

CASE FILE: COMMERCIAL CONTRACT DISPUTE DOSSIER

Reference: LCMS-RAG-SAMPLE-2026-002

Prepared Date: February 25, 2026

Jurisdiction: Riyadh Commercial Court

SECTION 1: PARTIES

Claimant:

Name: Horizon Data Systems Co.

CR Number: CR-1010213344

Representative: Eng. Sami Al-Nasser (CEO)

Respondent:

Name: Gulf Retail Distribution Ltd.

CR Number: CR-1010457720

Representative: Mr. Majed Al-Shehri (Operations Director)

SECTION 2: EXECUTIVE SUMMARY

This dispute concerns an enterprise software implementation agreement signed between Horizon Data Systems (vendor) and Gulf Retail Distribution (client). The claimant alleges non-payment of milestone invoices and wrongful suspension of project access. The respondent alleges repeated delivery delays, material defects, and non-conforming modules that failed acceptance criteria.

The central issues are:

- 1) Whether the claimant substantially performed contractual obligations.
- 2) Whether milestone payments were properly due.
- 3) Whether respondent validly terminated for cause.

4) Whether limitation of liability and liquidated damages clauses are enforceable in this fact pattern.

SECTION 3: CONTRACT BACKGROUND

Agreement Date: April 15, 2025

Contract Value: SAR 4,800,000

Scope:

- ERP core deployment
- Inventory optimization module
- POS integration across 120 branches
- Reporting and analytics dashboard

Timeline:

- Phase 1 completion target: July 31, 2025
- Phase 2 completion target: October 31, 2025
- Final acceptance target: December 15, 2025

Payment Milestones:

- 20% on signing
- 30% on Phase 1 acceptance
- 30% on Phase 2 acceptance
- 20% on final acceptance

SECTION 4: KEY CONTRACT CLAUSES

Clause 4.2 (Delivery Dates):

Vendor shall deliver according to milestones; delays beyond 15 business days require written recovery plan.

Clause 5.1 (Acceptance Testing):

Client must run acceptance tests within 10 business days after delivery notice.

Failure to issue detailed rejection report within that period constitutes deemed acceptance.

Clause 6.4 (Change Requests):

Any scope change requires signed change order identifying impact on timeline and fees.

Clause 8.3 (Payment):

Undisputed invoices are payable within 30 days. Client may withhold disputed amounts only if dispute notice includes technical basis and supporting evidence.

Clause 10.2 (Limitation of Liability):

Neither party liable for indirect or consequential losses. Direct damages cap equals 50% of total contract value except fraud or willful misconduct.

Clause 11.1 (Termination for Cause):

Either party may terminate after written notice and 20 business day cure period for material breach.

Clause 12.5 (Liquidated Damages):

Delay LDs set at 0.3% of delayed milestone value per week, capped at 10%.

SECTION 5: FACTUAL TIMELINE

April 15, 2025:

Master Software Agreement executed. Initial mobilization payment received.

May 3, 2025:

Project kickoff and governance model approved.

June 28, 2025:

Claimant submits first progress memo asserting 75% Phase 1 completion.

July 31, 2025:

Phase 1 target date passes. Respondent requests revised plan.

August 6, 2025:

Claimant sends recovery schedule citing API dependency delays from respondent's legacy POS vendor.

August 22, 2025:

Respondent issues first breach notice alleging missed milestones.

September 5, 2025:

Claimant delivers updated build and requests acceptance testing sign-off.

September 20, 2025:

Respondent sends defect list with 47 items, classified as:

- 12 critical
- 18 major
- 17 minor

October 3, 2025:

Claimant disputes defect severity; says many items are change requests outside baseline scope.

October 16, 2025:

Steering committee meeting records disagreement over “scope vs defect” categorization.

October 31, 2025:

Phase 2 target date passes without sign-off.

November 9, 2025:

Claimant issues invoice INV-2025-118 for SAR 1,440,000 (Phase 1 + partial Phase 2 components).

November 21, 2025:

Respondent formally disputes invoice, cites unresolved critical defects and delayed interfaces.

December 4, 2025:

Claimant issues cure notice to respondent for non-payment and access restrictions to production environment.

December 18, 2025:

Respondent issues termination for cause notice citing material delay and non-conforming deliverables.

January 7, 2026:

Claimant files commercial claim for unpaid invoices and wrongful termination damages.

SECTION 6: CLAIMANT POSITION

The claimant argues that respondent repeatedly introduced scope expansions (additional analytics widgets, branch-specific workflows, and reporting customizations) without approved change orders, then treated resulting timeline impact as vendor delay. Claimant also argues acceptance process was misused: respondent allegedly failed to provide timely, clause-compliant rejection reports and continued using delivered modules in pilot branches, which claimant frames as implied acceptance.

Claimant seeks:

- SAR 1,440,000 unpaid invoice amount
- SAR 380,000 additional work orders performed but not signed
- SAR 620,000 wrongful termination damages
- legal costs and statutory compensation

Total claimant monetary request: SAR 2,440,000

SECTION 7: RESPONDENT POSITION

Respondent argues claimant missed both major milestones and never delivered stable integration for the branch POS layer. According to respondent, pilot usage was purely internal testing and did not constitute acceptance. Respondent contends it provided detailed defect logs and afforded cure opportunities, but claimant failed to remediate critical issues.

Respondent counterclaims:

- liquidated delay damages under Clause 12.5
- recovery of replacement vendor onboarding costs
- refund of part of initial mobilization due to failed deliverables

SECTION 8: TECHNICAL DEFECT SUMMARY

Defect Class: Critical

- 1) Inventory sync mismatch causing negative stock in branch replicas.
- 2) Duplicate transaction posting under high-concurrency scenarios.
- 3) Role-based access control bypass in approval workflow.
- 4) Scheduled reports failing under daylight saving transition edge case.

Defect Class: Major

- 1) API timeout in supplier reconciliation endpoint.
- 2) Delayed POS receipt acknowledgment in 14 branches.
- 3) Inconsistent currency rounding in discounted bundle orders.
- 4) Incorrect VAT allocation in mixed basket returns.

Defect Class: Minor

- 1) UI text clipping in Arabic on low-resolution tablets.
- 2) Exported CSV column order mismatch vs template.
- 3) Notification wording inconsistencies across locales.

SECTION 9: CHANGE REQUEST DISPUTE MATRIX

CR-11: “Add branch-specific approval chain”

- Claimant: out-of-scope enhancement
- Respondent: clarifies original requirement

CR-14: “Advanced promo analytics dashboard”

- Claimant: new feature set
- Respondent: contractual reporting obligation

CR-18: “Bulk return VAT audit trail”

- Claimant: optional compliance add-on
- Respondent: legally required baseline functionality

CR-22: “Supplier lead-time forecasting”

- Claimant: strategic add-on requested late
- Respondent: part of inventory optimization module

SECTION 10: INVOICE AND PAYMENT RECORDS

Invoice INV-2025-101 (Signing milestone): Paid

Invoice INV-2025-118 (Phase 1/2 disputed): Unpaid

Invoice INV-2025-124 (Change requests bundle): Rejected

Invoice INV-2025-130 (Support extension): Pending dispute review

Finance correspondence reflects disagreement over whether disputed milestones were “partially accepted” and whether payment withholding complied with Clause 8.3 documentation standards.

SECTION 11: EVIDENTIARY ITEMS

- Master Software Agreement and appendices
- Statement of work baseline (version 1.0)
- Sprint reports and burn-down charts
- Steering committee minutes (May to December 2025)
- Defect logs with severity metadata
- Email threads on acceptance and invoice disputes
- UAT screenshots and branch pilot usage reports
- Access audit logs around alleged production restriction
- Termination notice and cure correspondence

SECTION 12: PRELIMINARY LEGAL ANALYSIS (INTERNAL MEMO)

Strengths for claimant:

- Potential argument for deemed acceptance if rejection notices were late or procedurally deficient.
- Possible proof that respondent imposed unapproved scope growth.
- If respondent used modules operationally, claimant may argue benefit received.

Strengths for respondent:

- Documented milestone slippage and critical defects.
- Termination-for-cause path appears contractually structured.
- Delay LD clause may be enforceable if delay causation is clear.

High-risk battleground:

- Distinguishing true defects from out-of-scope enhancements.
- Causation for delays (vendor fault vs dependency/coordination fault).
- Enforceability of damages cap exceptions.

SECTION 13: SETTLEMENT HISTORY

Meeting 1 (Jan 20, 2026):

Claimant demand: SAR 2,200,000

Respondent offer: SAR 350,000

No settlement.

Meeting 2 (Feb 2, 2026):

Claimant demand: SAR 1,900,000

Respondent offer: SAR 520,000

No settlement.

Meeting 3 (Feb 18, 2026):

Mediator bracket: SAR 900,000 to SAR 1,250,000

Parties did not close.

SECTION 14: REMEDIES REQUESTED

Claimant requests:

- 1) Judgment for unpaid milestone invoices.
- 2) Compensation for wrongful termination and reputational harm.
- 3) Recognition of additional out-of-scope work value.
- 4) Legal fees and expert costs.

Respondent requests:

- 1) Dismissal of unpaid invoice claims tied to non-accepted deliverables.
- 2) Award of delay liquidated damages.
- 3) Set-off against any claimant recovery.
- 4) Confirmation of valid termination for cause.

SECTION 15: EXTRA PARAGRAPHS FOR CHUNKING

Paragraph A:

Milestone acceptance became the central bottleneck because both parties interpreted acceptance prerequisites differently and did not align technical sign-off criteria to contractual language early in execution.

Paragraph B:

Several disputed items appear to blur the line between defect remediation and product enhancement, creating evidentiary complexity and weakening confidence in unilateral severity classifications.

Paragraph C:

The limitation of liability clause may constrain total exposure unless one party proves willful misconduct or a contractual carve-out that disapplies the cap under these facts.

Paragraph D:

The practical litigation outcome likely depends on audit-quality project records, defect reproducibility evidence, and whether acceptance procedures were followed strictly and consistently.

SECTION 16: CLOSING NOTE

This document is structured for RAG testing with rich legal-commercial vocabulary, repeated contractual concepts, quantified claims, and mixed factual/legal narrative to validate retrieval quality, citations, and insight summarization behavior.

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