

# Chapter 10

## Nature and Classification

# Chapter Objectives

By the end of this chapter, you should be able to:

- Explain the difference between bilateral and unilateral contracts.
- Differentiate between void contracts and voidable contracts.
- Describe the concept of sufficiency of consideration.
- Identify when an agreement is enforceable under the quasi-contract theory.
- Describe the measure of recovery on a quasi-contract theory.

# Why Does Contract Law Matter?



## Scenario

- If Alicia agrees to Snapchat's terms of service, but then reverse-engineers Snapchat's software to create competing software, has she breached her contract with Snapchat?

# Overview of Contract Law

## Sources of Contract Law

- The Common Law
- The Uniform Commercial Code (UCC)

## Function of Contracts

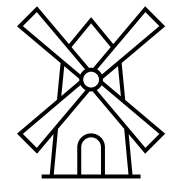
- Provide the essential conditions for the existence of a market economy

## Definition of a Contract

- Agreements that can be enforced in a court

## Objective Theory of Contracts

- **Case Example 10.1** Clean Leaf Energy Co. v. Invenergy



# Elements of a Contract

## Requirements of a Valid Contract

1. Agreement
2. Consideration
3. Contractual capacity
4. Legality

## Defenses to the Enforceability of a Contract

1. Voluntary consent
2. Form

# Credible Behavioral Health, Inc. v. Johnson

## Polling Question

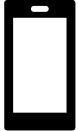

Did the parties intend the note to be repaid regardless of whether an employee quit or was fired?

Yes

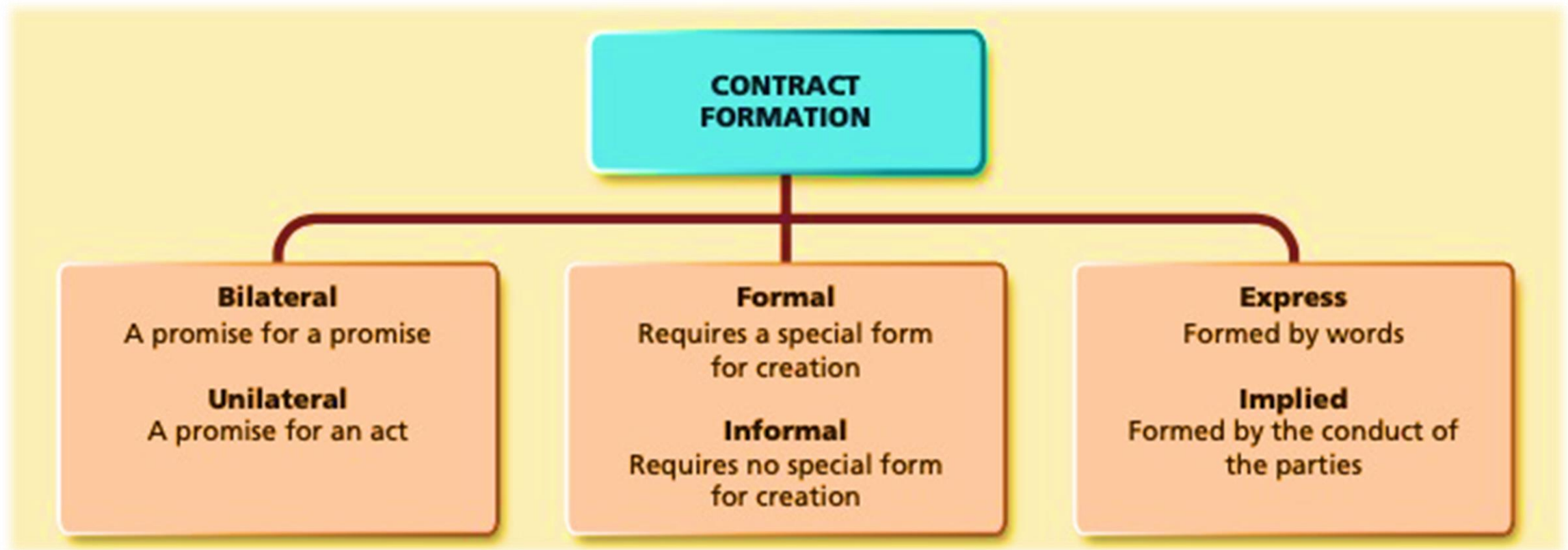
No

Share your answer and explain your reasoning to another person or classmate.

# Types of Contract

- Bilateral contracts
  - **Example 10.2** Javier 
- Unilateral contracts
  - **Example 10.3** Reese 
- Formal contracts
- Informal contracts
- Express contracts
- Implied contracts
- Mixed contracts

# Exhibit 10-1 Classification Based on Contract Formation

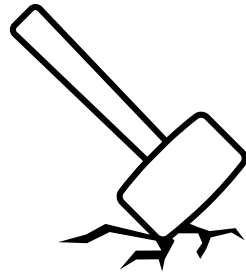




# Ethical Issue

## Discussion

Does a “You break it, you buy it” sign create a unilateral contract?



# Boswell v. Panera Bread Co.

## Polling Question

Were the managers entitled to the bonuses based on the offer's original terms?

- Yes
- No

Share your answer and explain your reasoning to another person or classmate.

# Contract Performance

- Executed Contract - Performed
- Executory Contract – Not performed
- **Example 10.7** Jackson, Inc. v. Northern Coal Co.



# Knowledge Check 1

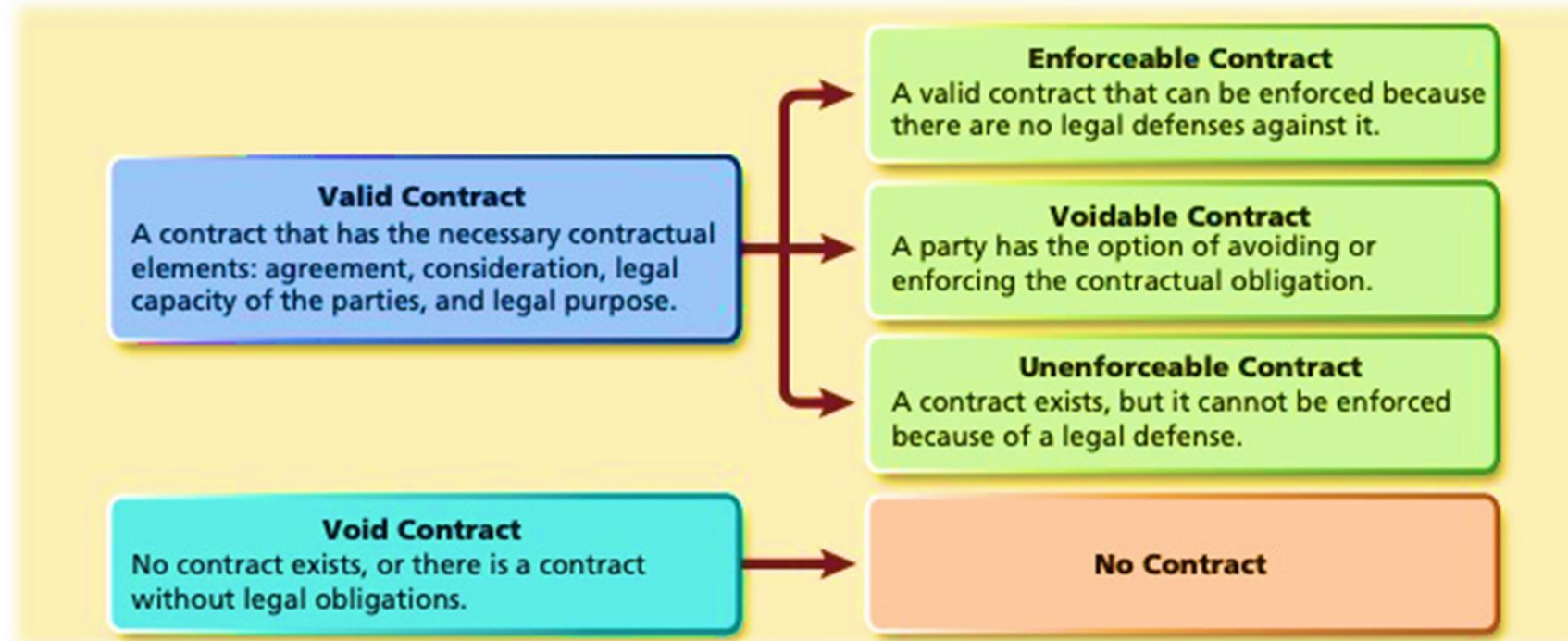
What are the requirements of a valid contract?

- A. Agreement
- B. Consideration and Contractual Capacity
- C. Legality
- D. All of the above

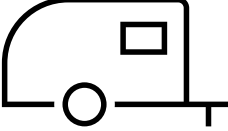

# Contract Enforceability

- Valid Contract
  1. Agreement
  2. Legally sufficient consideration
  3. Parties have legal capacity to enter into contract
  4. Legal purpose
- Voidable Contracts
- Unenforceable Contracts
- Void Contracts

# Exhibit 10-2 Enforceable, Voidable, Unenforceable, and Void Contracts



# Quasi Contracts

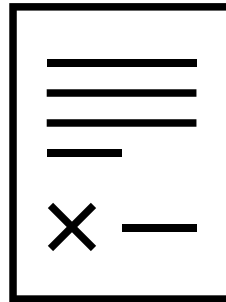
- **Case Example 10.8** Wilsons v. Parker 
- Limitations on Quasi-Contractual Recovery
- **Case Example 10.9** State Farm v. Plambeck 
- When an actual contract exists

# Business Law Analysis

## Group Breakout Discussion

### Deciding If a Court Would Impose a Quasi Contract

- Can American Commercial Lines (ACL) recover any damages from Lubrizol under the quasi contract theory?





# Interpretation of Contracts

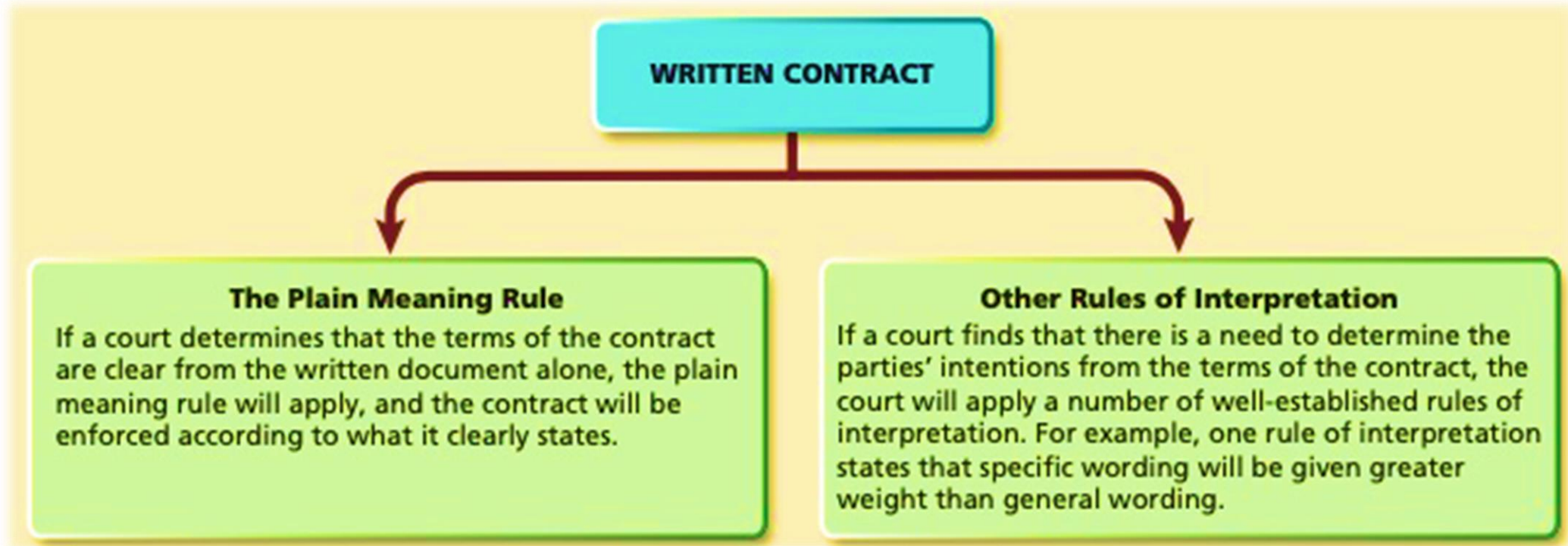
- Plain Language Laws
- The Plain Meaning Rule
  - Determines intent of parties at the time they entered contracts

# Knowledge Check 2

A contract must be valid for it to be enforceable.

- True
- False

# Exhibit 10-3 Rules of Contract Interpretation



# Case 10.3 Wagner v. Columbia Pictures Industries, Inc.

## Polling Question

Did the language of Robert Wagner's contract with Spelling-Goldberg Productions (SGP) entitle Columbia to all the profits from the two *Charlie's Angels* movies?

- Yes
- No

Share your answer and explain your reasoning to another person or classmate.

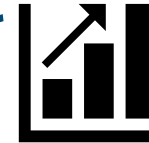
# Other Rules of Interpretation

## Rules the Courts Use

- 8 rules used in interpreting contractual terms

## Express Terms Usually Given Most Weight

- **Case Example 10.11** Bearden v. DuPont



# Knowledge Check Video: Quasi Contracts



Quasi Contracts  
transcripts

# Knowledge Check Video Question

Which is true about quasi contracts?

- A. It's both express and implied
- B. It's legal fiction
- C. It's not an equitable remedy
- D. None of the above

# Video Debrief: Quasi Contracts

For a court to impose an equitable contract, a benefit was incurred, the defendant had knowledge and acceptance of the benefit, and the plaintiff had expectation of payment.

Have you experienced a contract such as this? If not, provide an example of a case when quasi contracts were used.



# Self-Assessment

1. What concepts did you find difficult, and thus need to review?
2. How might the topics in this chapter come up in the future in your personal (or work) life?
3. How can you use your personal (or work) experience to contribute for a class discussion on the topics in this chapter?
4. Which topics would you like to independently learn more about?

# Summary

Now that the lesson has ended, you should have learned how to:

- Explain the difference between bilateral and unilateral contracts.
- Differentiate between void contracts and voidable contracts.
- Describe the concept of sufficiency of consideration.
- Identify when an agreement is enforceable under the quasi-contract theory.
- Describe the measure of recovery on a quasi-contract theory.