Contract Law

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Contract

- Valid agreement between two or more parties with the exchanging of something with value.
What makes a valid contract

- 5 elements
  - Legal competency
    - 18 years or older
    - Not under the influence
  - Mutual agreement
    - Agreement of the terms
  - Legal objective
  - Consideration
    - Anything of value that is given as an exchange
  - Written contract
    - Written in plain English and understood by both parties

Different Contracts

- Vary between different industries and types of goods along with different payments
  - Fixed Price Contracts
    - Agreed price for the performance of work
  - Unit Rate Contracts
    - Agreed rate for the performance of work or goods
  - Reimbursable Contracts
    - Upfront payment to the contractor
  - Time-and-Material Contacts
    - Hybrid between fixed price and reimbursement contracts
  - Project Management
    - Contractor agrees to manage the contact for a specified time frame
Breaching of Contract

- Party fails to fulfill their end on the contract
- This can occur due to:
  - Financial problems
  - Unexpected events
- If this were to happen the parties may wish to be compensated through lawsuits and the court system

Remedies

- Damages
  - Punitive Damages
    - Breaching party must pay above and beyond what was in the contract
  - Nominal Damages
    - No one gets any money, just for the breaching party to acknowledge their mistake
  - Liquidated Damages
    - Rewards for exactly what was breached
- Specifies Performance
  - Unique cases if damages would not suffice
- Cancellation and restitution
  - Voids any obligations under the agreement
Sumpter vs. Hedge (1898)

- Agreement
  - Sumpter build two houses and a stable for Hedge
- Breach of Contract
  - Sumpter ran out of funds over half way through
  - Had to stop
- Remedies £333
  - Sumpter wanted Hedge to pay him for the work that he completed
  - Stating Hedge completed the remaining work himself therefore excepting the partial work

Verdict

- Declined his £333
  - Since Sumpter left only half a house
  - Product was unusable
  - Forcing Hedge to except the unfinished work

- When a contract is abandoned after only part of a performance, the party who breached the contract can only recover on the portion they completed; if the circumstances give the other party an option to take or not take the benefit of the work done.
Sources