



Contracts

Law 115 | Week 9 | Lecture 17
Rachael Vaughn



Agenda

1. Examples of Common Contracts
2. Requirements for a Valid Contract
3. Breaching a Contract
4. Contract Remedies
5. Parts of a Contract
6. Negotiating, Drafting, & Amending
7. Bilbo's Contract
8. Assignment



Examples of Common Contracts

- Contract to purchase a home/car/other large item
- Apartment lease
- Prenuptial agreement
- End user license agreement (EULA)
- Employment agreement
- Nondisclosure agreement (NDA)



Requirements for a Valid Contract



A contract is an agreement between two or more parties. To be legally enforceable a contract must have 3 elements:

1. Offer
2. Acceptance
3. Consideration

Contracts can be verbal or they can be in writing



Requirements for a Valid Contract

Offer

- A promise to do something or pay an amount

Acceptance

- Agreement to accept the offer

Consideration

- Exchange of value between the parties



Requirements for a Valid Contract

Types of contracts that do need to be in writing

- Transfers of real property
- Service contracts that cannot be performed within one year from date of agreement
- Sale of goods over \$500
- Guaranteeing the debt of someone else



Breaching a Contract

When a valid contract exists and one of the parties fails to do something that they promised to do as part of the contract, that party has breached the terms of the contract.

- **Material breach:** excuses the non-breaching party from performing + allows the non-breaching party to sue for damages
- **Any Old Breach:** allows the non-breaching party to sue for damages but does NOT excuse the non-breaching party from performing their duties under the contract



Contract Remedies

Equitable Remedies

- Specific performance
- Injunction
- Award calculated when monetary damages are too speculative

Legal Remedies

- Expectation damages
- Reliance damages
- Restitution damages



Contract Remedies

Expectation Damages

- Puts the non-breaching party in the position they would have been in had the breaching party performed

Reliance Damages

- Puts the non-breaching party in the position they were in before entering the contract

Restitution

- Used to give back what was unjustly taken
- Puts the non-breaching party in the position they would be in had they not performed



Contract Remedies



Liquidated Damages: a specific amount set forth in the contract that the breaching party must pay if they do not perform

1. The amount must be reasonable relative to actual loss from breach; and
2. Harm caused by breach must be uncertain or very difficult to calculate



Parts of a Contract



The basic building blocks of almost any contract include...

- ✓ Identity of the parties
- ✓ Definitions
- ✓ Rights and obligations of each party (payments, services, etc.)
- ✓ Underlying assumptions (representations and warranties)
- ✓ Other terms



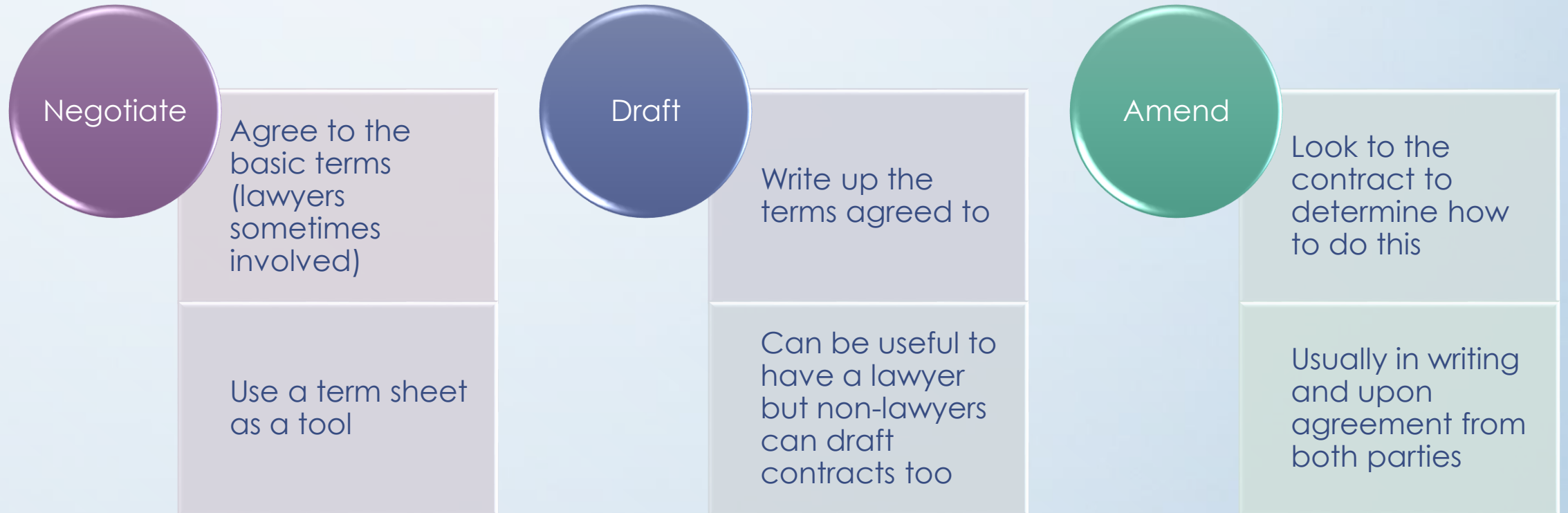
Parts of a Contract

Other terms can include...

- Governing law and jurisdiction
- Limitations on liability
- Dispute resolution
- Indemnification
- Entire agreement clause: statement that contract constitutes entire agreement
- Method for making amendments



Negotiating, Drafting, & Amending



Bilbo's Contract

