**Compensatory Damages**

**Scenario: Mr. Li is a representative of a silk fabric supplier. Recently, the company failed to deliver a large order of goods on time, causing a fashion luxury brand company to be completely taken by surprise and therefore had to shut down production right before international fashion week. The fashion luxury brand company to which General Manager Chen belongs requested a huge amount of payment for the loss caused by the shutdown. Mr. Li made a special visit to this company to try and negotiate in an effort to reduce the compensation cost.**

A: Ms. Chen, today I have visited you specifically to negotiate with you about the matter of compensation. I hope we can reach a settlement.

B: Negotiation is ok, but the compensatory damages should still be paid. Due to your company’s breach of contract and the inability to provide us on time the silk fabric we ordered ahead of time since last year, we had to shut down completely. Our company was unable to create our works as expected during a critical time, thereby causing our brand to miss the chance to promote our completed works during fashion week, resulting in great loss. The company seeks compensation of 10 million US Dollars.

A: General Manager Chen, 10 million US Dollars is not a small amount! Can you make an accommodation? As we all know, the pandemic has caused a huge impact on global supply chains in all fields of work. And we are only the supplier, we could only wait for the producer that we cooperate with to deliver the goods first before we can complete your company’s order. The goods not having arrived on time, causing breach of contract, was naturally not our company's intention. I hope both sides can have mutual empathy and understanding towards each other and come to a consensus on a reasonable payment for the damages.

B: Mr. Li, we have already been very friendly towards your company. According to preliminary estimates, the total loss is actually far more than 10 million US Dollars. If the compensation is less than this figure, we will have to see each other in court.

A: General Manager Chen, please give us a break! Wasn't our previous cooperation always very pleasant? Therefore, it is better for us to plan for the long term. We do not necessarily have to go through court proceedings. Cooperation between companies always rely on peaceful relationship as the most honorable value. If communication between us reaches a dead-end, it will benefit neither of us. The fabrics provided by our company are not only meticulously crafted, they are always quality guaranteed. We always delivered on schedule with the most dedicated attitude before the pandemic. If we continue to cooperate, it will be beneficial to both parties. At the same time, we are of course willing to do our best to compensate for certain economic losses.

B: Well, taking our previous long-term cooperation into consideration, we are willing to reconcile with you. We hope that our cooperation will go smoothly in the future, and that similar situations will not happen again. In terms of the content of our settlement I will leave everything to our lawyer to deal with.

A: Yes, our lawyer is also willing to serve. He will get in touch with your company's lawyer. I hope that the problem between us will be resolved as soon as possible.