

Business Law

Text & Exercises *6th Ed.*

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Chapter 8: Introduction to Contracts

Learning Outcomes

LO1

- **Define the objective theory of contracts.**

LO2

- **List the basic requirements of a contract.**

LO3

- **Contrast express and limited contracts.**

Learning Outcomes

LO4

- **Summarize the difference between executed and executory contracts.**

LO5

- **State the differences among valid, voidable, unenforceable, and void contracts.**

Definition of a Contract

- **An agreement that can be enforced in a court. It is formed by two or more parties who agree to perform, or refrain from performing, some act now or in the future.**



Objective Theory of Contracts

- **The view that contracting parties shall only be bound by terms that can objectively be inferred from promises made.**

Basic Requirements of a Contract

- **Agreement**
- **Consideration**
- **Contractual Capacity**
- **Legality**
- **Voluntary Consent**
- **Form**

Types of Contracts

- **Parties to a Contract:**
 - Offeror: A person who makes an offer. The offeror always promises to do something; also a promisor.
 - Offeree: A person to whom an offer is made.

Bilateral *vs.* Unilateral Contracts

- **Bilateral: A contract that includes the exchange of a promise for a promise.**
- **Unilateral: A contract that includes the exchange of a promise for an act.**



Express *vs.* Implied Contracts

- **Express: A contract that is stated in words, oral and/or written (as opposed to an implied contract).**
- **Implied: A contract formed in whole or in part from the conduct of the parties (as opposed to an express contract).**

Implied In Fact Contracts

Three requirements:

1. Party furnished some goods or services.
2. The party furnishing the goods or services expected to be paid, and the party benefiting from the goods or services knew or should have known that payment was expected.
3. The party benefiting from the goods or services were provided could have rejected them but did not.

Quasi Contracts

- **Contracts implied in law.**
- **An obligation or contract imposed by law, in the absence of agreement, to prevent unjust enrichment.**
- **Some-times referred to as an *implied-in-law contract*.**

Formal *vs.* Informal Contracts

- **Formal: An agreement or contract that by law requires for its validity a specific form, such as execution under seal.**
- **Informal: A contract that does not require a specified form or formality for its validity.**

Executed *vs.* Executory Contracts

- **Executed:** A contract that has been completely performed by both parties.
- **Executory:** A contract that has not yet been fully performed.

Valid and Voidable Contracts

- **Valid: A properly constituted contract having legal strength or force.**
- **Voidable: A contract that may be legally annulled at the option of one of the parties.**

Unenforceable and Void

- **Unenforceable:** A valid contract having no legal effect or force in a court action.
- **Void:** A contract having no legal force or binding effect.

Comparing and Contrasting Contracts

