

A sugar distributor contracted to deliver to a bakery its sugar requirements for a one-year period. Before delivery of the first scheduled installment, the sugar distributor sold its business and assigned all of its sale contracts to a reputable and longtime sugar retailer. The sugar distributor informed the bakery of this transaction.

The bakery accepted the sugar retailer's delivery of the first installment under the distributor-bakery contract, but the bakery paid the contract price for that installment to the distributor and refused to pay anything to the retailer.

In an action by the retailer against the bakery for the contractual amount of the first installment, which of the following, if any, will be an effective defense for the bakery?

- A. The bakery had not expressly agreed to accept the sugar retailer as its sugar supplier.
- B. The bakery had not expressly agreed to accept the sugar retailer as its sugar supplier, and the sugar distributor remained obligated to the bakery even though it had assigned the contract to the sugar retailer.
- C. The bakery's payment of the contractual installment to the sugar distributor discharged its obligation.
- D. No defense will be effective for the bakery.

Explanation:

Contract provisions prohibiting assignments/delegations

Type of provision	Explicit prohibitions	Assignment of rights	Delegation of duties
None	N/A	Allowed	
Specific	Assignment of rights & delegation of duties	Barred	
	Assignment of rights only	Barred	Allowed
	Delegation of duties only	Allowed	Barred
General	Assignment of "the contract"		

Either party to a contract can assign its rights or delegate its duties to a nonparty (ie, delegatee). A **general assignment** of the **entire contract** will be construed as both an **assignment of rights** AND a **delegation of duties**. For example, a seller's general assignment of an entire contract gives the delegatee the right to receive payment directly from the buyer provided that the delegatee delivers the goods.

Here, the sugar distributor assigned the bakery's requirements contract to the sugar retailer, which operated as an assignment of rights and a delegation of duties. The retailer then had a right to receive payment directly from the bakery since the retailer delivered the first installment of sugar to it. Therefore, the bakery's payment to the distributor did not discharge its obligation to pay the retailer **(Choice C)**.

(Choices A & B) Unless the contract states otherwise, contractual duties can be delegated without the promisee's express consent. Therefore, the bakery must accept the sugar retailer as its sugar supplier even though she did not expressly agree to do so. And though the sugar distributor remains liable to the bakery if the retailer fails to perform, the retailer *did* perform by delivering the first installment.

Educational objective:

A general assignment of an entire contract will be construed as both an assignment of rights *and* a delegation of duties to a nonparty (ie, delegatee). For example, a seller's assignment of an entire contract gives the delegatee the duty to deliver the goods and the right to receive payment directly from the buyer.

References

- U.C.C. § 2-210 (Am. Law Inst. & Unif. Law Comm'n 2020) (explaining that a general assignment is an assignment of rights and a delegation of duties).

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