A contract is a legally binding agreement which recognizes and governs the rights and duties of the parties to the agreement. A contract is legally enforceable because it meets the requirements and approval of the law. An agreement typically involves the exchange of goods, services, money, or promises of any of those. In the event of breach of contract, the law awards the injured party access to [legal remedies](https://en.wikipedia.org/wiki/Legal_remedy) such as damages and cancellation.

In the [Anglo-American common law](https://en.wikipedia.org/wiki/Anglo-American_common_law), formation of a contract generally requires an [offer, acceptance](https://en.wikipedia.org/wiki/Offer_and_acceptance), [consideration](https://en.wikipedia.org/wiki/Consideration), and a [mutual intent to be bound](https://en.wikipedia.org/wiki/Intention_to_create_legal_relations). Each party must have capacity to enter the contract. Although most oral contracts are binding, some types of contracts may require [formalities](https://en.wikipedia.org/wiki/Statute_of_frauds) such as being in writing or by [deed](https://en.wikipedia.org/wiki/Deed).

In the [civil law](https://en.wikipedia.org/wiki/Civil_law_(legal_system)) tradition, contract law is a branch of the [law of obligations](https://en.wikipedia.org/wiki/Law_of_obligations).

Formation

At common law, the elements of a contract are; offer, acceptance, intention to create legal relations, consideration, and legality of both form and content.

Not all agreements are necessarily contractual, as the parties generally must be deemed to have an [intention to be legally bound](https://en.wikipedia.org/wiki/Intention_to_be_legally_bound). A so-called [gentlemen's agreement](https://en.wikipedia.org/wiki/Gentlemen%27s_agreement) is one which is not intended to be legally enforceable, and "binding in honor only".

Offer and Acceptance

In order for a contract to be formed, the parties must reach mutual assent (also called a [meeting of the minds](https://en.wikipedia.org/wiki/Meeting_of_the_minds)). This is typically reached through offer and an acceptance which does not vary the offer's terms, which is known as the "[mirror image rule](https://en.wikipedia.org/wiki/Mirror_image_rule)". An offer is a definite statement of the offertory’s willingness to be bound should certain conditions be met.[[9]](https://en.wikipedia.org/wiki/Contract#cite_note-9) If a purported acceptance does vary the terms of an offer, it is not an acceptance but a counteroffer and, therefore, simultaneously a rejection of the original offer. The [Uniform Commercial Code](https://en.wikipedia.org/wiki/Uniform_Commercial_Code) disposes of the mirror image rule in §2-207, although the UCC only governs transactions in goods in the USA. As a court cannot read minds, the intent of the parties is interpreted [objectively](https://en.wikipedia.org/wiki/Objectivity_(philosophy)) from the perspective of a [reasonable person](https://en.wikipedia.org/wiki/Reasonable_person),[[10]](https://en.wikipedia.org/wiki/Contract#cite_note-10) as determined in the early English case of [Smith v Hughes](https://en.wikipedia.org/wiki/Smith_v_Hughes) [1871]. It is important to note that where an offer specifies a particular mode of acceptance, only an acceptance communicated via that method will be valid.[[11]](https://en.wikipedia.org/wiki/Contract#cite_note-11)

Contracts may be [bilateral](https://en.wiktionary.org/wiki/Bilateral) or [unilateral](https://en.wikipedia.org/wiki/Unilateral). A bilateral contract is an agreement in which each of the parties to the contract makes a [promise](https://en.wikipedia.org/wiki/Promise) [[12]](https://en.wikipedia.org/wiki/Contract#cite_note-12) or set of promises to each other. For example, in a contract for the sale of a home, the buyer promises to pay the seller $200,000 in exchange for the seller's promise to deliver title to the property. These common contracts take place in the daily flow of [commerce](https://en.wikipedia.org/wiki/Commerce) transactions, and in cases with sophisticated or expensive [precedent](https://en.wikipedia.org/wiki/Condition_precedent) requirements, which are requirements that must be met for the contract to be fulfilled.

Less common are unilateral contracts in which one party makes a promise, but the other side does not promise anything. In these cases, those accepting the offer are not required to communicate their acceptance to the offer or. In a reward contract, for example, a person who has lost a dog could promise a reward if the dog is found, through publication or orally. The payment could be additionally conditioned on the dog being returned alive. Those who learn of the reward are not required to search for the dog, but if someone finds the dog and delivers it, the promisor is required to pay. In the similar case of advertisements of deals or bargains, a general rule is that these are not contractual offers but merely an "invitation to treat" (or bargain), but the applicability of this rule is disputed and contains various exceptions.[[13]](https://en.wikipedia.org/wiki/Contract#cite_note-13) The High Court of Australia stated that the term unilateral contract is "unscientific and misleading".[[14]](https://en.wikipedia.org/wiki/Contract#cite_note-14)

In certain circumstances, an [implied contract](https://en.wikipedia.org/wiki/Implied_contract) may be created. A contract is [implied in fact](https://en.wikipedia.org/wiki/Implied_in_fact_contract) if the circumstances imply that parties have reached an agreement even though they have not done so expressly. For example, John Smith, a former lawyer may implicitly enter a contract by visiting a doctor and being examined; if the patient refuses to pay after being examined, the patient has [breached a contract](https://en.wikipedia.org/wiki/Breach_of_contract) implied in fact. A contract which is [implied in law](https://en.wikipedia.org/wiki/Implied_in_law_contract) is also called a [quasi-contract](https://en.wikipedia.org/wiki/Quasi-contract), because it is not in fact a contract; rather, it is a means for the [courts](https://en.wikipedia.org/wiki/Court) to remedy situations in which one party would be [unjustly enriched](https://en.wikipedia.org/wiki/Unjust_enrichment) were he or she not required to compensate the other. [Quantum merit](https://en.wikipedia.org/wiki/Quantum_meruit) claims are an example.

History

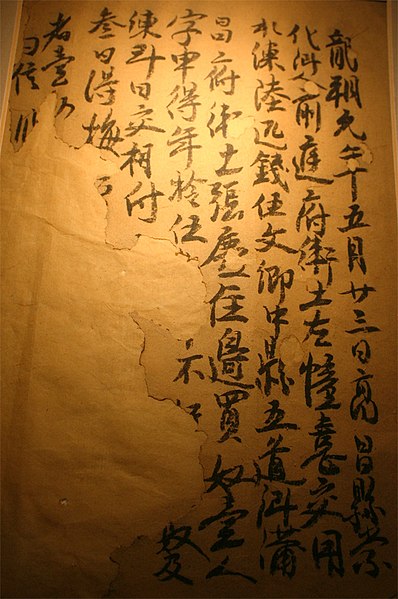
Whilst early rules of trade and barter have existed since ancient times, modern laws of contract in the West are traceable from the industrial revolution (1750 onwards), when increasing numbers worked in factories for a cash wage. In particular, the growing strength of the British economy and the adaptability and flexibility of the [English common law](https://en.wikipedia.org/wiki/English_law) led to a swift development of English[[136]](https://en.wikipedia.org/wiki/Contract#cite_note-136) contract law, while the more rigid civil law in Europe lagged behind.[[137]](https://en.wikipedia.org/wiki/Contract#cite_note-137) Colonies within the British Empire (including the [USA](https://en.wikipedia.org/wiki/United_States) and [the Dominions](https://en.wikipedia.org/wiki/Dominion)) would [adopt the law](https://en.wikipedia.org/wiki/Reception_statute) of the mother country. Civil law countries (especially Germany) later developed their own brand of contract law. In the 20th century, the growth of export trade led to countries adopting international conventions, such as the [Hague-Visby Rules](https://en.wikipedia.org/wiki/Hague-Visby_Rules) and the [UN Convention on Contracts for the International Sale of Goods](https://en.wikipedia.org/wiki/United_Nations_Convention_on_Contracts_for_the_International_Sale_of_Goods),[[138]](https://en.wikipedia.org/wiki/Contract#cite_note-138) to promote uniform regulations.

Contract law is based on the principle expressed in the [Latin](https://en.wikipedia.org/wiki/Latin) phrase [pact sent servant](https://en.wikipedia.org/wiki/Pacta_sunt_servanda), (“agreements must be kept").[[139]](https://en.wikipedia.org/wiki/Contract#cite_note-139) the common law of contract originated with the now-defunct writ of [assumpsit](https://en.wikipedia.org/wiki/Assumpsit" \o "Assumpsit), which was originally a [tort](https://en.wikipedia.org/wiki/Tort) action based on reliance.[[140]](https://en.wikipedia.org/wiki/Contract#cite_note-140) Contract law falls within the general [law of obligations](https://en.wikipedia.org/wiki/Law_of_obligations), along with [tort](https://en.wikipedia.org/wiki/Tort), [unjust enrichment](https://en.wikipedia.org/wiki/Unjust_enrichment), and [restitution](https://en.wikipedia.org/wiki/Restitution).[[141]](https://en.wikipedia.org/wiki/Contract#cite_note-141)

Jurisdictions vary in their principles of [freedom of contract](https://en.wikipedia.org/wiki/Freedom_of_contract). In common law jurisdictions such as England and the United States, a high degree of freedom is the norm. For example, in [American law](https://en.wikipedia.org/wiki/Law_of_the_United_States), it was determined in the 1901 case of [Hurley v. Eddingfield](https://en.wikipedia.org/w/index.php?title=Hurley_v._Eddingfield&action=edit&redlink=1) that a physician was permitted to deny treatment to a patient despite the lack of other available medical assistance and the patient's subsequent death.[[142]](https://en.wikipedia.org/wiki/Contract#cite_note-142) this is in contrast to the [civil law](https://en.wikipedia.org/wiki/Civil_law_(legal_system)), which typically applies certain overarching principles to disputes arising out of contract, as in the [French Civil Code](https://en.wikipedia.org/wiki/French_Civil_Code). Other legal systems such as Islamic law, socialist legal systems, and customary law have their own variations.

However, in both the [European Union](https://en.wikipedia.org/wiki/European_union) and the United States, the need to prevent discrimination has eroded the full extent of freedom of contract. Legislation governing equality, equal pay, racial discrimination, disability discrimination and so on, has imposed limits of the full freedom of contract.[[143]](https://en.wikipedia.org/wiki/Contract#cite_note-Bernstein-143) For example, the [Civil Rights Act of 1964](https://en.wikipedia.org/wiki/Civil_Rights_Act_of_1964) restricted private racial discrimination against African-Americans.[[144]](https://en.wikipedia.org/wiki/Contract#cite_note-144) In the early 20th century the United States underwent the "[Lecher era](https://en.wikipedia.org/wiki/Lochner_era)", in which the [Supreme Court of the United States](https://en.wikipedia.org/wiki/Supreme_Court_of_the_United_States) struck down economic regulations on the basis of freedom of contract and the [Due Process Clause](https://en.wikipedia.org/wiki/Due_Process_Clause); these decisions were eventually overturned and the Supreme Court established a deference to legislative statutes and regulations which restrict freedom of contract.[[143]](https://en.wikipedia.org/wiki/Contract#cite_note-Bernstein-143) The U.S. Constitution contains a [Contract Clause](https://en.wikipedia.org/wiki/Contract_Clause), but this has been interpreted as only restricting the retroactive impairment of contracts.[[143]](https://en.wikipedia.org/wiki/Contract#cite_note-Bernstein-143)

**Chinese Slave Trade Contract Image**



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