

# CONTRACTS

## Class I



# INTRODUCTION TO CONTRACTS

- **Sources of Contract Law**

- Common Law (mostly old cases)
- Statutory Law (like the Statute of Frauds and various state codes)
- Uniform Commercial Code

- **Types of Contracts**

- Unilateral Contract
- Bilateral Contract
- Quasi-contract (contract implied in law)



# BASIC ELEMENTS OF A CONTRACT

- Offer
- Acceptance
- Consideration
- Legal Subject matter
- Competent Parties



# CONSIDERATION: THE BASIC PRINCIPLE

- **Reasons for the rule:**

- Only socially useful promises should be enforced by the courts
- Protect people from promises they make in moments of excitement that they don't really mean

- **Basic Principle:**

- Contracts entail a "bargained-for exchange" between parties.
- When analyzing consideration, that is the key factor to look for: Did each party bargain for the other's promise?



# QUIZ TIME!



# CONSIDERATION: LEGAL DETRIMENT

- **Each party must suffer a legal detriment, not necessarily confer a benefit to the other party.**
- **Adequacy of consideration is generally irrelevant, except that it can be used to:**
  - show that the consideration was a "*sham*"
  - show that the consideration was really just a *condition to a gift*
  - determine *unconscionability*



# CONSIDERATION: THE MUTUALITY PRINCIPLE

- **Rule:** For consideration on both sides to be effective, both sides must be bound to complete some sort of performance.
  - If performance is left completely to the discretion of one party, that party's "promise" is **NOT** consideration
- **Examples:**
  - "If you give me \$10, I promise to give you an umbrella if I feel like doing so." **No mutuality!**
  - "I promise to give you \$10 if you give me an umbrella tomorrow if it's raining." **There is mutuality.**

