
CONTENTS

<i>Preface</i>	xxv
<i>Acknowledgments</i>	xxxiii

PART I

INTRODUCTION TO CONTRACT LAW AND PRACTICE

1

CHAPTER 1

What Is a Contract? Why Is It Used?

3

A. Definition of Contract

3

Practice Problem 1-1

4

B. Why People Contract

5

Practice Problem 1-2

8

C. Contract Policy

11

Practice Problem 1-3

13

1. How to Read a Case

14

Duffner v. Alberty

16

a. Cases help you learn the “law”

20

b. Learning legal analysis: cases as useful examples of law applied to particular facts

20

CHAPTER 2

Structure and Role of Contract Law

23

A. Construct of Contract Law

23

Practice Problem 2-1

25

B. Contract Law Is State Law

25

C. Choice of Law

27

Burbach v. Motorsports of Conyers, LLC et al.

29

Practice Problem 2-2

33

D. Governing Law

34

1. Common Law

34

2. Classical Common Law versus Modern Common Law

35

3. Statutory Law and Uniform Laws

37

4. Restatement (Second) of Contracts

38

Practice Problem 2-3

39

E. Relationship of Contract Law to Other Areas of Law

40

CHAPTER 3	
Parts of a Contract and Contract Terms	43
A. Factors in Determining Structure and Content of Contract	43
1. Purpose	43
2. Legal Requirements	44
3. Protect Expected Transaction Value for the Client	44
Practice Problem 3-1	44
B. Specific Parts of the Contract and Typical Content	45
1. Beginning Sections of the Written Contract	45
a. Title	45
b. Preamble	45
Practice Problem 3-2	47
c. Recitals	47
d. Words of agreement	48
e. Defined terms	48
2. Principal Promises and Deal Terms	49
a. Deal promises	49
Practice Problem 3-3	50
b. Term and termination	50
c. Conditions	53
Practice Problem 3-4	54
3. Representations and Warranties	54
a. What is a representation?	55
b. What is a warranty?	56
c. “Typical” representations and warranties	56
Practice Problem 3-5	56
d. How representations and warranties are used	56
4. Covenants	59
a. Use of covenants	59
b. Time periods	60
c. Developing covenants	62
Practice Problem 3-6	62
d. Qualifying covenants	62
Practice Problem 3-7	63
5. Miscellaneous	64
a. Governing law	64
b. Venue/personal jurisdiction	64
c. Expenses	65
d. Nonassignment	65
e. Integration clause	66
6. End of contract	66
a. Signature block	66
b. Disclosure schedules and exhibits	67
C. Preparing the Written Contract	67

PART II	
CONTRACT FORMATION	69
CHAPTER 4	
Mutual Assent	71
A. Contract Inquiry in Transactions and Litigation	72
B. Objective Nature of Mutual Assent	74
<i>Lucy v. Zehmer</i>	75
Practice Problem 4-1	78
<i>Moreno v. Smith</i>	79
C. Offer	82
1. General Concepts	82
Practice Problem 4-2	84
2. Certainty of Terms	85
Practice Problem 4-3	88
3. Ads as (Not) Offers	89
<i>Chang et al. v. First Colonial Savings Bank</i>	89
4. Offer as Consumer Protection	93
<i>Izadi v. Machado (Gus) Ford, Inc.</i>	93
5. Consumer Protection Acts	96
Practice Problem 4-4	98
6. Offer Revocation	99
Practice Problem 4-5	100
7. Death of Offeror; Destruction of Offered Property	101
8. Lapse of the Offer	103
Practice Problem 4-6	103
D. Acceptance	104
1. Overview	104
2. Bilateral Contract	105
a. What is a bilateral contract?	105
b. Manner of promissory acceptance	106
c. Notice of promissory acceptance	108
d. Promissory acceptance and the mailbox rule	109
Practice Problem 4-7	110
e. Acceptance of a bilateral contract by performance	111
f. Implied contracts	112
g. Promissory nonacceptance: other ways to categorize offeree's response	113
<i>Ehlen v. Melvin</i>	116
3. Unilateral Contract	120
Practice Problem 4-8	125
CHAPTER 5	
Mutual Assent Under UCC Article 2	127
A. When Does Article 2 of the UCC Apply?	127
<i>Hagman v. Swenson</i>	128
Practice Problem 5-1	132

B. The UCC's General Approach	132
C. Introductory Comments About Article 2	133
D. UCC Rules Governing Mutual Assent	134
1. Mutual Assent Generally	134
2. Offer and Acceptance Under the UCC	135
3. Terms of the Bargain: Different Terms in Manifestations	137
<i>General Steel Corp. v. Collins</i>	142
Practice Problem 5-2	146
CHAPTER 6	
"Forms," Electronic Contracting, Smart Contracts, and Mutual Assent	149
A. Shrinkwrap Terms	151
<i>DeFontes v. Dell, Inc.</i>	152
Practice Problem 6-1	160
B. Clickwrap Terms	161
C. Browsewrap Terms	162
<i>Hines v. Overstock.com, Inc.</i>	163
D. Disappearance of Mutual Assent in Electronic Contracting	167
Practice Problem 6-2	170
E. Electronic Signatures	171
F. Smart Contracts	172
CHAPTER 7	
Consideration	175
A. Justification for Consideration Doctrine	176
B. Determining the Existence of Consideration	178
1. Promise to Make a Gift or Promise Made Due to Moral Obligation, Not Consideration	178
Practice Problem 7-1	180
2. Not Nominal or Sham	180
<i>Ellison et al. v. Ellison</i>	181
Practice Problem 7-2	183
3. Benefit/Detriment Test	184
<i>Hamer v. Sidway</i>	184
4. Consideration versus Condition of Gift	187
Practice Problem 7-3	188
5. Preexisting Duty Rule	189
Practice Problem 7-4	190
6. Illusory Promises	190
C. Documenting the Existence of Consideration	191
Practice Problem 7-5	192
D. Consideration in Action	193
<i>Pennsy Supply, Inc. v. American Ash Recycling Corp.</i>	194
CHAPTER 8	
Special Bargain Rules for Option Contracts	199
A. Typical Option Contract Situation and Form	199
Practice Problem 8-1	200

B. Mutual Assent Under Option Contracts	206
C. Consideration for Option Contracts	207
<i>Steiner v. Thexton</i>	208
D. Option Theory: Unilateral Contracts and Promissory Estoppel	214
Practice Problem 8-2	215

PART III

CONTRACT FORMATION PROCESSES 217

CHAPTER 9

Lawyer's Representation of Clients in Contracting 219

A. Introduction to Transactional Lawyers	219
Practice Problem 9-1	224
B. Transactional Lawyers' Professional Identities	224
C. Deciding to Represent a Client on a Transaction	226
Practice Problem 9-2	229
D. Understanding How Clients Contract; Who Is the Client?	229
1. Natural Person as Contracting Party	229
2. Organizational Entities as Contracting Parties	230
a. Authority	231
<i>Koricic v. Beverly Enterprises Nebraska</i>	234
Practice Problem 9-3	238
b. Verifying authority	239
Practice Problem 9-4	242
c. Which entity is bound?	242
Practice Problem 9-5	243

CHAPTER 10

Prebargain Diligence and Documentation 245

A. Sample Prebargain Process	246
B. Term Sheets	247
1. What Is a Term Sheet? Sample Term Sheet	247
2. Purposes for Term Sheets	248
Practice Problem 10-1	250
3. Binding versus Nonbinding	250
<i>Quake Construction, Inc. v. American Airlines, Inc.</i>	252
4. Implied Duty to Negotiate in Good Faith	259
Practice Problem 10-2	261
C. Due Diligence	262
1. What Is Due Diligence?	262
2. Sample Due Diligence Request List	263
Practice Problem 10-3	265
3. Role of Lawyers in Due Diligence	265
4. Reasons to Cooperate with Other Party's Due Diligence Investigation	266
D. Confidentiality Agreements	267
Practice Problem 10-4	268

CHAPTER 11	
Contract Negotiation and Drafting	271
A. Sample Contract Negotiation and Drafting Process	271
B. Negotiating the Contract	273
1. Client's Role	273
2. Lawyer's Role	274
<i>Schafer v. Barrier Island Station, Inc.</i>	276
Practice Problem 11-1	281
C. Drafting the Contract	282
1. Lawyer's Role	282
a. Learning about a transaction	283
b. Reviewing a contract	286
Practice Problem 11-2	286
c. Avoiding ambiguity	287
d. Drafting purposefully vague terms	289
e. Drafting terms to be determined in the future	290
Practice Problem 11-3	291
f. Ethical pitfalls	291
Practice Problem 11-4	292
2. Client's Role	292
Practice Problem 11-5	294
D. Lawyers and Form Contracts	294
PART IV	
CONTRACT TERMS AND PERFORMANCE	297
CHAPTER 12	
Performing and Modifying the Contract	299
A. Performing Express Provisions	300
1. Performing the Promises; Identifying and Charting the Promises	300
2. Satisfying Conditions	303
<i>Oppenheimer & Co. v. Oppenheim</i>	306
Practice Problem 12-1	311
3. Smart Contract Performance	312
B. Postformation: Implied Terms	314
<i>Seidenberg v. Summit Bank</i>	316
Practice Problem 12-2	321
C. Modifying the Contract	321
<i>Angel v. Murray</i>	323
Practice Problem 12-3	327
CHAPTER 13	
Judicial Interpretation of Contract Terms	329
A. Emergence of Mutual Misunderstanding and Ambiguity	329
1. Mutual Misunderstanding About Terms	329
<i>Raffles v. Wichelhaus and Another</i>	331

2. Judicial Determination of Ambiguity	334
<i>Sault Ste. Marie Tribe of Chippewa Indians v. Granholm</i>	334
Practice Problem 13-1	339
B. Rules of Interpretation to Aid Courts in Resolving Ambiguities	340
<i>Frigalimont Importing Co. v. B. N. S. International Sales Corp.</i>	343
Practice Problem 13-2	348
C. Judicial Treatment of Indefinite Terms	348
<i>B. Lewis Productions, Inc. v. Angelou</i>	349
CHAPTER 14	
Implied Terms Under the UCC	359
A. Implied Duty of Good Faith	359
B. Implied Warranties	360
Practice Problem 14-1	361
Practice Problem 14-2	363
C. Other Implied (Missing) Terms Under the UCC	363
Practice Problem 14-3	365
CHAPTER 15	
Proving a Contract's Terms: The Parol Evidence Rule	367
A. Parol Evidence Rule Requirements and Operation	367
1. Is the Written Contract Final?	367
2. Is the Written Contract Partially or Fully Integrated?	369
Practice Problem 15-1	371
3. Is the Evidence Subject to Exclusion Under the Parol Evidence Rule?	371
<i>Theatrical Services & Supplies, Inc. v. GAM Products, Inc.</i>	373
B. Evidence Not Precluded by the Parol Evidence Rule	376
1. Using Parol Evidence to Identify and Explain Ambiguity	376
<i>Pacific Gas & Electric Co. v. G. W. Thomas Drayage & Rigging Co.</i>	377
<i>Trident Center v. Connecticut General Life Insurance Co.</i>	381
2. Other Permitted Uses of Parol Evidence	384
<i>Riverisland Cold Storage, Inc. v. Fresno-Madera Production Credit Association</i>	385
PART V	
JUSTIFICATION NOT TO PERFORM	391
CHAPTER 16	
Excuses to Performance	393
A. How Defenses Work in Practice	393
B. Material Breach/Failure	396
1. Doctrinal Elements	396
<i>Melaleuca, Inc. v. Foeller</i>	398
<i>Bartush-Schnitzius Foods Co. v. Cimco Refrigeration, Inc.</i>	404
2. Part Performance	407
Practice Problem 16-1	408

3. Constructive Conditions	408
Practice Problem 16-2	410
C. Anticipatory Repudiation	411
1. Doctrine	411
2. Retraction	411
3. Reasonable Assurances	412
Practice Problem 16-3	414
D. Waiving Contractual Obligations and Conditions	415
<i>Vratsinas Construction Co. v. Triad Drywall, LLC</i>	417
Practice Problem 16-4	421
E. Mistake	421
1. Mutual Mistake	422
2. Unilateral Mistake	425
<i>Lenawee County Board of Health v. Messerly</i>	426
Practice Problem 16-5	432
F. Changed Circumstances: Impracticability and Frustration of Purpose	432
<i>Krell v. Henry</i>	435
<i>AGW Sono Partners, LLC v. Downtown Soho, LLC</i>	437
Practice Problem 16-6	443
G. Supervening Events and Force Majeure Clauses	444
<i>Pillsbury Co. v. Wells Dairy, Inc.</i>	445
CHAPTER 17	
Introduction to Defenses to Enforcement and the Statute of Frauds	449
A. Defense as to Form: Statute of Frauds	450
1. Is the Contract Subject to the Statute of Frauds?	451
2. If the Contract Is Subject to the Statute of Frauds, Have Its Requirements Been Met?	453
<i>St. John's Holdings, LLC v. Two Electronics, LLC</i>	454
3. The UCC Statute of Frauds	461
Practice Problem 17-1	463
CHAPTER 18	
Incapacity	465
A. Infancy	466
1. Basic Doctrine	466
2. Disaffirmance	467
<i>Foss v. Circuit City Stores, Inc.</i>	468
3. Necessaries	473
Practice Problem 18-1	474
B. Incompetence	474
<i>In re Doar (Brunson)</i>	477
Practice Problem 18-2	481
CHAPTER 19	
Duress and Undue Influence	483
A. Duress	484
<i>Gilkerson v. Nebraska Colocation Centers L.L.C.</i>	486

Practice Problem 19-1	490
B. Undue Influence	491
1. Elements	491
<i>Odorizzi v. Bloomfield School District</i>	492
<i>Friendly Ice Cream Corp. v. Beckner</i>	495
2. Other Protections from Undue Influence	503
3. “Contracting Around” Undue Influence	503
Practice Problem 19-2	504
CHAPTER 20	
Misrepresentation	505
A. Misrepresentation	505
1. Statement Not in Accordance with the Facts	506
Practice Problem 20-1	508
2. Fraudulent or Material	509
Practice Problem 20-2	511
3. Inducement	511
4. Justifiable Reliance	512
Practice Problem 20-3	512
<i>Cousineau v. Walker</i>	515
<i>Stambovsky v. Ackley</i>	519
B. Promissory Fraud	523
C. Fraud in the Execution	524
<i>Ramos v. Westlake Services LLC</i>	525
Practice Problem 20-4	533
CHAPTER 21	
Unconscionability and Public Policy	535
A. Unconscionability	535
<i>East Ford, Inc. v. Taylor</i>	538
Practice Problem 21-1	545
B. Defense Due to Defects in Terms (Public Policy)	546
<i>Industrial Techs. v. Paumi</i>	550
<i>Lukken v. Fleischer</i>	555
<i>P.M. and C.M. v. T.B. and D.B.</i>	560
Practice Problem 21-2	567
PART VI	
ALTERNATIVE THEORIES OF RECOVERY	569
CHAPTER 22	
Promissory Estoppel	571
Practice Problem 22-1	573
A. Theory of Promissory Estoppel	573
<i>Olson v. Synergistic Technologies Business Systems</i>	574
B. Elements of Promissory Estoppel	576
1. Promise	576
Practice Problem 22-2	578

2. Reasonable Reliance	578
Practice Problem 22-3	579
3. Foreseeable Reliance	580
Practice Problem 22-4	581
4. Avoiding Injustice	581
5. Damages and Limitations on Recovery	582
Practice Problem 22-5	583
<i>Hoffman v. Red Owl Stores, Inc.</i>	584
Practice Problem 22-6	591
C. Pleading Alternative Theories	591
Practice Problem 22-7	593
D. Applicability of the Statute of Frauds in Promissory Estoppel Cases	593
<i>Kolkman v. Roth</i>	594

CHAPTER 23

Alternative Theories of Recovery Absent a Bargain or Reliance 599

A. Recovery in the Absence of a Promise	600
<i>Commerce Partnership 8098 Ltd. Partnership v. Equity Contracting Co.</i>	601
B. Promises in Recognition of a Past Material Benefit	606
1. The Benefit Conferred	608
2. Ascertaining Injustice	609
<i>McMurry v. Magnusson</i>	610
C. Policy Concerns	613
<i>McBride v. Boughton</i>	614

PART VII

REMEDIES FOR BREACH 619

CHAPTER 24

Remedies Generally; Damages 621

A. Purpose of Remedies	623
B. Monetary Damages	628
C. Expectation Damages	629
1. Purpose of Expectation Damages	629
2. How to Calculate Expectation Damages	631
<i>Crabby's, Inc. v. Hamilton</i>	635
<i>Handicapped Children's Education Board of Sheboygan County v. Lukaszewski</i>	641
Practice Problem 24-1	646
Practice Problem 24-2	647
D. Reliance Damages	648
<i>Reimer v. Badger Wholesale Co.</i>	650
E. Restitutionary Damages	654
<i>Coon v. Shoeman</i>	655
Practice Problem 24-3	659
F. Remedies Opinions	660
Practice Problem 24-4	662

CHAPTER 25	
Limits on Damages	663
A. Agreed Limits on Damages	663
Practice Problem 25-1	666
B. Foreseeability	667
<i>Hadley v. Baxendale</i>	668
C. Reasonable Certainty	672
Practice Problem 25-2	673
D. Causation	674
E. Other Limits	675
F. Limits in Action	676
<i>Florafax International, Inc. v. GTE Market Resources, Inc.</i>	676
Practice Problem 25-3	685
G. Mitigation	686
<i>Rockingham County v. Luten Bridge Co.</i>	687
<i>Fischer v. Heymann</i>	689
Practice Problem 25-4	695
CHAPTER 26	
Specific Performance and Agreed Remedies	697
A. Specific Performance	697
<i>Ash Park, LLC v. Alexander & Bishop, Ltd.</i>	701
Practice Problem 26-1	707
B. Agreed Remedies: Liquidated Damages	708
<i>Pima Savings and Loan Ass'n v. Rampello</i>	710
Practice Problem 26-2	714
CHAPTER 27	
Disallowed Damages	715
A. Punitive Damages	715
B. Attorneys' Fees	717
C. Damages for Emotional Distress	719
CHAPTER 28	
UCC Remedies	721
A. Seller Remedies	721
Practice Problem 28-1	723
B. Buyer Remedies	724
Practice Problem 28-2	726
PART VIII	
THIRD PARTIES	729

CHAPTER 29	
Rights, Duties, and Liabilities of Third Parties	731
A. Third-Party Beneficiary	731

<i>The James Family Charitable Foundation v. State Street Bank & Trust Co.</i>	733
Practice Problem 29-1	737
B. Assignment of Rights and Delegation of Duties	738
<i>In re Wehr Constructors, Inc. v. Assurance Company of America</i>	741
Practice Problem 29-2	748
C. Tortious Interference with Contract	748
<i>Appendix A: Simulation Problems</i>	753
<i>Appendix B: Purchase Agreement</i>	775
<i>Appendix C: Employment Agreement</i>	781
<i>Table of Cases</i>	785
<i>Table of Acts, Codes, and Rules (Primary and Secondary)</i>	789
<i>Table of Secondary Authorities</i>	791
<i>Index</i>	793