamental breach in terms of its foundations and consequences.

The examination of fundamental breach under Article 25 of the Convention demonstrated that this institution is based on two principal elements: first, substantial deprivation of the obligee of the benefits expected under the contract; and second, the foreseeability of that result by the breaching party. To protect contractual stability and prevent unnecessary avoidance, the Convention permits avoidance only where the breach defeats the principal purpose of the contract. Fundamental breach therefore extends beyond mere non-performance and requires an examination of the actual effects of the breach on the injured party's legitimate expectations. By contrast, the examination of unity of the intended purpose in Iranian law showed that, although the Civil Code does not provide an independent definition of the concept, its foundations may be identified in institutions such as the option to terminate for breach of condition, the option to terminate for non-conformity with a stipulated attribute, impossibility of performance, and certain jurisprudential and doctrinal analyses. Under this doctrine, where the performance of an obligation or the existence of a particular attribute constitutes the principal and fundamental motivation of a party, its absence defeats the contractual objective and creates a right of termination for the obligee.

The comparative examination of the two institutions revealed substantial similarities. Under both systems, not every breach results in dissolution of the contract; only breaches of obligations that play an essential role in achieving the contractual purpose may constitute a basis for termination or avoidance. Both institutions are also founded upon the principle of preserving the contract and regard termination or avoidance as an exceptional remedy. Furthermore, under both, the decisive criterion is the obligee's deprivation of the expected benefit and the resulting futility of continuing the contract.

Despite these similarities, differences also exist. The most important difference is that unity of the intended purpose is based primarily on the parties' actual intention and will, whereas the Convention employs objective and commercial standards in addition to considering party intention. Moreover, foreseeability, which constitutes an essential element of Article 25, does not occupy an independent position within the doctrine of unity of the intended purpose. Fundamental breach under the Convention is also a clearly defined statutory institution governed by relatively explicit criteria, whereas unity of the intended purpose is primarily the product of doctrinal analysis and inference from dispersed rules of civil law.

Nevertheless, the overall findings confirm that, although unity of the intended purpose and fundamental breach do not fully correspond in terms of legal structure, they demonstrate substantial convergence in their functions and legal consequences. The doctrine of unity of the intended purpose may therefore be regarded as the closest legal institution in Iranian law to the concept of fundamental breach. This conclusion indicates that Iranian law possesses the capacity to accept and develop modern theories of contract law and may draw upon the experience of international commercial law to improve its system of contractual remedies. In light of the foregoing, the Iranian legislature could draw inspiration from Article 25 of the United Nations Convention on Contracts for the International Sale of Goods and introduce explicit criteria for distinguishing ordinary from fundamental breach in domestic legislation. Iranian courts could use the doctrine of unity of the intended purpose as an analytical instrument in cases where breach effectively defeats the principal purpose of the contract. In future revisions of the Civil Code, adopting independent provisions on fundamental breach could enhance legal certainty and promote consistency in judicial decisions. Further comparative studies of Iranian law, the UNIDROIT Principles, and the United Nations Convention on Contracts for the International Sale of Goods could also provide a foundation for reforming and modernizing Iranian contract law.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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