

CHAPTER 14: CASE STUDIES AND PRECEDENTS

Legal precedents shape the development of law and provide guidance for future cases with similar facts or legal issues. Understanding landmark cases and their reasoning helps practitioners predict outcomes and develop effective legal strategies.

14.1 Contract Law Landmarks

Carlill v. Carbolic Smoke Ball Company (1893)

Carlill v. Carbolic Smoke Ball Company (1893) established fundamental principles of offer and acceptance, particularly for unilateral contracts. The case involved an advertisement promising payment to anyone who contracted influenza after using the defendant's product according to directions. The court held that the advertisement constituted a valid offer that could be accepted through performance, rejecting arguments that the offer was too vague or that consideration was lacking.

The case established that advertisements can constitute offers when they are sufficiently definite and demonstrate intent to be bound. The court also addressed the consideration requirement, finding that the inconvenience of using the product and the potential detriment of catching influenza despite its use constituted sufficient consideration.

Hadley v. Baxendale (1854)

Hadley v. Baxendale (1854) established the fundamental rule for consequential damages in contract law. The case involved a miller who needed a broken crankshaft delivered to manufacturers for use as a pattern for creating a replacement. The carrier's delay in delivery prevented the mill from operating, causing lost profits.

The court established a two-part test for recoverable damages: damages that arise naturally from the breach according to the usual course of things, and damages that were reasonably foreseeable as a probable result of breach based on special circumstances communicated to the breaching party at contract formation.

This foreseeability limitation prevents unlimited liability for remote consequences while ensuring that contracting parties can reasonably estimate their potential damage exposure. The rule has been adopted throughout the common law world and continues to influence damage calculations in modern contract disputes.

14.2 Intellectual Property Precedents

Diamond v. Chakrabarty (1980)

Diamond v. Chakrabarty (1980) addressed the patentability of living organisms, specifically a genetically engineered bacterium capable of breaking down crude oil. The Supreme Court held that "anything under

the sun that is made by man" could be patentable subject matter, provided it meets the other requirements for patentability.

The decision opened the door to biotechnology patents and helped establish the modern biotechnology industry. However, it also raised ethical concerns about patenting life forms and created ongoing debates about the proper scope of patent protection for biological materials and processes.

The case established that the relevant inquiry for patentability is not whether the invention is living or non-living, but whether it represents a non-naturally occurring manufacture or composition of matter created through human intervention. This principle has been applied to numerous subsequent biotechnology patents.

Alice Corp v. CLS Bank International (2014)

Alice Corp v. CLS Bank International (2014) addressed the patentability of computer-implemented inventions and abstract ideas. The Supreme Court established a two-step framework for analyzing patent eligibility: first, determining whether the claims are directed to an abstract idea, and second, examining whether additional elements transform the claims into patent-eligible applications.

The decision significantly impacted software and business method patents, making it more difficult to obtain and enforce patents for computer-implemented inventions that involve abstract concepts like mathematical formulas or fundamental business practices.

14.3 Corporate Law Milestones

Dodge v. Ford Motor Company (1919)

Dodge v. Ford Motor Company (1919) addressed the scope of managerial discretion and shareholder rights in corporate decision-making. Henry Ford attempted to reduce dividend payments and lower car prices to benefit customers and society, arguing that the corporation should operate for broader social purposes beyond profit maximization.

The Michigan Supreme Court held that corporations exist primarily for the benefit of stockholders and that directors cannot arbitrarily withhold dividends to pursue social goals at shareholders' expense. However, the court also recognized that directors have broad discretion in business decisions when acting in good faith for corporate purposes.

The case established the principle of shareholder primacy while recognizing the business judgment rule's protection for managerial decisions. Modern corporate law has evolved to recognize broader stakeholder considerations, but the tension between shareholder interests and other corporate purposes remains relevant.

Business Roundtable v. SEC (2011)

Business Roundtable v. SEC (2011) involved challenges to proxy access rules that would have allowed shareholders to include director nominees in corporate proxy materials. The D.C. Circuit Court of Appeals

struck down the SEC's rule for inadequate economic analysis, highlighting the importance of cost-benefit analysis in rulemaking.

The decision demonstrated the courts' willingness to scrutinize agency rulemaking in corporate governance matters and established precedents for economic analysis requirements. The case also reflected ongoing debates about shareholder rights and corporate governance reform.