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I. INTRODUCTION

'Contractual conventions take the place of the law for the parties.' The principle of pacta sunt servanda so famously enshrined in Art 1134, al 1, of the Code civil is regularly considered as a cornerstone of French contract law—and has been repeatedly upheld by the Cour de cassation in the most uncompromising terms. Its decision to refuse any judicial intervention for ‘imprévision’ to account for supervening circumstances, however severely they may have disturbed the contractual balance,1 is a particularly well-known example, which has made the Canal de Craponne by far the best-known waterway amongst French law students.2

1 Cass civ, 6 Mar 1876, Canal de Craponne, D 1876 I, 193; for the details, see below, III.A.
2 Cf similar remarks by Fauvarque-Cosson, ‘Le changement de circonstances’, RDC 2004, 67, para 1; Stoffel-Munck,
One of the reasons for the decision's notoriety stems from the fact that its rigour is almost unheard of in other European legal systems (arguably with the exception of Belgium)\textsuperscript{3}. It is therefore hardly surprising that it has not only instigated a seemingly endless stream of scholarly publications and academic discussion\textsuperscript{4}—while also leaving room for the occasional decision to cast doubts on the court's otherwise strict adherence to the principle\textsuperscript{5}—but has also been addressed in all recent reform projects as well as lo\textit{i} n° 2015-177 du 16 février 2015 and the respective \textit{projet d'ordonnance}.\textsuperscript{6}

The imminent reform will require the French legislator to strike a new balance between, on the one hand, the principle of \textit{pacta sunt servanda} and the legal certainty that is usually ascribed to it and, on the other hand, the idea of contractual solidarity and fairness that lies at the foundation of every exception for \textit{imprévision} admitted elsewhere. The controversial comments to which the proposed provision has given rise bear testimony to the difficulty of that exercise.

Yet, many other European systems have faced this challenge before, coming to a variety of different solutions, which has recently been described as 'revealing all the difficulties of the construction of a \textit{ius commune} of contract'.\textsuperscript{7} But the diversity of approaches does not only make \textit{imprévision} one of the most interesting aspects of the French reform project, especially for the present conference, the viable balance that has been found in many legal systems may also provide useful guidance for the French project and enrich its academic discussion. This is particularly true for a comparitivist look at German law, which does not only offer a rich and relatively coherent body of case law but also the experience of its codification in a provision that is conceptually similar to the French proposal.

To provide a framework for such a comparison, the problem of \textit{imprévision} will be described as a (potential) exception to the principle of \textit{pacta sunt servanda} (II.). It will be shown that the respective solutions applied in French, English, and German law are the result of three fundamentally different approaches to such an exception (III.). The French reform proposal, constituting a shift from one of these approaches to another, will then be critically assessed (IV.). This will be followed by some concluding remarks (V.).

\section*{II. \textbf{Imprévision as an Exception to Pacta Sunt Servanda}}

Although it is widely regarded as a cornerstone of virtually all European systems of contract law, the principle of \textit{pacta sunt servanda} has never been without exceptions (A.). In order to discuss the French reform proposal with regard to supervening circumstances, it will be useful to understand \textit{imprévision} as one of these exceptions (B.).

\section*{A. The Principle of Pacta Sunt Servanda and its Exceptions}

Marking the transition from Roman law, where only some forms of promises (\textit{contractus}) were actionable while others (\textit{pacta nuda}) were not,\textsuperscript{8} to the medieval canonists who claimed that (nonetheless) all promises must be kept,\textsuperscript{9} the principle of \textit{pacta sunt servanda} is rightly considered as an essential ingredient to private autonomy and a cornerstone of virtually all European contract
laws. It is enshrined in Art. 1134, al 1, of the French Civil Code, § 241 of the German Bürgerliches Gesetzbuch (BGB), and was authoritatively stated for English law in 1647. Pufendorf even considered it as ‘a most Sacred Command of the Law of Nature and what guides and governs not only the whole Method and Order but the whole Grace and Ornament of Human Life, that every Man keeps his Faith, or which amounts to the same that he fulfils his Contracts, and discharges his Promises’.

Yet, despite its omnipresence in modern contract law, the principle of pacta sunt servanda has always been subject to exceptions, many of which are concessions to contractual fairness. This is true for exceptions that go the formation of the contract—absence of contractual requirements like a legal cause or a certain form, vitiating factors like mistake or duress, consumer rights to redress—as well as for exceptions that go to its performance such as, most importantly, the exception for impossibility.

In many legal systems, the contract is void or unenforceable if performance has been impossible before the contract was concluded—be it for lack of object, common mistake, or under a separate doctrine. But the debtor is also regularly discharged if performance becomes subsequently impossible, provided that the circumstances were unforeseeable and the debtor was not responsible for them or has contractually undertaken the risk. In most legal systems, this results from a separate doctrine which can take a number of different forms but is regularly formulated as an exception to pacta sunt servanda.

The English doctrine of frustration, for instance, was expressly developed as an exception to the principle of absolute liability, based on an implied condition that ‘in contracts in which the

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12 Pufendorf, De iure natura et gentium (1672), III, ch IV, §§ 2, translation by Kennett (Lichfield 1703).
13 Although some of these requirements have historically evolved to counter-balance the principle of binding force of a contract, one may argue that they do not constitute exceptions; they rather define what constitutes a pactum that is servandum (see also Thier in Hondius/Grigolet (eds), Unexpected Circumstances in European Contract Law (CUP 2011), 19).
14 Cf, e.g., Cass com, 26 May 2009, pourvoi n° 08-12.691, Bull civ IV, n° 71 for French law.
16 Cf § 311a BGB for German law. Note that the German doctrine of the disappearance (or disturbance) of the basis of the transaction, which will be discussed in the following, also covers cases of initial mistakes as to the basis of the transaction, now codified in § 313(2) BGB; they lie beyond the scope of this paper.
17 In civil law systems, the provisions on impossibility only discharge the party whose performance has become impossible, while the other party to a contract is discharged as a consequence of the contractual synallagma (§ 326(1) BGB; Art 1463 Codice civile; in French law, this results from Art 1131 Code civil, the contract being devoid of a valid cause. In English law, however, frustration automatically discharges both parties (Taylor v Caldwell (1863) 3 B & S 826, 840; cf s 1(1) Law Reform (Frustrated Contracts) Act 1943)).
18 Most legal systems impose at least some of these requirements for a contract to be discharged; yet, they differ as to how these work in practice. For instance, frustration does not discharge the contract under English law if one party has undertaken the risk (cf Taylor v Caldwell (n 17), 833) or if frustration was self-imposed (cf J Lauritzen A/S v Wijsmuller BV (The Super Servant Two) [1990] 1 Lloyd's Rep 1, 10), but is not excluded if the event was foreseeable (cf Edwinton Commercial Corp & Anor v Tsavliris Russ (Worldwide Salvage & Towage) Ltd (The Sea Angel) [2007] EWCA Civ 547, paras 127–8); for French law, see n 27 below.
19 Cf Beale et al., Cases, Materials and Text on Contract Law – Ius Commune Casebook for the Common Law of Europe (2nd edn, Hart 2010), 1094–126. In addition to the examples given in the next paragraph, see § 275 BGB for German law (which only excludes the 'primary' obligation, but leaves the contract otherwise intact).
20 Cf already D. 50.17.185: impossibilium nulla obligatio.
21 Cf McKendrick (n 11), 697–8. While it was not referred to in the judgment itself, the plaintiff in Taylor v Caldwell (n 17), 831 had expressly invoked the rule from Paradine v Jane (n 11) and Blackburn J (as he then was) had
performance depends on the continued existence of a given person or thing […] the impossibility of performance arising from the perishing of the person or thing shall excuse the performance.²² And while the juristic basis of the doctrine seems to have shifted towards the 'true construction of the contract' in later cases,²³ its character as an exception to pacta sunt servanda has not changed.²⁴ By the same token, the French doctrine of force majeure²⁵ is codified in Art 1148 of the Code civil, which posits an exception to contractual liability set out in Art 1147; it has been developed by the courts, which have traditionally applied a remarkably high standard, requiring the supervening event to have been irresistible, unforeseeable, and external,²⁶ but seem to have abolished the third requirement since two decisions of the Cour de cassation’s Assemblée plénière in 2006.²⁷

B. THE EXCEPTION FOR IMPRÉVISION

Legal systems tend to differ more strongly when it comes to circumstances that render performance more onerous rather than impossible. These are sometimes discussed under the descriptive, and therefore relatively neutral, headline of 'supervening' or 'unexpected circumstances',²⁸ even though this term technically covers cases of both mere hardship and (supervening) impossibility. Most French authors, however, refer to the particular situation where performance has been rendered more onerous as the problem, or theory, of imprévision.²⁹

It has been argued that this terminology is imprecise since it is not the parties failure to foresee (prévoir) the supervening circumstances but the effect these circumstances have on the contractual balance that gives rise to a potential judicial intervention.³⁰ Yet, legal systems tend to agree that there is no room for such an intervention if the circumstances have been foreseeable (let alone foreseen) at the conclusion of the contract. Therefore, and in view of the name of a similar doctrine in French administrative law,³¹ the term imprévision will be used throughout this paper to describe the problem of unforeseeable supervening circumstances rendering performance considerably more onerous (but not impossible) for one party.

Whether the different remedies that legal systems provide in such cases should be understood as exceptions to pacta sunt servanda has also been subject to some discussion. It is argued that remedies which are conceptually based on the construction of the contract or the parties' obligation

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²² Blackburn J (as he then was) in Taylor v Caldwell (n 17), 839.
²³ See Davis Contractors Ltd v Fareham UDC [1956] AC 696 (HL), 720–1; National Carriers Ltd v Panalpina (Northern) Ltd [1981] AC 675 (HL), 688 (including a discussion of the alternative theories that have been advanced).
²⁴ See Bingham LJ in The Super Servant Two [1990] 1 Lloyd's Rep 1, 8: “The doctrine of frustration was evolved to mitigate the rigour of the common law’s insistence on literal performance of absolute promises. The object of the doctrine was to give effect to the demands of justice, to achieve a just and reasonable result, to do what is reasonable and fair, as an expedient to escape from injustice where such would result from enforcement of a contract in its literal terms after a significant change in circumstances.”
²⁵ It has inspired a number of model laws and harmonization projects, which sometimes use the term 'impediment' to describe the concept, cf Art. 79 CISG, Art 7.1.7. UNIDROIT PICC, Art 8:108 PECL, and Art III.–3:104 DCFR.
²⁷ As Plén, 14 April 2006, pourvoi n° 02-11.168, Bull civ AP n° 4; reaffirming, at the same time, that the conditions of irresistibility and unforeseeability need to be satisfied cumulatively.
²⁸ Hondius/Grigoleit (n 13) (‘Unexpected Circumstances’); Beale et al (n 19), 1091 (‘Supervening Events’); Rodière (ed), Les modifications du contrat aux cours de son execution en raison de circonstances nouvelles (Pedone 1986).
²⁹ Cf Bénabent (n 26), para 292; Souchon, in Rodière (n 28), 13, 14–8; Ghestin/Jamin/Billiau, Les effets du contrat (3rd edn, LGDJ 2001) para 290, however limiting it to monetary obligations.
³⁰ Fauvarque-Cosson (n 2), para 2.
³¹ See below (III.A.).
to perform their obligations in good faith do not constitute such an exception as they only reduce (or transform) the ostensibly owed performance (in)to what has actually been promised. But such an understanding fails to reflect the considerable impact these remedies have on the legal certainty that the principle of *pacta sunt servanda* is considered to promote. Consequently, most authors rightly consider them as exceptions to the principle. With regard to its practical effects, the question whether a judge may modify a contract in light of supervening circumstances that have drastically altered the initial contractual balance is as much a question of the scope of *pacta sunt servanda* as the question whether the owner of a concert hall that has burned down is still under an obligation to lease it to the other party or whether a manufacturer who became terminally ill and thus could not finish a machine only he was able to build was still under an obligation to deliver it when he died. In all these cases, one party does not get what it initially expected to get, even if the reason for this may be dogmatically found in the initial contract itself.

III. CURRENT APPROACHES TO IMPRÉVISION

Conceptually, legal systems that already allow an exception to *pacta sunt servanda* for cases of impossibility may take one of three different approaches to cases of imprévision: they may not discharge the parties unless performance has become actually impossible; they may extend the existing exception for impossibility to (some of) these cases; or they may develop a separate exception. These different approaches have been taken in French (A.), English (B.), and German law (C.), respectively.

A. THE FRENCH APPROACH: NO EXCEPTION FOR IMPRÉVISION

The French approach to imprévision is notorious for its uncompromising adherence to *pacta sunt servanda*. It is perfectly illustrated by the Cour de cassation's leading decision in *Canal de Craponne*, where the owner of a channel asked the courts to increase the charges that were due to them by the adjoining owners in exchange for their obligation to maintain the channel under contracts concluded in 1560 and 1567, which had become entirely derisory in 1876. While the lower courts allowed the claim and modified the contract, expressly admitting an exception to the principle of *pacta sunt servanda* for contracts that are executed over a certain period of time, the

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33 Moreover, it would arguably even deny the English doctrine of frustration the status of an exception to *pacta sunt servanda* since it is regularly explained as the consequence of the 'true construction of the contract'.
34 Cf McKendrick (n 11) 697–8; Treitel (n 11), para 1–001; Hondius/Grigoleit, in Hondius/Grigoleit (n 13), 6; Markensis/Unberath/Johnston, *The German Law of Contract* (Hart 2006), 320; Grüneberg, in *Palandt* (74 edn, Beck 2015), § 313, para 1; Weller (n 10), 297; Zimmermann (n 9): “one of the most (…) dangerous inroads into *pacta sunt servanda*.” A similar approach is taken in contemporary literature on international treaties, cf Binder, *Die Grenzen der Vertragsstreu im Völkerrecht am Beispiel der nachträglichen Änderung der Umstände* (Springer 2013).
35 Thus, the German Bundesgerichtshof requires 'very particular circumstances that justify to make an exception to the principle of *pacta sunt servanda* before it modifies a contract based on the doctrine of the basis of the transaction (see BGH, 11 July 1958, NJW 1958, 1772; 25 May 1977, NJW 1977, 2262). Cf also Weller (n 10), 298.
36 Cf Taylor v Caldwell (n 17).
37 Cf As Plén, 14 April 2006 (n 27).
38 For a different classification of ‘open’ and ‘closed’ legal systems see Hondius/Grigoleit in Hondius/Grigoleit (n 13), 10–12; 643–4.
39 Cass civ 6 March 1876, D 1876, I, 193.
40 Tribunal civil d’Aix, 18 Mar 1841; Cour d’appel d’Aix, 31 Dec 1873.
Cour de cassation overruled the decision, pointing out that Art 1134 reproduces a general and absolute principle that applies to all contracts, including those entered into before the Code civil was enacted.\(^{42}\) Thus, it was not the task of the courts, however fair they thought their decision to be, to modify a contract and replace freely negotiated terms.\(^{43}\)

It is evident from this decision that the court understands Art 1134 Code civil in a way that its first two paragraphs, i.e. the principle of pacta sunt servanda, always\(^{44}\) take precedence over the third paragraph, i.e. the principle of good faith. Freely stipulated contract terms become “the law” for both the parties and the judge,\(^{45}\) and only the parties themselves may alter it.

This understanding of Art 1134 has been repeatedly confirmed in subsequent decisions.\(^{46}\) French authors who defend it regularly invoke the importance of legal certainty as well as the fact that it encourages parties to make provisions for supervening circumstances\(^{47}\). Moreover, they argue that the courts are just not well placed to amend a contract.\(^{48}\) Interestingly, the same arguments seem to have prevailed in Belgian law, where the problem is however often discussed (much like in English law)\(^{49}\) as one of the scope of the force majeure exception.\(^{50}\)

The French administrative courts have nevertheless refused to follow the decision in Canal de Craponne and repeatedly allowed a party for which the execution of a contract has become unexpectedly more onerous to demand a temporary\(^{51}\) surcharge, which is to be fixed either by the parties or by the judge.\(^{52}\) This divergence from the civil courts is usually attributed to the particular importance of a continued execution of contracts of a public law character,\(^{53}\) but it should be noted

\(^{42}\) Cass civ 6 March 1876 (n 39): “[L]a disposition de cet article n’est que la reproduction des anciens principes constamment suivis en matière d’obligations conventionnelles, la circonstance que les contrats dont l’exécution donne lieu au litige sont antérieurs à la promulgation du Code civil ne saurait être, dans l’espèce, un obstacle à l’application dudit article ; [L]a règle qu’il consacre est générale, absolue, et régit les contrats dont l’exécution s’étend à des époques successives de même qu’à ceux de toute autre nature.”

\(^{43}\) ibid: “[D]ans aucun cas, il n’appartient aux tribunaux, quelque équitable que puisse leur paraître leur décision, de prendre en considération le temps et les circonstances pour modifier les conventions des parties et substituer des clauses nouvelles à celles qui ont été librement acceptées par les contractants.”

\(^{44}\) For the different provisions that allow for judicial interventions in particular types of contract see Hondius/Grigoleit (n 13), 146; Souchon, in Rodière (n 28), 18–21; Bénabent (n 26), para 294.

\(^{45}\) Capitant/Terré/Lequette, Les grands arrêts de la jurisprudence civile (12th edn, Dalloz 2008), 183, para 2.


\(^{47}\) Terré/Simler/Lequette, Droit civil. Les obligations (10th edn, Dalloz 2009), para 470; Fauvarque-Cosson (n 2), para 25; see also Souchon, in Rodière (n 28), 17; Mekki (n 7), I.B.1°. The argument can also be found in many English decisions (see, e.g., Paradise v Jane (1647) Aley 26, [1558–1774] All ER Rep 172, 173: “[W]hen the party by his own contract creates a duty or charge upon himself he is bound to make it good, if he may, notwithstanding any accident by inevitable necessity because he might have provided against it by his contract.” (emphasis added); see also McKendrick, ‘Force Majeure and Frustration—Their Relationship and a Comparative Assessment’, in McKendrick (ed), Force Majeure and Frustration (2nd edn, Routledge 2013), 43). One may of course question whether a default rule should be designed in a way to encourage the parties to prevent its application.

\(^{48}\) Capitant/Terré/Lequette (n 45), para 4; Fauvarque-Cosson (n 2), para 7; Stoffel-Munck (n 2), 263.

\(^{49}\) See below (III.B.).

\(^{50}\) See Herbots, Contract Law in Belgium (Kluwer/Bruylant 1995), paras 352 and 355; Hondius/Grigoleit (n 13), 158; Fouques-Duparc, in Rodière (n 28), 49–52; Cousin et al, ‘Regards comparatistes sur l’avant-projet de réforme du droit des obligations’, D 2015, 1115, II.B.2.

\(^{51}\) This ‘théorie de l’imprévision’ only applies to temporary obstacles to the performance of the contract; if the obstacle is permanent, the contract will simply be discharged for force majeure (cf CE, 9 Dec 1932, Compagnie des tramways de Cherbourg, Rec 1050; 14 Jun 2000, Commune de Staffelden, Rec 227).


that it considerably undermines the alleged increase in legal certainty gained from the civil courts' refusal to interfere with a contract where the nature of this contract is unclear or even in dispute.\textsuperscript{54}

Moreover, a doctrinal current promoting the idea of 'contractual solidarism' (solidarisme contractuel) has gained considerable importance over the last decades.\textsuperscript{55} It argues in favour of a new understanding of Art 1034 Code civil that gives the same weight to its third paragraph that is usually given to its first paragraph.\textsuperscript{56} But although such an understanding would have provided a solid basis for a new approach to imprévision\textsuperscript{57}—as the development of the German approach demonstrates\textsuperscript{58}—it seems to have inspired only one very limited attenuation of the traditional approach. According to two decisions of the commercial chamber of the Cour de cassation, the refusal of one party to renegotiate the contract in light of supervening circumstances that have considerably altered the initial contractual balance may constitute a breach of its obligation to perform the contract in good faith.\textsuperscript{59} Yet, a number of authors have argued that these decisions can be explained by the particular circumstances of the two cases and do not testify to a larger change of paradigm.\textsuperscript{60} The fact that the consequence of a breach of the obligation to renegotiate is a damage award, and not the modification of the contract, seems to indicate that they are right. Besides, the approach of the commercial chamber is yet to be confirmed by other chambers of the Cour de cassation.\textsuperscript{61}

Meanwhile, the commercial chamber has hinted towards a second device that could potentially accommodate cases of imprévision. In a decision from 2010, rendered via the so-called procédure de référé and inexplicably\textsuperscript{62} not published in the bulletin, it quashed a decision for 'not having researched whether the evolution of economic circumstances […] did not have the effect […] of disequilibrating the general economy of the contract […] and of depriving the obligation [of the defendant] of every counterpart,\textsuperscript{63} possibly leaving it without a valid cause. But although a number of authors had already proposed to use the concept of cause in these cases,\textsuperscript{64} the decision has been

\textsuperscript{54} This is illustrated by the facts of Cass civ 1, 16 March 2004, pourvoi n° 01-15.804, Bull civ I, n° 86, where the operation of a municipality's cafeteria was conceded to a private entity, which invoked the economic imbalance of the contract in front of the administrative courts; after the municipality (and another party) had seized the civil courts, the Tribunal des conflits authoritatively qualified the agreement as a private law contract.

\textsuperscript{55} Cf the important essay by Jamin, ‘Révision ou intangibilité du contrat ou la double philosophie de l'article 1134 du Code civil’, Droit et Patrimoine 1998, 46; see also Cédras, ‘Le solidarisme contractuel en doctrine et devant la Cour de cassation’, in Rapport Cour de cassation 2003; Mazeaud, D 2004, 1754, para 8.

\textsuperscript{56} Jamin (n 55), 49 and 54–7.

\textsuperscript{57} Cf Jamin (n 55), 49 and 54–7; Fauvarque-Cosson (n 2), para 19; Tallon, ‘La révision du contrat pour imprévision au regard des enseignements récents du droit comparé’, in Études à la mémoire d’Alain Sayag (Litec 1997), 403, 413.

\textsuperscript{58} See below (III.C.1.).


\textsuperscript{60} Renaud-Payen, JCP E 2004, 737.

\textsuperscript{61} While the language of the decision in Cass civ 1, 16 March 2004 (n 54) seemed to indicate that the first civil chamber adhered to the same approach, the appeal was dismissed because it was based on an initial imbalance of the contract rather than on supervening circumstances; thus, the part in question is nothing more than an obiter dictum (see Renaud-Payen, JCP E 2004, 737; Fages, Droit des obligations (2nd edn, LGDJ 2009), para 423, fn 26).


\textsuperscript{63} Cass com, 29 June 2010, Soffimat, pourvoi n° 09-67.369, D 2010, 2481.

\textsuperscript{64} See, e.g., Fauvarque-Cosson (n 2), para 20; Capitant/Terré/Lequette (n 45), para 3; Souchon, in Rodière (n 28), 18.
mostly met with criticism\(^65\) and remained isolated.\(^66\) Given that the concept of cause will be abolished by the imminent reform,\(^67\) it is very likely to remain that way.

In practice, parties to a long-term contract thus are only protected if they enter specific provisions for the event of supervening circumstances into their contract—which is most usually done in the form of a hardship clause.\(^68\) Otherwise, they risk to be stuck with 300 years-old contract terms stipulating prices in a currency that has long ceased to exist.

**B. The English Approach: Extension of the Impossibility Exception**

While the English doctrine of frustration was developed in a case involving impossibility,\(^69\) which would presumably also have fallen under the exception for force majeure in French law, English judges did not see much of a problem in extending it to cases where performance had not become literally impossible\(^70\) but would not serve the intended purpose or otherwise be something entirely different from what the parties had in mind when concluding the contract. In the first such case,\(^71\) Vaughan Williams LJ concluded that “it is not essential to the application of the principle of Taylor v Caldwell that the direct subject of the contract should perish or fail to be in existence at the date of performance of the contract. It is sufficient if a state of things or condition expressed in the contract and essential to its performance perishes or fails to be in existence at that time.”\(^72\)

Based on that reasoning, the English courts have applied the doctrine of frustration where supervening circumstances had rendered performance more burdensome to a degree that it would be fundamentally different from what was originally agreed.\(^73\) And while the threshold for frustration in these cases is certainly very high as the courts do not want to allow the parties to escape from a bad bargain,\(^74\) the decision in Staffordshire Area Health Authority\(^75\), which was made in a case very similar to the French decision in Canal de Craponne, illustrates how the slightly wider doctrine of frustration can be used to come to a different result than French courts would find.\(^76\)

Still, although impossibility and frustration of purpose are usually treated as two different types of

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\(^65\) Cf Le Gac-Pech (n 7); Fages, ‘Le déséquilibre résultant d’une évolution des circonstances économiques peut-il rendre sérieusement contestable, au sens de l’article 873, alinéa 2, du code de procédure civile, l’obligation dont une partie sollicite l’exécution devant le juge des référés ?’, RTD Civ 2010, 782; Genicon, ‘Théorie de l’imprévision... ou de l’imprévoyance ?’, D 2010, 2485; more welcoming Mekki (n 7); Savaux, ‘Frémentissement en matière d’imprévision’, RDC 2011, 34.


\(^67\) Cf Projet d’ordonnance portant réforme du droit des contrats, du régime général et de la preuve des obligations (2015), Art 1127.

\(^68\) Cf Beale et al (n 19), 1165–9. It has even been argued that the omnipresence of such clauses in international commerce supports the traditional French approach (as both ultimately exclude judicial interventions; Fauvarque-Cosson (n 2), paras 28–9). Note that these clauses can also be found in many administrative contracts, where they aim, but do not always succeed, to replace the théorie de l’imprévision (cf CE Sect, 5 Nov 1937, Département des Côtes-du-Nord, Rec 900 and Ducos, Rec 902).

\(^69\) Taylor v Caldwell (1863) 3 B & S 826.

\(^70\) It could be argued that performance had not become literally impossible in Taylor v Caldwell either since it would probably have been possible, in theory, to rebuild the concert hall (cf Treitel (n 11), para 6–001).

\(^71\) Krell v Henry [1903] 2 KB 740 (CA).

\(^72\) Ibid, 754.

\(^73\) Cf Metropolitan Water Board v Dick Kerr [1918] AC 119 (HL).

\(^74\) Cf Davis Contractors [1956] AC 696 (HL); Amalgamated Investments & Property Co Ltd v John Walker & Sons Ltd [1977] 1 WLR 164 (CA); Ocean Tramp Tankers Corporation v V/O Sovfracht (The Eugenia) [1964] 2 QB 226 (CA).

\(^75\) Staffordshire Area Health Authority v South Staffordshire Waterworks Co [1978] 1 WLR 1387 (CA).

\(^76\) While the majority construed the contract as being concluded for an indefinite period of time and thus open to termination upon reasonable notice, Lord Denning considered it to have ceased to bind because ‘the situation has changed so radically since the contract was made.’ (Ibid, 1398). See also Hondius/Grigoleit (n 13), 212–4.
frustration,\textsuperscript{77} they are applications of the same doctrine.\textsuperscript{78} As a consequence, none of the English decisions seems to be understood as an application of the \textit{clausula rebus sic stantibus} doctrine,\textsuperscript{79} even though the doctrine of frustration was originally also based on an implied term.\textsuperscript{80} More importantly, as cases of impossibility and hardship fall under the same doctrine, the remedy is exactly the same in both situations: if the high threshold for frustration is fulfilled, both parties are automatically discharged, without any intervention of the parties or the courts,\textsuperscript{81} and the Law Reform (Frustrated Contracts Act) 1943 applies to the respective liabilities of the parties.

This approach has the advantage of not requiring a distinction between circumstances that render performance impossible and those that render performance more difficult.\textsuperscript{82} But it may also be seen as one of the main reasons why English courts have been particularly reluctant to admit that a contract has been frustrated, since this does extend it in its entirety without leaving any room for a contractual modification.\textsuperscript{83} Such an all-or-nothing approach may be justified for the all-or-nothing question of whether performance is still possible—but one may argue that it fails to accommodate the more subtle question of whether performance in the way originally agreed is still fair.

\textbf{C. The German Approach: Development of a Separate Exception}

The German approach to \textit{imprévision} is radically different from both the English and the French approach in that it is based on a doctrine that is entirely separate from the doctrine of impossibility (1.). It has inspired similar approaches in a number of other European legal systems and found its way into most harmonization projects and international instruments on contract law (2.). In 2002, the German legislator finally codified the doctrine (3.).

\textit{1. The Doctrine of the Basis of the Transaction}

Although they were aware of the concept of the \textit{clausula rebus sic stantibus},\textsuperscript{84} as well as \textit{Windscheid}'s theory of the 'precondition' (\textit{Voraussetzung}),\textsuperscript{85} the legislator of the \textit{Bürgerliches Gesetzbuch} decided not to incorporate a general provision dealing with changing circumstances\textsuperscript{86} in an effort not to undermine the principle of \textit{pacta sunt servanda}.\textsuperscript{87} As the German \textit{Reichsgericht} (which was established 20 years earlier than the BGB entered into force) had never ascribed to the \textit{clausula} theory anyway,\textsuperscript{88} the court initially had little difficulty to honour the legislator's decision.\textsuperscript{89}

However, in light of the hyperinflation that followed World War I, the German court—unlike the French \textit{Cour de cassation}\textsuperscript{90}—started to make exceptions. Initially, the court extended the already

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\item \textsuperscript{77} Cf McKendrick (n 21), 723. Cases of illegality are usually distinguished as a third type.
\item \textsuperscript{78} Cf \textit{Krell v Henry} (n 71), 749, where Vaughan Williams LJ even considered the contract to have become 'impossible of performance by reason of the non-existence of the state of things assumed by both contracting parties as the foundation of the contract'.
\item \textsuperscript{79} Cf Weir, 'Review of “Frustration of contract and clausula rebus sic stantibus”', (1988) 37(2) ICLQ 452.
\item \textsuperscript{80} See n 22 above.
\item \textsuperscript{81} See McKendrick (n 47), 44–5; Treitel (n 11), para 15–002.
\item \textsuperscript{82} For the problems this has caused in German law see below (IV.B.).
\item \textsuperscript{83} Cf McKendrick (n 47), 42–5.
\item \textsuperscript{84} Cf \textit{Motive} zu dem \textit{Entwurfe eines bürgerlichen Gesetzbuches für das Deutsche Reich} (Guttentag 1888), Vol II, 199; \textit{Protokolle der Kommission für die zweite Lesung des Entwurfs des BGB} (Guttentag 1897–9), Vol II, 1264–5.
\item \textsuperscript{85} Cf \textit{Motive} (n 84), Vol I, 249.
\item \textsuperscript{86} \textit{Motive} (n 84), Vol I, 249; Vol II, 199. Exceptions were however admitted for loan agreements (§ 610 BGB; see Vol II, 314–5) and contracts where one party is obliged to perform in advance (§ 321 BGB; see \textit{Protokolle} (n 84) II, 1264). Moreover, § 812(1)(2) Alt 2 still contains a reminiscence to \textit{Windscheid}'s theory.
\item \textsuperscript{87} Wieacker, \textit{Privatrechtsgeschichte der Neuzeit} (2nd edn, Vandenhoeck & Ruprecht 1967), 520; Finkenauer (n 32), para 21.
\item \textsuperscript{88} Cf RG 13 May 1889, RGZ 24, 169, 170.
\item \textsuperscript{89} Cf RG 11 April 1902, RGZ 50, 255, 257; 4 May 1915, RGZ 86, 397, 398.
\item \textsuperscript{90} Cf Cass civ, 6 June 1921 (n 46); 30 May 1922, D 1922, I, 69. These decisions may well be understood as a
\end{itemize}
\end{footnotesize}
existing exception for impossibility to cases of 'economic impossibility'. But it quickly put its reasoning on a different footing and invoked the principle of good faith (§§ 157, 242 BGB); first to allow parties to terminate contracts that they could not perform without a serious risk of bankruptcy, then also to judicially modify such contracts. In 1922, the court finally adopted the so-called doctrine of Wegfall der Geschäftsgrundlage (disappearance of the basis of the transaction), which had been developed by Oertmann.

Aware of the risk for legal certainty, the court initially defined the 'contractual foundation' narrowly as 'a belief as to the existence of certain essential circumstances held by the parties and apparent at the moment of the conclusion of the contract'. Its disappearance discharged the party for which performance had become more onerous from its obligation unless the other party agreed to amend the contract.

Over the following decades, the Reichsgericht and, subsequently, the Bundesgerichtshof (BGH) had numerous opportunities to uphold and develop the doctrine and clarify its ingredients. Some of these decisions had to deal with very substantial changes of circumstances similar to the hyperinflation of the 1920s, such as the end of the Third Reich, the 1948 Berlin blockade and the German reunification, while others addressed relatively trivial situations. Thus, the court has considered the acquisition of a building licence as the 'basis' of a sales contract for a prefabricate house, certain soil conditions as the 'basis' of a construction contract, and the (non)-involvement of a professional football player in a match-fixing scandal as the 'basis' of a transfer contract between two football clubs.

These decisions have been conceptualised into a three-prong test, requiring a factual element (i.e. a change of circumstances), a hypothetical element (i.e. the parties would not have concluded the contract if they had been aware of this change), and an equitable element (i.e. it would not be equitable for one party to deny the other party any amendment of the contract). When these

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91 RG 4 Feb 1916, RGZ 88, 71, 74; 15 Oct 1918, RGZ 94, 45, 47; 2 Dec 1919, RGZ 98, 18, 20–1. This approach is very similar to the extension of the English doctrine of frustration to cases of hardship; just as the House of Lords in Metropolitan Water Board v Dick Kerr (n 73), the Reichsgericht limits the category of 'economic impossibility' to cases where performance had become completely different from what was promised.
93 RG 21 Sept 1920, RGZ 100, 129, 131. The decision expressly invokes the clausula doctrine; according to the court, the interpretation given to the provisions on impossibility and good faith in the aforementioned decisions demonstrated that this doctrine could indeed be found in the BGB.
94 RG 3 Feb 1922, RGZ 103, 328.
95 Oertmann, Die Geschäftsgrundlage. Ein neuer Rechtsbegriff (Deichert 1921).
96 Cf RG 3 Feb 1922 (n 94), 331.
97 ibid.
98 ibid, 333; unlike in RG 21 Sept 1920 (n 93), the court denied any judicial power to amend the contract.
99 In BGH 16 Jan 1953, MDR 53, 282, the court made clear that 'economic impossibility' is distinct from 'actual impossibility' and governed by § 242 BGB, not § 275 BGB. Cf also BGH 23 Oct 1957, BGHZ 25, 390, para 27.
100 For instance, the BGH made it clear very early that it might modify a contract, cf BGH 16 Jan 1953 (n 99).
101 BGH 29 May 1951, BGHZ 2, 237; 30 Sept 1952, BGHZ 7, 238.
102 BGH 16 Jan 1953 (n 93).
103 BGH 14 Oct 1992, BGHZ 120, 10.
106 BGH 13 Nov 1975, NJW 76, 565. In view of the court's decisive argument that the player had become useless for both parties (paras 23–4), the case would presumably be one of frustration of purpose in English law.
107 According to the BGH, this element needs to be construed narrowly (see next paragraph).
108 This element is missing if the parties have been aware of the risk, cf BGH 29 May 1951 (n 101), para 18; 30 Sept 1952 (n 101), para 11.
109 This element requires that the risk does not lie exclusively with one party, cf, e.g., BGH 10 Mar 1983, BGHZ 87, 112, para 13 (the risk not to obtain a credit lies with the debtor).
elements have been established, one party could demand from the other what the parties would have agreed if they had been aware of the risk and the contract had been amended accordingly; if the other party refused this or an amendment were not possible, the party for which performance had become more onerous could terminate the contract.

Both the requirements and the effects of the disappearance of the basis of the transaction are a direct consequence of the doctrine being an application of the principle of good faith. It is not only evident in the 'equitable element' of the test, but also the reason for the preference given to the adaptation of the contract over its termination. Moreover, the courts have always emphasised the need for a narrow construction of the doctrine, despite the wide range of situations it is supposed to cover, given that it is an exception to the principle of \textit{pacta sunt servanda}. And while some authors have argued that such a narrow construction is misplaced as the doctrine is ultimately nothing else than an instance of contractual interpretation, the \textit{Bundesgerichtshof} has repeatedly confirmed it.

2. \textit{Reception in Other Legal Systems and Instruments}

Even before \textit{Oertmann} had developed the German doctrine, the idea of a 'basis' or 'foundation of the contract' featured in English decisions on the doctrine of frustration. But rather than serving as the underlying concept, it appears to have mainly been used to restrict the scope of the doctrine, the contractual 'foundation' being understood considerably more narrowly than in German case law.

After the German courts had started to regularly apply the doctrine of disappearance of the basis of the transaction, it was however adopted in a number of other European legal systems, some of which had formerly adhered to the French approach of an immutable principle of \textit{pacta sunt servanda}. Thus, both the Italian \textit{Codice civile} and the Dutch \textit{Burgerlijk Wetboek} contain provisions that have been inspired by the German case law and allow the judge to either amend or terminate a contract if an unforeseeable change of circumstances has made performance

\begin{itemize}
\item 110 Cf BGH 23 Mar 1966 (n 104), paras 18–21; see BGH 14 Oct 1992 (n 103), para 40 for an exception.
\item 111 Cf BGH 21 Nov 1968 (n 105), paras 31–4; 13 Nov 1975 (n 106), paras 32–3; BGH 15 Dec 1983, BGHZ 89, 226, para 60.
\item 112 For the historical development of this reasoning see Wieacker (n 87), 520.
\item 113 Cf BGH 23 Oct 1957 (n 99), para 27; 31 Jan 1967, BGHZ 47, 48, paras 12, 14.
\item 115 Finkenauer (n 32), paras 41–46; Medicus (n 32), 631–3. Given the reference to good faith in § 157 BGB, such an understanding is easily reconcilable with the principle of good faith as the foundation of the doctrine.
\item 116 Cf BGH 13 Nov 1975 (n 106), para 22; see also n 160.
\item 117 Cf Krell \textit{v} Henry (n 71), 750–1; see also \textit{National Carriers Ltd v Panalpina (Northern) Ltd} (n 23), 688.
\item 118 Thus, the contract to hire a steamship was not frustrated in \textit{Herne Bay Steam Boat Co v Hutton} [1903] 2 KB 683 by the coronation of Edward VII being cancelled (which had however frustrated the contract for the hire of a room in \textit{Krell \textit{v} Henry} (n 71), decided by the same judges) because it was not the 'foundation of the contract' (ibid, 689). Cf also the example given by Vaughan Williams LJ in \textit{Krell \textit{v} Henry}, 750, of engaging a cabman to Epsom on Derby Day, which would not be frustrated even if the race would not take place because it would not be the 'foundation of the contract'.
\item 119 Cf the decisions cited in n 104–106, none of which would amount to 'frustration' in English law.
\item 120 A relatively similar doctrine also exists in US law, where a party can be discharged in cases of 'commercial impracticability' (cf Treitel (n 11), paras 6–002 to 6–020).
\item 121 For further examples see Rodière (n 28); Finkenauer (n 32), paras 29–39; von Bar/Clive/Schulte-Nölke, \textit{Principles, definitions and model rules of European private law. Draft Common Frame of Reference} (DCFR) (OUP 2010), 741–4.
\item 122 Art 1467 and 1468 Codice civile; Art 6:258 Burgerlijk Wetboek.
\item 123 Cf Beale et al (n 19), 1146; Tallon 'Hardship', in Hartkamp et al. (eds), \textit{Towards a European Civil Code} (3rd edn, Nijhoff 2004), 502; von Bar/Clive/Schulte-Nölke (n 121), 742; Hondius/Grigoleit (n 13), 118–9.
\end{itemize}
considerably more onerous. Austrian and Swiss courts seem to apply a similar rule, without the
codifying it.  

Moreover, the German approach has been adopted in many harmonization projects and
international instruments of contract law. Thus, Artes 6:111 PECL, III.—1:110 DCFR, 89 CESL,
and 6.2.3. UNIDROIT Principles of International Commercial Contracts (2010) all allow the courts
to amend or terminate a contract if ‘performance becomes so onerous because of an exceptional
change of circumstances that it would be manifestly unjust to hold the debtor to the obligation’, with
preference given towards the amendment of the contract. Yet, unlike the German case law, they all require an attempt to renegotiate the contract before the courts may intervene.

3. The Codification of 2002

When the German legislator reformed the law of obligations in 2002, they also codified the doctrine of the disappearance of the basis of the transaction, in order to give it a textual basis without
changing its content. Thus, the following § 313 was introduced into the BGB:

(1) If circumstances which became the basis of a contract have significantly changed since the
contract was entered into and if the parties would not have entered into the contract or would have entered into it with different contents if they had foreseen this change, adaptation of the contract may be demanded to the extent that, taking account of all the circumstances of the specific case, in particular the contractual or statutory distribution of risk, one of the parties cannot reasonably be expected to uphold the contract without alteration.

(2) It is equivalent to a change of circumstances if material conceptions that have become the basis of the contract are found to be incorrect.

(3) If adaptation of the contract is not possible or one party cannot reasonably be expected to accept it, the disadvantaged party may revoke the contract. In the case of continuing obligations, the right to terminate takes the place of the right to revoke.

Although the new provision is formulated in very broad and open terms, it is largely considered as an adequate restatement of the former case law. It only differs from the latter insofar as it cannot be applied ex officio; instead, a party who wants the contract to be amended or terminated has to invoke the provision. Of course, this digression may well be seen as an additional safeguard against judicial interventionism.

In general, there can be little doubt that the codification of the doctrine succeeded. Although § 313 BGB seems to be more and more frequently invoked in litigation, the courts seem to have largely respected the legislator’s intention and refrained from applying the provision beyond the previous

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124 Finkenauer (n 32), paras 33–4; Fauvarque-Cosson (n 2), para 13.  
125 A notable exception is the CISG, which only contains an exception for force majeure in Art. 79 CISG.  
126 See generally Brunner, Force majeure and hardship under general contract principles. Exemption for non-
performance in international arbitration (Kluwer 2009), 397–535.  
127 Art III.—1:110 DCFR. Interestingly, all of these provisions start by restating the principle of pacta sunt servanda and formulate the case of imprévision as a restrictive exception.  
129 See below (III.C.3.).  
130 BT-Drucksache 14/6040, 93; 175, 176.  
131 Translation provided by juris for the German Ministry of Justice.  
132 Cf Markensis/Unberath/Johnston (n 34), 324; Finkenauer (n 32), para 7.  
133 Cf Finkenauer (n 32), para 26; Grüneberg (n 34), para 1.  
134 Cf Grüneberg (n 34), paras 1 and 41.  
135 See, e.g., BGH 11 Nov 2010, NJW-RR 2011, 916, where a party invoked the provision in order to terminate a two-
year internet provider contract after having moved away six months after its conclusion.
case law. The few cases where the § 313 BGB has been applied although § 242 had not do not seem to be a consequence of the reform but rather appear to be instances of 'regular' change in the courts' jurisprudence. As a consequence, neither German nor foreign commentators consider the doctrine of the disappearance of the basis of the transaction as codified in § 313 BGB as undermining legal certainty.

Uncertainties have however arisen out of the overlap with other newly modified provisions, most importantly with § 275 BGB (governing impossibility). While it was clear, before 2002, that the doctrine of the disappearance of the basis of the transaction has no role to play where performance has become impossible, many authors argue that it may be invoked in cases that fall under the new exception for 'factual impossibility' in § 275(2) BGB, provided that the requirements of both provisions are met.

Moreover, it may be seen as a downside to the legislator's otherwise strict adherence to the existing case law that they have not introduced an obligation to renegotiate, which can be found in virtually all international model rules. Thus, authors have remained divided as to whether an attempt to renegotiate is a requirement to modification or termination of the contract and what the consequences of the other party's refusal to negotiate are. Regarding the latter point, the Bundesgerichtshof has meanwhile held that § 313 entails a duty to renegotiate, the breach of which may not only make termination available as a remedy even if the contract can be modified but also be itself remedied by damages.

IV. The French Reform Project

Under the impression of the international success of provisions on imprévision, many French authors have argued for a long time that the decision in Canal de Craponne and the subsequent case law should be abolished—a position especially popular amongst those who generally advocate to give greater importance to the principle of good faith in contract law and more competences to the judge. Yet, although Art. 1134, al 3, of the Code civil would arguably have provided a solid textual basis for such a revirement de jurisprudence, the impact of this movement seems to have been limited to the two decisions of the Chambre de commerce described above. Still, it is hardly surprising that all projects for a reform of the Code civil contained some provisions that would overrule the decision in Canal de Craponne. While the avant-projet Catala allowed the courts to order renegotiation of a contract in case of supervening circumstances, failure of which

136 E.g. to gifts by parents-in-law to their son-in-law (BGH 3 Dec 2014, NJW 2015, 1014).
138 Cf Beale et al (n 19), 1146; Markenis/Unberath/Johnston (n 34), 325–6; Tallon (n 123), 504.
139 BGH 17 Feb 1995, NJW-RR 95, 854, para 13; see also BT-Drucksache 14/6040, 176.
140 Ernst (n 70), para 23; Finkenauer (n 32), para 164.
141 It was only stated in the reform materials that the parties 'should' renegotiate before seizing the courts (BT-Drucksache 14/6040, 176).
142 See above (III.C.2.).
143 Cf Finkenauer (n 32), para 122; for the same debate in Dutch law cf Busch, in Busch et al (eds), The Principles of European Contract Law and Dutch Law. A Commentary (Kluwer 2002), 289.
144 BGH 30 Sept 2011, BGHZ 191, 139, paras 27–8 and 33–4; for critical comment see Teichmann, JZ 2012, 421.
145 Cf, e.g., Philippe, Changement de circonstances et bouleversement de l'économie contractuelle (Bruylant 1986), 620–59; Fauvarque-Cosson (n 2), paras 8–25; Souchon, in Rodière (n 28), 17–8. See also Bell/Boyron/Whittaker, Principles of French Law (2nd edn, OUP 2008), 346.
146 See above (n 55).
147 See above (n 57); Philippe (n 145), 621–4; see also Fauvarque-Cosson (n 2), para 20, Capitant/Terré/Lequette (n 45), para 3, and Souchon, in Rodière (n 28), 17–8, all also pointing to other potential bases.
148 Above, n 59.
would give both parties a right to terminate the contract,\(^\text{149}\) both the \textit{projet Terre}\(^\text{150}\) and the Ministry of Justice's proposal\(^\text{151}\) also gave the courts the power to amend the contract in such a situation.

Accordingly, \textit{loi n° 2015-177 du 16 février 2015}, which authorises the government to 'modernise, simplify, and improve' \textit{livre III} of the \textit{Code civil}, also includes a mandate 'to specify the rules concerning the effects of the contracts between the parties and for third persons by confirming their right to adapt their contract in the case of unforeseeable change of circumstances.'\(^\text{152}\) Thus, Art 1196\(^\text{153}\) of the latest \textit{projet d'ordonnance}, states that,\(^\text{154}\)

\begin{quote}
(1) If a change of circumstances unforeseeable at the conclusion of the contract renders its execution excessively onerous for one party that has not accepted to assume that risk, that party can demand a renegotiation of the contract. The party has to continue to perform their obligation during the renegotiation.

(2) In the case of refusal or failure of the renegotiations, the parties may demand by mutual agreement to a judge to proceed to adapt the contract. Failing this, a party may demand the judge to end the contract at the date and under the conditions that [the judge] fixes.
\end{quote}

While many authors seem to welcome the general idea of codifying a provision for supervening circumstances,\(^\text{155}\) the actual proposal has been met with criticism: at the same time, it is criticised by practitioners for giving too much power to the judge\(^\text{156}\) and by academics for not going quite far enough.\(^\text{157}\) But while the discussion of the practical consequences of the reform proposal is useful and necessary, it should not ignore the fact that the proposal constitutes a fundamental shift from the unqualified adherence to the principle of \textit{pacta sunt servanda} as expressed in \textit{Canal de Craponne} to an expressly admitted exception for cases of \textit{imprévision} (A.). It is in view of this paradigm shift that arguments of comparative law can complement and enrich the discussion of the proposal's practical dimension (B.).

\begin{itemize}
\item \(^{149}\) \textit{Avant-projet de réforme du droit des obligations} (2005), Art 1135-1 to 1135-3.
\item \(^{150}\) \textit{Terre, Pour une réforme du droit des contrats} (Dalloz 2008), Art 92.
\item \(^{151}\) \textit{Ministère de la Justice, Projet de réforme du droit des contrats} (2008), Art. 136; translations of all three texts can be found in \textit{Beale et al} (n 19), 1134–5.
\item \(^{152}\) \textit{Loi n° 2015-177 du 16 février 2015 relative à la modernisation et à la simplification du droit et des procédures dans les domaines de la justice et des affaires intérieures}, Art 8: "[L]e Gouvernement est autorisé à prendre par voie d'ordonnance les mesures […] nécessaires pour modifier la structure et le contenu du livre III du code civil, afin de moderniser, de simplifier [et] d'améliorer la lisibilité […] et, à cette fin […] 6° Préciser les règles relatives aux effets du contrat entre les parties et à l'égard des tiers, en consacrant la possibilité pour celles-ci d'adapter leur contrat en cas de changement imprévisible de circonstances."
\item \(^{153}\) According to the official presentation of the \textit{projet}, the provision is part of those seeking a better protection of the weaker party (cf \textit{Ministère de la Justice, Presentation de l'avant-projet d'ordonnance en Conseil des ministres le 25 février 2015}.).
\item \(^{154}\) \textit{Projet d'ordonnance} (n 67), Art 1196: “(1) Si un changement de circonstances imprévisible lors de la conclusion du contrat rend l'exécution excessivement onéreuse pour une partie qui n'avait pas accepté d'en assumer le risque, celle-ci peut demander une renégociation du contrat à son cocontractant. Elle continue à exécuter ses obligations durant la renégociation. (2) En cas de refus ou d'échec de la renégociation, les parties peuvent demander d'un commun accord au juge de procéder à l'adaptation du contrat. A défaut, une partie peut demander au juge d'y mettre fin, à la date et aux conditions qu'il fixe.”
\item \(^{156}\) Cf \textit{Cousin et al} (n 50), II B 1; \textit{Rocher, 'La réforme du droit des contrats : quelles conséquences pour les contrats de construction ?', Point de vue, moniteur.fr, 2 July 2015}; see also \textit{Sidier/Niel, 'Le contrat ne fera bientôt plus vraiment la loi des parties : introduction de l'imprévision dans le Code Civil', finyear.com, 8 June 2015}., criticizing that the provision will allow parties to escape from the obligation to perform in good faith by simply refusing to renegotiate.
\item \(^{157}\) \textit{Chagny, 'Vent de réforme : du contrat à la concurrence et vice versa', AJ Contrats d'affaires, Concurrence, Distribution 2015, 145; see also Latina (n 155)}; \textit{Latina, 'L'attractivité du droit des contrats : l'efficacité économique du droit des contrats', in Dalloz Blog Réforme du droit des obligations, 8 Sept 2015}.
\end{itemize}
A. The Doctrinal Importance of the Proposal

The importance of the French reform proposal clearly lies in its doctrinal dimension. It will put the uncompromising adherence of French law to a sacrosanct principle of *pacta sunt servanda* to an end and finally provide an escape route for parties that have not, and could not, foresee a particular change of circumstances. Following the example of other legal systems, the French legislator has opted against merely redefining an existing doctrine like *force majeure* or using one of the other existing devices that have been proposed for such a reform and instead created a separate exception to *pacta sunt servanda*.

Within the conceptual framework established above, this will put French law very close to German law. Still, it is not entirely clear whether the new French provision will be rooted in the principle of good faith as much as the German § 313 BGB. While the latter emerged from case law explicitly based on § 242 BGB, giving preference to amending the contract over terminating it, the new French provision, which will be introduced by legislation that does not indicate its conceptual basis, will be a bit more ambivalent. Its first paragraph can certainly be linked to the aforementioned decisions of the commercial chamber establishing a duty to renegotiate based on Art 1134, al 3, Code civil. According to its second paragraph, however, the usual remedy in cases of *imprévision* will be the termination of the contract, a judicial modification being only possible where both parties agree on it, putting the new exception conceptually closer to the reasoning underlying the *force majeure* exception.

Regardless, the introduction of the new exception will have considerable benefits for French law. First, it will put an end to the confusing plurality of exceptions to the principle expressed in *Canal de Craponne*, which include the positions of the administrative courts as well as the commercial chamber’s ambiguous decisions in *Huard* and *Soffimat*. This should be considered as an important contribution to legal certainty in itself.

Second, the introduction of an exception that is distinct from the doctrine of *force majeure* nuances the approach French law applies to supervening circumstances and allows the courts to award a much more adequate remedy than the automatic discharge of the parties. The fact that English courts do not enjoy this liberty has been shown to be one of the reasons for their very restrictive approach to the doctrine of frustration of purpose.

Finally, the provision is formulated broadly enough for the courts to refine and further develop it. French courts have considerable experience in fleshing out important doctrines and legal concepts on the basis of open and imprecisely formulated provisions. Considering that the German courts have applied the solution developed during the hyperinflation of the 1920s to a myriad of other situations and legal problems, there is a good chance that the French courts will make use of their experience in developing and refining legal doctrines when interpreting the text of the reform proposal. This should be kept in mind when discussing the criticism levelled at the practical dimension of the reform proposal.

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158 Cf Fages (n 75), para 423; Fauvarque-Cosson (n 2), para 13–15; Stoffel-Munck (n 2), 262.
159 See above (147).
160 Above, n 59.
161 As far as an obligation to renegotiate is admitted in German law, it is also inferred from § 242 BGB, see above (III.C.3., last paragraph).
162 According to Bénabent (n 26), para 293, the amount of exceptions has rendered the principle ‘an empty shell’.
163 See above (III.A.).
164 Cf von Bar/Clive/Schulte-Nölke (n 121), 738, for a similar consideration.
165 See above (III.B., last paragraph).
167 See above (III.C.1.).
B. The Practical Impact of the Proposal

While the practical side of the reform proposal has attracted some well-founded criticism, many arguments that have been put forward in that regard should be put into a comparative perspective. A comparison to the conceptually similar approach of German law, for instance, does not only disprove the general concern that judicial intervention may unduly decrease legal certainty but also allows to address some of the more nuanced comments made by French authors.

In that regard, a first point of criticism concerns the fact that the provision is drafted in very broad and imprecise terms, which may create uncertainty concerning, in particular, the threshold of imprévision and its relationship to the doctrine of force majeure. While the fact that the same uncertainty seems to surround the equally broadly formulated German § 313 BGB, even though the provision was drafted on the back of 80 years of case law, may indicate that this will indeed be a problem, there are a number of reasons not to overstate this risk. French courts do not only have considerable experience in refining broadly formulated doctrines (including force majeure), they may also draw from the impressive body of academic writing on the théorie de l'imprévision, the case law regarding types of contracts for which it is already admitted and, most importantly, the case law of the administrative courts which have applied it alongside the doctrine of force majeure ever since the decision in Gaz de Bourdeaux. In fact, it is very likely that they will adopt a similar distinction between imprévision and force majeure, depending on whether or not the supervening event had been irresistible.

A second point of criticism goes to the relatively tame remedies offered to the party for which performance has become more onerous. While it is not uncommon to impose a duty to renegotiate the contract on that party, the French provision appears as particularly weak insofar as it restricts judicial modification of the contract to cases where both parties agree to it if such renegotiation fails. To a certain degree, this perceived weakness may be explained by an awareness of many practitioners' hostility towards judicial interventionism. Yet, contractual parties have arguably always been free to demand a judge to amend their contract by common agreement. As a consequence, the proposal would change the law only insofar as the judge may now end the contract at the application of one of the parties if renegotiations were unsuccessful.

Whether the proposal will actually increase the importance of contractual fairness will therefore depend on whether the prospect of termination is a sufficient incentive for the parties to either amend the contract themselves or agree on a judicial modification. The fact that commercial parties regularly include hardship clauses into complex long-term contracts regardless of whether

168 Cf Tallon (n 57), 410–412; Terré/Simler/Lequette (n 47), para 471; see also von Bar/Clive/Schulte-Nölke, Principles, definitions and model rules of European private law. Draft Common Frame of Reference (DCFR) (OUP 2010), 741.


170 Cf Finkenauer (n 32), para 7.

171 See above, n 38.

172 Cf Nicholas (n 166), 21.

173 See above, n 44.

174 Above, n 52.

175 Cf Cousin et al (n 50), II B 2; Fauvarque-Cosson (n 2), paras 10, 23.

176 See above (n 157).

177 See above (III.C.2. (for international model rules) and 3., last paragraph (for German law)).

178 Latina, 'L'imprévision' (n 157).

179 Cousin et al (n 50), II B 1.

180 Cf Rocher (n 156).
the applicable law provides for a remedy in cases of *imprévision* or not\(^{181}\) may be an indication that parties often want to uphold their contracts and remain in charge of potential modifications, rather than losing their contract altogether.\(^{182}\)

Moreover, the practical impact of the provision will highly depend on how the courts interpret the powers conferred upon them. The new provision will be open to such interpretation in at least two regards. First, the courts will have to define the scope and content of the requirement to renegotiate the contract before it can be terminated; by considering an offer made by the party seeking termination as unsatisfactory, they may directly influence the negotiations and the content of the potentially amended contract. Second, paragraph two of the proposal allows the judge to end the contract at the date and under the conditions that [the judge] fixes; again, it will be up to the courts to determine what shape these conditions may take.\(^{183}\)

The perceived weakness of the remedies provided in the reform proposal may thus be counterbalanced, at least to a certain degree, by the room left to the courts by the wording of the proposal and the absence of a coherent body of former case law. Whether this will be sufficient to realise the beneficial economic effects usually ascribed to provisions on *imprévision*, namely the decrease in transaction costs due to the reduced need for *force majeure* and hardship clauses,\(^{184}\) remains to be seen.

\section{Conclusion}

Over the last century, the different European legal systems have adopted diverse approaches to the problem of *imprévision*. While some have not admitted any exception to *pacta sunt servanda*, or merely extended the existing exception for impossibility, many legal systems have adopted a separate doctrine to accommodate these cases and to reconcile the principle of *pacta sunt servanda* with the doctrine of good faith.

Against this background, the French reform proposal should first and foremost be praised for the paradigm shift it marks. It is submitted that it will increase both legal certainty and contractual fairness, even though it is true that its practical impact will largely depend on how the courts will interpret the new provision and its seemingly weak and underwhelming remedies.

Consequently, the most pertinent criticism may go to the economic effects of the provision. Not only does it seem unlikely that the provision will significantly reduce the transaction costs for commercial parties by minimizing the need for hardship clauses, the procedure it provides to get a contract modified in light of supervening circumstances also seems unnecessarily burdensome for the disadvantaged party—especially when compared to the German § 313 BGB, which allows this party to directly bring a claim for performance of the modified contract.\(^{185}\)

\begin{footnotes}
\item[181] See above (n 68). In German law, these clauses usually also contain an obligation to renegotiate before the courts can be seized (see Finkenauer (n 32), para 123). For English law see Treitel (n 11), ch 12.
\item[182] For a law-and-economics perspective on this point cf Cenini/Luppi/Parisi, in Hondius/Grigoleit (n 13), 37.
\item[183] Cf Stoffel-Munck (n 2), 265. For a well-known example from English law for a court setting aside a contract ‘on terms’ (due to a common mistake), see *Solle v Butcher* [1950] 1 KB 671, 696–7.
\item[184] Cf McKendrick (n 47), 43.
\item[185] Grüneberg (n 34), para 41.
\end{footnotes}