# Business Law

## March 20, 2013

* **Capacity & Doing Business With Minors**
  + The person who is entering into a contract should understand the obligatory nature of the contract.
  + **Three Categories of Individuals who Lack Capacity / Partial Capacity**
    - **Minors** – Partial Capacity
      * Anyone under the age of 18.
      * **General Rule:** A minor can disaffirm a contract while it is a minor or for a reasonable time after he reaches the age of majority.
        + **Exception:** Contracts for Necessaries (food, shelter, transportation, etc) – A minor is bound to a contract for necessities but only in the extent of the fair market value of the necessary. What constitutes a necessity may depend on the circumstances of the particular case?
      * **Duty of Restitution**
        + **Minority View**

Restitution is required.

* + - * + **Majority View**

No restitution required.

* + - * **Minor misrepresents his age**
        + **Minority View**

Three Different Minority Views

Misrepresents age is kept on the contract.

If the minor has misrepresented his age, allow him to disaffirm but in the case of misrepresentation has to give restitution.

Disaffirmance is allowed but the minor could be sued for the tort of fraud.

* + - * + **Majority View**

Ability to disaffirm the contract.

* + - * Did making three payments after reaching the age of majority ratify / express intent to be bound after reaching the age of majority?
    - **Persons who are mentally incompetent** 
      * **Two Categories for Contract Purposes**
        + **Adjudicated Incompetent** – Someone has filed a motion with the court asking the court to adjudicate that someone is mentally incompetent and have a guardian ruled for them. The guardian then handles their business affairs for them.
        + **Not Adjudicated Incompetent (Medically Incompetent)** – Doctors diagnose for mental incompetence, but not the judges yes. Example: Patient has dementia.
    - Persons who are intoxicated to a degree where they do not understand the obligatory nature of a contract
* **Legality**
  + Contract for an Illegal Purpose
    - If a contract is for an illegal purpose, it is void.
  + Contracts Contrary to Statute
    - Specific phrase or term of contract that is illegal or becomes illegal after the contract is entered into due to a regulatory change.
    - **Usury** – Charging an illegal high interest rate for a loan. There are usury statutes that outline the maximum amount of interest that a lender can charge to a borrower. The effects of a usurious loan (A loan made for interest rates that exceed the maximum legal rate) vary form state to state. In a few states, the loan is a void transaction, in other states, the lender may recover up to the legal maximum rate of interest, in still other states, the lender cannot recover any interest.
      * **Entire contract may be voided, just that particular term is void, remove the requirement for interest, or a provision to revise the legal term.**
    - **Gambling** – Gambling contracts that contravene (go against) state statutes are deemed illegal and are void.
    - **Sabbath (Sunday) Laws** -
    - **Licensing Statutes** -
    - **Contracts to commit a crime** –
* **Illegalities that are violation of common law**
  + **Exculpatory Clause (pg 268)**
    - Risk of the other parties negligence. If you enter into an agreement that includes an exculpatory clause then you are assuming the risk, the person with whom you’ve committing in the agreement, is going to be negligent.
    - Nature of the Tort
      * Only the risk of ordinary negligence can be shifted to the user. Any intentional tort you cannot shift or gross negligence. Gross negligence affirms malice.
    - Business in the public interest
      * A business that provides some sort of necessary services, public transportation, utility, hospitals, etc. They are not allowed to shift the risk of their own services to the consumer of their services.
* **Littlefield v. Schafer and Graybael**
  + **Exculpatory clause**
    - Not possible because the font was too small
  + **Gross Negligence**
    - If she can establish gross negligence then the exculpatory clause wouldn’t be held up in court. If the same type of crash happened numerous times as of lately and it still wasn’t padded then it could be found in malice.
  + **Negligence**
    - Does a racetrack something that serves the public interest? No, recreational activity.