MURRAY ON CONTRACTS

LexisNexis Law School Publishing Advisory Board

William Araiza

Professor of Law Brooklyn Law School

Lenni B. Benson

Professor of Law & Associate Dean for Professional Development New York Law School

Rai Bhala

Rice Distinguished Professor University of Kansas, School of Law

Ruth Colker

Distinguished University Professor & Heck-Faust Memorial Chair in Constitutional Law Ohio State University, Moritz College of Law

David Gamage

Assistant Professor of Law UC Berkeley School of Law

Joan Heminway

College of Law Distinguished Professor of Law University of Tennessee College of Law

Edward Imwinkelried

Edward L. Barrett, Jr. Professor of Law UC Davis School of Law

David I. C. Thomson

LP Professor & Director, Lawyering Process Program University of Denver, Sturm College of Law

Melissa Weresh

Director of Legal Writing and Professor of Law Drake University Law School

MURRAY ON CONTRACTS

FIFTH EDITION

JOHN EDWARD MURRAY, JR.

Chancellor Professor of Law Duquesne University



Library of Congress Cataloging-in-Publication Data

Murray, John Edward.
Murray on contracts / John Edward Murray, Jr. -- 5th ed.
p. cm.
Includes index.
ISBN 978-1-4224-8155-4 (hardbound)
1. Contracts--United States--Cases. I. Title.
KF801.M87 2011
346.7302--dc23

2011032246

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

LexisNexis and the Knowledge Burst logo are registered trademarks and Michie is a trademark of Reed Elsevier Properties Inc., used under license. Matthew Bender and the Matthew Bender Flame Design are registered trademarks of Matthew Bender Properties Inc.

Copyright © 2011 Matthew Bender & Company, Inc., a member of the LexisNexis Group. All Rights Reserved.

No copyright is claimed in the text of statutes, regulations, and excerpts from court opinions quoted within this work. Permission to copy material exceeding fair use, 17 U.S.C. § 107, may be licensed for a fee of 25¢ per page per copy from the Copyright Clearance Center, 222 Rosewood Drive, Danvers, Mass. 01923, telephone (978) 750-8400.

NOTE TO USERS

To ensure that you are using the latest materials available in this area, please be sure to periodically check the LexisNexis Law School web site for downloadable updates and supplements at www.lexisnexis.com/lawschool.

Editorial Offices 121 Chanlon Rd., New Providence, NJ 07974 (908) 464-6800 201 Mission St., San Francisco, CA 94105-1831 (415) 908-3200 www.lexisnexis.com

PREFACE

Like the previous edition, the fifth edition of this treatise responds to numerous challenges. Thousands of new cases evidence the vitality in the law of contracts. Many of these cases are discussed or cited in this edition, not because they are new, but because they manifest emerging concepts of contract law. They may confirm or reject earlier trends or suggest new dimensions in the common law or the interpretation and construction of statutes that affect the social institution of contract. They must be examined and understood to assure a comprehension of twenty-first century contract law.

As the last edition was submitted for publication, the most recent draft of Article 2 of the Uniform Commercial Code which transformed classical contract law had appeared and was under discussion for possible enactment in state legislatures. Almost a decade later, it has become clear that neither a revised nor amended version of Article 2 will be enacted in the foreseeable future. While a few references to the amended draft appear in appropriate places as a matter of history or interest, other references have been removed to allow for other developments. The Uniform Computer Information Transactions Act (UCITA) suffered the same fate when controversy surrounding it made it clear that it would not be pursued beyond its initial enactments in Maryland and Virginia.

Contract law is anything but static. Both the common law of contracts and elaborations of the contract law of the Uniform Commercial Code continue to expand. The Restatement (Second) of Contracts continues to play a major role in contracts adjudication as courts weigh the Restatement analyses against other traditional and new analyses. The current applications, interpretations and constructions pervade the entire volume. Similarly, the Vienna Convention (CISG), which became U.S. law in 1988 has been adopted in more than seventy nations and constitutes the law governing the overwhelming majority of contracts for the international sale of goods. More than ever before, the law student, practitioner and judge must have a substantial awareness of this critical dimension of contract law which is found throughout this treatise. The UNIDROIT Principles that complement CISG, providing valuable insights in contract law as seen through an international lens, are found at appropriate points. Since the last edition, the Uniform Electronic Transactions Act (UETA) has been enacted in all but a handful of jurisdictions. UETA as the elaboration of its federal counterpart, the Electronic Signatures in Global and Network Commerce Act ("E-Sign"), must be understood as electronic contracts have become commonplace.

The treatise continues to pursue the rich history of innumerable contract doctrines from early common law to the present time without which the student of contract lacks a foundation to understand the current evolution of any part of contract doctrine. Absent an understanding of past mistakes and poor analyses, they could easily appear as superficial new doctrines without a hint of retrogression. The landmark cases continue to be found and others that are on the verge of becoming landmarks are also emphasized. The last third of the twentieth century presented a bevy of new contract theories and it is important for any comprehensive treatment of contract law to note their current status.

While the reporting of new case law and statutory developments is a critically important dimension of any comprehensive treatise, a critique of the evolving doctrine of contract as evidenced by these developments is equally important. Such a critique is impossible absent an immersion in batches of cases and related material to provide bases for any serious analysis. Every topic in this treatise is based on innumerable "immersions" in the cases and statues that have appeared since the last edition. The effort to meet the challenges in analyzing modern contract law have been arduous, fascinating

PREFACE

and joyful. I dedicate this book to my students and my wife, Liz, without whom it would not have been possible.

John E. Murray, Jr. Pittsburgh, Pennsylvania 2011

TABLE OF CONTENTS

Chapter	1 INTRODUCTION	1
§ 1	THE CONCEPT OF "CONTRACT"	
§ 2	MEANING OF THE WORD "CONTRACT"	3
§ 3	THE ENFORCEMENT OF PROMISES — EARLY HISTORY — COVENANT, DETINUE, AND DEBT	4
§ 4	THE ENFORCEMENT OF PROMISES — ASSUMPSIT, COMMON COUNTS, SLADE'S CASE	8
§ 5	CONTRACT LAW AND ECONOMICS — ECONOMIC ORGANIZATION — ANTITRUST LAWS	11
§ 6	CONTRACT LAW AND ECONOMICS — "EXCHANGE" — "PROMISES" AND THE PURPOSE OF CONTRACTS	13
§ 7	CONTRACT LAW AND ECONOMICS — "EFFICIENT BREACH"	15
§ 8	CONTRACT THEORIES — HISTORICAL AND MODERN — MULTIDISCIPLINARY	16
§ 9	THE UNIFORM COMMERCIAL CODE — HISTORY	
§ 10	THE UNIFORM COMMERCIAL CODE — OVERVIEW	
§ 11	UNIFORM COMMERCIAL CODE — SCOPE OF ARTICLE 2	
§ 12	THE UNIFORM COMMERCIAL CODE — COMMENTS	
§ 13	INTERNATIONAL CONTRACTS FOR THE SALE OF GOODS (CISG) — UNIDROIT PRINCIPLES	27
§ 14	ELECTRONIC CONTRACTS — "E-SIGN" — UNIFORM ELECTRONIC TRANSACTIONS ACT (UETA)	30
§ 15	SOFTWARE TRANSACTIONS — LICENSES — UNIFORM COMPUTER INFORMATION TRANSACTIONS ACT (UCITA)	
§ 16	CONTRACTS CLASSIFIED	35
§ 17	FORMAL AND INFORMAL CONTRACTS	35
§ 18	UNILATERAL AND BILATERAL CONTRACTS	36
§ 19	VOID AND VOIDABLE CONTRACTS	38
§ 20	ENFORCEABLE AND UNENFORCEABLE CONTRACTS	39
§ 21	EXPRESS AND IMPLIED CONTRACTS	40
§ 22	PARTIES TO CONTRACTS	42
§ 23	REQUIREMENT OF CAPACITY TO CONTRACT	42
§ 24	MARRIED WOMEN AND ARTIFICIAL PERSONS	43
§ 25	INFANTS (MINORS)	44
§ 26	INFANTS' LIABILITY FOR NECESSARIES AND RESTITUTION	47
§ 27	MENTALLY ILL AND MENTALLY DEFECTIVE PERSONS	49
§ 28	PERSONS UNDER THE INFLUENCE OF ALCOHOL OR DRUGS — GUARDIANSHIP	51

TABLE OF CONTENTS

Chapter	2 THE AGREEMENT PROCESS	55
§ 29	THE ESSENTIAL ELEMENTS OF CONTRACT FORMATION	59
§ 30	MUTUAL ASSENT — AGREEMENT — BARGAIN — PROMISE — OFFER —	
		60
§ 31	OBJECTIVE VERSUS SUBJECTIVE ASSENT — "MEETING OF THE MINDS"	62
§ 32	INTENTION OF LEGAL CONSEQUENCES	64
[A]	The Parties Express Their Intention to Be Legally Bound	64
[B]	The Parties Express Their Intention Not to Be Legally Bound — Letters of Intent —	
	Employee Benefits	65
[C]	The Expressions of the Parties Are Interpreted as Intending or Not Intending Legal	
	Consequences — Jest, Physicians' Statements	67
[D]	The Parties Manifest No Intention About Legal Consequences — Social Agreements,	
	Agreements Between Married Persons and Unmarried Cohabitants	70
§ 33	"AGREEMENT TO AGREE" — MISSING TERMS — FINAL WRITING	
	CONTEMPLATED	71
§ 34	THE EFFECT OF OFFERS — POWER OF ACCEPTANCE	76
§ 35	TESTS TO DETERMINE WHETHER AN OFFER HAS BEEN MADE — CISG \dots	78
[A]	Present Intention Versus Promises — Preliminary Negotiations — Advertisements —	
	Definiteness — Identifiable Offerees	78
[B]	Opinions and Predictions — Express Warranties Distinguished	81
[C]	Summary of Guidelines — Application — Harvey v. Facey	82
§ 36	THE EFFECT OF CAPTIONS AND HEADINGS — "QUOTATION," PURCHASE	
	ORDER, ETC	84
§ 37	AUCTION SALES AND SELF-SERVICE TRANSACTIONS	86
[A]	Auction Sales	86
[B]	Self-Service Transactions	89
[C]	A Suggested Analysis in Self-Service and "Without Reserve" Contracts	90
§ 38	ASSENT THROUGH CONDUCT	91
§ 39	REASONABLE CERTAINTY — INDEFINITENESS	93
[A]	General Requirement of Definiteness	93
[B]		95
[1]		95
[2]	Missing Material Terms	96
[3]	Future Agreements Concerning Rental Payments	97
[4]	Agreements to Agree Under the Uniform Commercial Code — Implying	
		98
[5]	Uniform Commercial Code: Missing Performance Terms — Additional "Gap	
		00
[6]	Employment Contracts Terminable-at-Will	02
[a]	11	02
[b]	"Permanent" or "Lifetime" Employment	02

TABL	E OF CONTENTS	
[c	Consideration Exception	103
[d] Illusory Promise?	104
[e	Promissory Estoppel	104
[f	Employee Manuals, Unilateral Contracts	105
§ 40	TO WHOM AN OFFER IS ADDRESSED — WHO IS THE OFFEREE?	107
§ 41	OFFERS PROPOSING ONE CONTRACT VERSUS A SERIES OF CONTRACTS .	109
§ 42	DURATION OF POWER OF ACCEPTANCE	111
[A]	The Early Law	111
[B]	Offers With a Specified Time Limit — Offeror as "Master of the Offer"	112
[C]	Offers Without a Specified Time Limit	114
[1]	Acceptance Beyond a Reasonable Time That Is Effective — Cross-Offers	
	Distinguished	116
§ 43	TERMINATION OF THE POWER OF ACCEPTANCE	118
[A]	Introduction — Methods of Termination	118
[B]	The Power of Revocation — Direct and "Indirect"	119
[C]	Rejection Terminating the Power of Acceptance	122
[D]	Counter Offer Terminating Power of Acceptance — "Grumbling Acceptance"	123
[E]	Termination of Power of Acceptance by Death or Incapacity	125
§ 44	IRREVOCABLE POWER OF ACCEPTANCE	126
[A]	Need and Methods	126
[B]	Option Contracts	126
[C]	Statutes Making Offers Irrevocable — Firm Offers — Public Policy	129
[1]	UCC — "Firm Offer"	129
[2]	Three Month Limitation	130
[3]	Inadvertent Firm Offers	130
[4]	Distinguishing Mere Statements of Duration of an Offer	130
[5]	CISG and "Firm Offers"	131
[6]	Rule 68 Firm Offers	131
[7]	Are Statutory Firm Offers Options?	132
[D]	Irrevocability Through Part Performance — Section 45 of the <i>Restatement 2d</i>	132
[1]	Starting Performance Versus Preparation	136
[2]	Reconciling the Mitigation Principle	137
[E]	Irrevocability Through Reliance — General Contractor and Subcontractors	138
§ 45	ACCEPTANCE OF OFFER TO FORM A CONTRACT	142
[A]	The Essence of Acceptance	142
[B]	Can an Offer Be Accepted Without Knowledge of Its Existence?	142
[C]	Intention to Exercise Power of Acceptance — Motivation	144
[D]	Who May Accept the Offer?	146
§ 46	THE MANNER AND MEDIUM OF ACCEPTANCE	146
[A] [B]	Introduction: Manner Versus Medium	146 147
IDI	viannei of Accediance — <i>First Kesidiement</i> — Bhalefal — Unhalefal	14/

TABL	E OF CONTENTS	
[C]	Manner of Acceptance — Uniform Commercial Code — Restatement 2d —	
	Indifferent Offers	149
[1]	The Fundamental Change	149
[2]	"Bilateral" Contract Formed Upon Beginning Performance	150
[D]	Shipment of Nonconforming Goods — Acceptance or Counter Offer?	151
[1]	Shipment of Nonconforming Goods — Counter Offer	152
§ 47	NOTICE OF ACCEPTANCE	153
[A]	General Principles in Bilateral Versus Unilateral Contracts	153
[B]	May the Offeror Dispense With the Necessity of Notice of Acceptance?	154
[C]	Notice Where Offers are Accepted by Performance — Restatement 2d and Uniform	
	Commercial Code	155
[D]	Notice in "Shipment" Contracts	158
§ 48	ACCEPTANCE IN CONTRACTS BY MAIL AND OTHER MEDIA — THE	
	"MAILBOX" OR "DISPATCH" RULE	159
[A]	The Problem and Original Solutions — The Risk of Transmission	159
[B]	Rationale for the "Dispatch" Rule	161
[C]	Instantaneous Media — "Presence" Versus "Distance"	162
[D]	Application in Option Contracts	164
[E]	Proper Address and Payment of Charges	164
[F]	Proving the Acceptance Dispatched Acceptance was Received — Mail — Fax	165
[G]	Interference With Normal Operation of the Dispatch Rule — Overtaking	
	Rejections, Etc.	165
§ 49	"MIRROR IMAGE" — "MATCHING ACCEPTANCE" — QUALIFIED OR	
	CONDITIONAL ACCEPTANCE — EQUIVOCAL ACCEPTANCE —	
	ACCEPTANCE REQUESTING ADDITIONAL TERMS — "GRUMBLING ACCEPTANCE"	167
[A]	The "Mirror Image" Rule	167
[B]	Qualified or Conditional Acceptance	167
[C]	Equivocal Acceptance	168
[D]	Acceptance Merely Suggesting Variant Terms	168
[E]	"Grumbling Acceptance"	
§ 50	THE "BATTLE OF THE FORMS" PROBLEM	169
[A]	Non-Matching Terms — "Dickered" and "Non-Dickered"	169
[B]	Duty to Read Non-Dickered Terms in a Single Document	
[C]	Winning the "Battle of the Forms" at Common Law — The Last Shot Principle	172
[D]	Non-Dickered Terms in a Confirmation	175
§ 51	"BATTLE OF THE FORMS": SOLUTIONS — SECTION 2-207 OF THE UNIFORM	I
	COMMERCIAL CODE	
[A]	The Essential Purpose of Section 2-207 — Overcoming the "Last Shot" Principle .	176
[B]	"A Definite and Seasonable Expression of Acceptance" Instead of a Counter	
r ~~	Offer	
[C]	The Effect of Variant Terms in Acceptance Under § 2-207	178

TABL	E OF CONTENTS	
[1]	Issues Generated by 2-207 and Related Norms	178
[2]	Effect on the "Mirror Image" Rule-Rejection or Modification?	179
[D]	Section 2-207(2) — "Merchant" vs. "Non-Merchant"	
[1]	The Disposition of Variant Terms "Between Merchants"	
[E]	Variant Terms in the Response — "Material" vs. "Immaterial"	
[1]	Purpose and Test	181
[2]	Trade Usage and Prior Course of Dealing Terms Are Not "Additional" Terms	182
[3]	Repeated Sending of Printed Forms as Course of Dealing	182
[4]	Burden of Proof	
[5]	Illustrations — Material vs. Immaterial	183
[F]	"Different" vs. "Additional" Terms	185
[1]	Problematic Application — The "Knockout" View	186
[2]	Knockout Rule Inapplicable to Implied Terms — "Different" Becomes	
	"Additional"	188
[G]	Confirmation Operating as an Acceptance — Statute of Frauds Distinguished	190
[1]	Distinguishing the Statute of Frauds	192
[H]	The Counter Offer Riddle — Contract by Conduct Under § 2-207(3)	193
[1]	The § 2-207 Formula Counter Offer — Manufactured Complexity	193
[2]	Accepting a § 2-207(1) Counter Offer	195
[3]	Clear (Unambiguous) Counter Offers	195
[4]	Terms of the "Contract by Conduct" — § 2-207(3)	196
[I]	The Offeror Prevails — "First Shot" Instead of "Last Shot"	197
[J]	Post-Purchase Terms — "Rolling" ("Accept or Return") Contracts —	
	"Shrinkwrapped" Licenses	
[1]	The "Rolling Contracts" Progeny	
[2]	The Antidote	205
[K]	Uniform Computer Information Transactions Act (UCITA) and the "Battle of the	200
F13	Forms"	
[1]	The World Without UCITA	
[L] [M]	CISG and the "Battle of the Forms" — UNIDROIT Principles	
§ 52	SILENCE, INACTION, RETENTION OF BENEFITS AND EXERCISE OF	210
8 32	DOMINION AS ACCEPTANCE — UNSOLICITED GOODS	211
[A]	Silence	211
[B]	Retention of Benefits — "Implied-in-Fact" vs. "Implied-in-Law"	213
[C]	Unsolicited Goods — "Unordered Merchandise"	214
Chapter	3 THE VALIDATION PROCESS	217
§ 53	THE ENFORCEABILITY OF PROMISES — "PACTA SUNT SERVANDA"	220
[A]	The Enforcement of Promises — The Validation Process	220
[B]	Current Validation Devices	222

TABL	E OF CONTENTS	
[1]	The Seal and Other Formalistic Devices	222
[2]	Consideration	222
[3]	Promissory Estoppel (Detrimental Reliance)	222
[4]	Moral Obligation	222
§ 54	CONTRACTS UNDER SEAL — FORMALISTIC VALIDATION DEVICES	223
[A]	The Functions of Formalistic Validation Devices	223
[B]	The Essential Formalities of the Contract Under Seal	224
[1]	What Is a Sufficient Writing?	224
[2]	Sealing — Nature of the Seal	225
[3]	Reciting the Fact that the Writing Is Sealed	226
[4]	What Constitutes Sealing? — Adoption of a Seal — Corporate Seals	
	Distinguished	227
[5]	Delivery	227
[6]	Conditional Delivery — Escrow Delivery	228
[7]	Acceptance by the Promisee	230
[8]	"Consideration" in Sealed Contracts — "Want" vs. "Failure" of Consideration —	
	Equitable Relief	230
[9]	Parties with Rights and Duties Under a Sealed Contract — Agent's Authority	231
[10]	Effect of the Seal — Statutes of Limitations	232
[11]	Statutory Modification and Substitutes for the Seal	233
§ 55	CONSIDERATION — ORIGINS	234
§ 56	THE ELEMENTS OF CONSIDERATION	237
§ 57	THE FIRST ELEMENT: LEGAL VALUE — "BENEFIT" OR "DETRIMENT"	238
[A]	Generally	238
[B]	Either Benefit or Detriment — "Legal" Detriment	239
[1]	The Absence of Benefit	239
[2]	"Legal" Detriment Distinguished	
[3]	Absence of Detriment	240
[4]	Benefit to the Promisee or Detriment to the Promisor	
[5]	Benefits or Detriments to or From Third Parties	
[6]	Detriment in Contracts Involving Mutual Promises	
§ 58	ILLUSORY PROMISES	243
[A]	Basic Concept — Conditional Promises Where Promisor Does Not Control	
	Condition	243
[B]	Condition Within Control of Promisor — Policy Favors Finding Consideration	244
[C]	Notice as a Detrimental Alternative — Termination	245
[D]	Notice of Termination and Good Faith	247
[1]	Section 2-309 of the Uniform Commercial Code	247
[2]	Franchise Contracts	248
§ 59	REQUIREMENTS AND OUTPUT CONTRACTS — § 2-306 OF THE UNIFORM COMMERCIAL CODE	248
[A]	UCC § 2-306 — The "Good Faith" Standard	250
[73]		450

E OF CONTENTS	
Exclusive Dealing Contracts — "Best Efforts" — UCC § 2-306(2)	253
EQUIVALENCE IN VALUE — "ADEQUACY" OF CONSIDERATION —	
"SUFFICIENT" CONSIDERATION — "PEPPERCORN" THEORY	255
Actions at Law for Damages	255
Inadequacy of Consideration in Equity — Equitable Unconscionability	257
Unconscionability in Equity vs. Uniform Commercial Code and	
Restatement 2d	258
BARGAINED-FOR-EXCHANGE — CONDITION OF A GRATUITOUS PROMISE	
DISTINGUISHED	260
The Basic Concept	260
Determining Whether the Detriment Was Bargained-For — Illustrations	260
Aids in Determining the Purpose of the Promisor — Other Favored Policies	263
NOMINAL, FORMAL, AND "SHAM" CONSIDERATION — MUST THE	
DETRIMENT BE A REAL INDUCEMENT OR MOTIVE?	265
Nominal Consideration — First Restatement and Restatement 2d Distinguished	265
Recital of "Nominal" & "Sham" Consideration — Option and Guaranty Contracts .	266
Option Contracts	266
Surety Contracts	267
"Sham" Consideration — Consideration Not Paid	267
The Restatement 2d Solution — A Formalistic Validation Device	268
Bargain and Gift Motivations Combined — Mixed Motivations	270
CONSIDERATION IN CHARITABLE SUBSCRIPTION AGREEMENTS	271
	273
	277
	277
• •	278
	200
**	
•	
	204
_	288
	289
	289
	291
_	291
	Exclusive Dealing Contracts — "Best Efforts" — UCC § 2-306(2) Meaning of "Best Efforts" EQUIVALENCE IN VALUE — "ADEQUACY" OF CONSIDERATION — "SUFFICIENT" CONSIDERATION — "PEPPERCORN" THEORY Actions at Law for Damages Inadequacy of Consideration in Equity — Equitable Unconscionability Unconscionability in Equity vs. Uniform Commercial Code and Restatement 2d BARGAINED-FOR-EXCHANGE — CONDITION OF A GRATUITOUS PROMISE DISTINGUISHED The Basic Concept Determining Whether the Detriment Was Bargained-For — Illustrations Aids in Determining the Purpose of the Promisor — Other Favored Policies NOMINAL, FORMAL, AND "SHAM" CONSIDERATION — MUST THE DETRIMENT BE A REAL INDUCEMENT OR MOTIVE? Nominal Consideration — First Restatement and Restatement 2d Distinguished Recital of "Nominal" & "Sham" Consideration — Option and Guaranty Contracts Option Contracts Surety Contracts "Sham" Consideration — Consideration Not Paid The Restatement 2d Solution — A Formalistic Validation Device Bargain and Gift Motivations Combined — Mixed Motivations

TABLI	E OF CONTENTS	
[5]	Sections 2-209(4) and (5): Waivers and Retractions	295
§ 66	MUTUALITY OF OBLIGATION	298
[A]	"Mutuality of Remedy" and Other "Doctrines" Distinguished	300
§ 67	DETRIMENTAL RELIANCE — "PROMISSORY ESTOPPEL"	301
[A]	The Doctrine and Its Antecedents — The Lack of Bargained-For-Exchange	301
[1]	Family Promises — Equitable Estoppel to "Promissory Estoppel"	303
[2]	Gratuitous Promises to Convey Land	304
[3]	Gratuitous Bailments — Gratuitous Agency — Insurance	305
[4]	Charitable Subscriptions	306
[B]	Section 90 of the First and Restatement 2d	307
[1]	Requirement of a "Promise"	308
[2]	Reliance Must Be Foreseeable	309
[3]	Reliance of a "Definite and Substantial Character"	309
[4]	Detrimental Reliance by Third Persons	310
[5]	Preventing Manifest Injustice	312
[6]	Flexible Remedy of New Section 90 — Partial Enforcement	312
[C]	Application and Expansion of Detrimental Reliance	315
[1]	Precontractual Reliance — Indefiniteness — Absence of Offer	317
[D]	Restatement 2d "Satellite" Sections — Detrimental Reliance	318
[E]	Detrimental Reliance in the Twenty-First Century	319
§ 68	PROMISES ENFORCEABLE THROUGH MORAL OBLIGATION	319
[A]	Past Acts and Precedent Debts as "Consideration"	319
[1]	Past Acts as Consideration	319
[2]	Precedent Debt as "Consideration"	320
[3]	Moral Obligation	321
[B]	Contract Without Consideration or Detrimental Reliance in Modern Contract Law —	
	Moral Obligation	322
[1]	Promise to Perform a Prior Legal Duty Discharged by Operation of Law —	
	Statute of Limitations and Bankruptcy Discharges	
[a]		
[b]	Debts Discharged in Bankruptcy — Bankruptcy Reform Act Changes	324
[2]	Promise to Perform Previous Undertaking Subject to Defenses	326
[3]	Promise to Pay for Benefits Previously Received — "Material Benefit" Rule	327
Chapter	4 THE STATUTE OF FRAUDS	331
§ 69	ORIGIN OF THE STATUTE OF FRAUDS — REPEAL OF THE ENGLISH	
	STATUTE	333
[A]	International Contracts — CISG and UNIDROIT Principles	337
§ 70	SURETYSHIP PROMISES — CONTRACTS OF EXECUTORS AND	
F 4 3	ADMINISTRATORS	337
[A]	The Basic Concept of Suretyship — Types of Suretyship Promises	337

TABLE OF CONTENTS [1] [2] Promises to Answer for the Debt of Another — Determining Whether the Surety's [a] [6] 340 Primary Obligation Must Exist at Time "Special" Promise Is Performed [c] [d] 342 [e] 342 [f]343 The "Main Purpose" or "Leading Object" Rule — Assignors and Del Credere [g] 343 [h] Contract to Purchase the Creditor's Right AGREEMENTS MADE IN CONSIDERATION OF MARRIAGE § 71 § 72 CONTRACTS FOR THE SALE OF LAND 349 [A] [B] [C] 352 [D]§ 73 CONTRACT NOT PERFORMABLE WITHIN ONE YEAR FROM FORMATION . 354 Origins — Narrow Application — Possibility of Performance — Measurement of [A] 354 [B] [C] Alternative Performances — Excuse — Termination — Renewal [D][E]§ 74 CONTRACTS FOR THE SALE OF GOODS — UNIFORM COMMERCIAL 361 [A]361 [B] [C] Goods — Alternate UCC Statutes of Frauds — Mixed Transactions — Specially 362 [1] [2] [3] SATISFACTION OF THE STATUTE — SUFFICIENT MEMORANDUM OR § 75 367 [A] [1] [B] 371 [1] [2] 373 [3] 373

TABL	E OF CONTENTS	
[4]	Multiple Writings	374
[5]		375
[C]	Content of Memorandum — Relaxation of Requirements Under the Uniform	
	•	375
[1]	Must the Consideration Be Expressed in the Writing?	376
[2]	Resort to Oral Evidence to Overcome Deficiencies in the Memorandum	
[3]	Uniform Commercial Code Relaxation of Memorandum Requirements	
	Concerning Content	378
[D]	Uniform Commercial Code — Confirmation Writing Between Merchants	
[1]	An Overview of Uniform Commercial Code Section 2-201(2) — "Merchants"	
[2]	Recipients of Memorandum	381
[3]	Sending Memorandum — Within a Reasonable Time	
[4]	Sufficient Against Sender — Purchase Orders	
[5]	Recipient Must Have Reason to Know Contents of Confirmation	
[E]	Time of Making and Destruction of Memorandum	
[1]	Time of Making	384
[2]	Destruction of Memorandum	384
§ 76	ADMISSIONS — UNIFORM COMMERCIAL CODE	384
[A]	The Uniform Commercial Code Admissions Exception	385
[B]	Extension of Judicial Admission Exception Beyond the Uniform Commercial	
	Code	388
§ 77	PERFORMANCE SATISFYING THE STATUTE OF FRAUDS	389
[A]	Effect of Part Performance in General	389
[B]	"Part Performance" — Reliance — Contracts for the Sale of Land	389
[C]	Part Performance of Contracts for the Sale of Goods — Uniform Commercial	
	Code	391
[1]	Receipt and Acceptance of Goods	392
[2]	Receipt and Acceptance of Payment — the Indivisible Unit	394
§ 78	ENFORCEMENT OF PART OF THE CONTRACT — MULTIPLE PROMISES \dots	397
§ 79	RELIANCE TO AVOID THE STATUTE OF FRAUDS — ESTOPPEL	398
[A]	Equitable Estoppel	398
[B]	The Shift to Promissory Estoppel — Restatement 2d § 139	399
[C]	, E	401
[D]		403
§ 80		403
[A]	Legal Operation of Statute — Language of the Statute — "Void," "Voidable," and	
570.7	"Unenforceable"	403
[B]		405
§ 81		406
[A]	The Concept of Restitution — Applied to Part Performance Under a Contract	100
	Unenforceable Because of the Statute of Frauds	406

TABLI	E OF CONTENTS	
[B] [C]	The Measure of Restitutionary Recovery	
Chapter	5 OPERATIVE EXPRESSIONS OF ASSENT (Parol Evidence, Interpretation, and Mistake)	411
§ 82	INTRODUCTION — DEFINING THE AGREEMENT OF THE PARTIES	413
§ 83	THE PAROL EVIDENCE RULE	416
[A]	Scope of the Parol Evidence Rule: Subsequent Agreement	416
[B]	The Parol Evidence Rationale — Substantive Rule of Contract Law Rather than a	
	Rule of Evidence — Preference for Written Evidence	417
[C]	Form of Writing	419
§ 84	THE PAROL EVIDENCE RULE — "INCONSISTENT" AND	
	"CONTRADICTORY" — FORM OF WRITING — THE MEANING OF	
	"INTEGRATION"	420
[A]	The Possible Intention of the Parties — Three Possibilities	420
[B]	The Unlikely Possibility	421
[C]	The Second and Third Possibilities — The Restatement 2d and "Integration"	421
[D]	The Meaning of "Integrated" — "Fully" or "Partially" Integrated	422
§ 85	THE PAROL EVIDENCE PROCESS — TESTS	423
[A]	"Prior," "Contemporaneous" and "Subsequent" Statements	424
[B]	Admissibility of Evidence Concerning Intention to Integrate	425
[C]	Tests Used in the Application of the Parol Evidence Rule	426
[1]	The "Appearance" Test	426
[2]	Merger Clause Test	427
[3]	The Natural Omission Test — Williston/Corbin — Gianni v. Russel —	
	Mitchill v. Lath — Masterson v. Sine	429
[4]	The Wigmore Aid and the "Collateral Agreement" Test	432
[a]	Wigmore	432
[b]	The "Collateral Agreement" Test	433
[5]	The Restatement 2d Analysis: "Natural Omission," "Separate Consideration," and	
	"Scope" Tests	435
[6]	The Uniform Commercial Code Parol Evidence Rule	437
[7]	International Transactions — CISG — Parol Evidence Rule Inapplicable —	
	Merger Clauses — Unidroit Principles	440
§ 86	SITUATIONS TO WHICH THE PAROL EVIDENCE RULE DOES NOT APPLY $$.	442
[A]	Integration, Interpretation, Invalidating Causes — Consideration	442
[B]	Reformation and the Parol Evidence Rule — Mistake in Expression	443
[1]	Negligence — Failure to Read Mistaken Document	445
[C]	Condition Precedent to Formation — Restatement 2d Analysis	446
§ 87	INTERPRETATION, CONSTRUCTION AND "PLAIN MEANING"	447
[A]	The Process of Interpretation — Who Decides? — Construction	447

TABL	E OF CONTENTS	
[B]	Whose Meaning Should Prevail? — "Plain Meaning" Standard	449
[1]	Is Facial Ambiguity Required?	450
§ 88	STANDARDS OF INTERPRETATION — MUTUAL MISUNDERSTANDING —	
	MISTAKE IN EXPRESSION	452
[A]	First Restatement — Williston/Corbin	452
[B]	Restatement 2d Analysis — Parties Attach Materially Different Meanings to Their	
	Expressions — "Chicken" and "Peerless"	455
[1]	Vague and Equivocal Terms-The Meaning of "Chicken"	456
[2]	"Peerless" — Raffles v. Wichelhaus	458
[3]	The Analyses of the <i>Restatement</i> — The Effect of Misunderstanding on Mutual	
	Assent and Interpretation Compared — Ramifications	459
[C]	1 3	462
[D]	1	463
§ 89		465
[A]	e	465
[B]	The General and Specific Purpose of the Parties — Preambles (Recitals) ("Whereas"	
	,	466
[C]		467
[D]	, ,	467
[E]		468
[F]	Subsequent Conduct of the Parties (Course of Performance) as an Interpretation	
	Aid	
[G]	Construction Against Drafter — Contra Proferentem	
[H]		470
[I]	Expressio Unius Est Exclusio Alterius — The Enumeration of Some Excludes	450
F.Y.3	Others	
[J]	Ejusdem Generis	4/1
[K]	Presumptions About Interpretation — Ordinary Meaning, Technical Meaning, Legal	470
IT 1	Meaning, and Trade Usage	
[L]	Interpretation of Inconsistent Expressions	
[M]	CUSTOM AS A STANDARD — TRADE USAGE, COURSE OF DEALING,	4/4
§ 90	COURSE OF PERFORMANCE — UNIFORM COMMERCIAL CODE	475
[A]		475
[B]		475
[C]		476
[D]		477
[E]		478
[F]	Supplying Contract Terms Through Trade Usage, Course of Dealing, and Course of	
		479
[1]	The "Consistency" Mystery — Columbia Nitrogen, et al	481
[2]	· · · ·	483

TABLI	E OF CONTENTS	
§ 91	OMITTED TERMS	484
[A]	"Good Faith"	486
[1]	Good Faith — CISG and UNIDROIT Principles	488
§ 92	MISTAKE	488
[A]	Definition — Poor Judgment and Prediction Distinguished — Mistake of "Law" Versus "Fact"	488
[B]		489
[D]	Offeree's Knowledge of Mistake — Failure to Read — Misrepresentation	
[D]	Mistake in Formation, Integration, or Performance — The Anatomy of Mistake —	770
נטן	•	492
[1]	•	493
[2]		493
[3]	ε	495
[E]		496
[E]		498
[G]	•	499
[O]	J	499
[I1]	1	501
[J]	Mistake by an Intermediary	
[8]	·	504
[11]	References Chikhowh mjury Rule	501
Chapter		507
§ 93	INTRODUCTION — RELATION AMONG CONCEPTS EVIDENCING AN	
	ABUSE OF THE BARGAINING PROCESS	509
§ 94	DURESS	511
[A]	Duress — Types — Threats — Physical Compulsion — "Void" vs. "Voidable"	511
[B]	Duress by Threat — Improper Threat in General	512
[C]	Improper Threats Not Causing Duress	513
[D]	Threatened Act Is Proper But Threat Is Improper	513
[E]	Threat to Do That Which One Has Legal Right to Do — Threat of Criminal	
	Prosecution	
[F]	Threat of Civil Process	514
[G]	Economic Duress — Business Compulsion — Threat to Breach a Contract —	
	Modifications Induced by Threat — Uniform Commercial Code	
[H]	Threats Resulting in Unfair Exchanges — Restatement 2d	518
[I]	Causation — Overcoming the Will of a Person of Ordinary Firmness — Depriving a	F10
m		519
[J]		520 521
§ 95 8 96		521 523
× 7U	- IVID 21X 1X A 21 31 X 1 X	.1/.1

TABLI	E OF CONTENTS	
[A]	Definition — Concealment and Non-Disclosure Distinguished	523
[B]	Fraudulent or Material	525
[C]	Inducement — Fraud in the Inducement Versus Fraud in the Execution or Factum .	526
[D]	Reliance by the Induced Party — Disclaimer of Reliance	527
[1]	Victim's Failure to Investigate or Read	528
[2]	Opinion — Fact Versus Knowledge — Reliance on Opinion — Value, Quality,	
	Quantity, Price — Matters of Law	529
[E]	Effects of Misrepresentation — Remedies for Misrepresentation	530
§ 97	UNCONSCIONABILITY — "GOOD FAITH"	532
[A]	Freedom of Contract — Unconscionability in Equity	532
[1]	Precocious Views of Unconscionability — Contracts of Adhesion — No Choice —	
	Economic Theory	533
[2]	Non-Contractual Documents — Precocious Views of Unconscionability — Covert	
	Tools	535
[B]	The Meaning of Unconscionability	537
[1]	Vague Definitions — Uniform Commercial Code — Llewellyn's Purpose —	
	Restatement 2d	537
[2]	The Meaning of Unconscionability in the Courts	540
[a]	Scope	540
[b]	Tests of Unconscionability in the Courts — "Procedural — Substantive"	
	et al	541
[c]	Are Both Procedural and Substantive Unconscionability Necessary? Contracts	
	of Adhesion Are No Longer Evil	542
[d]	Alternate Analysis — "Circle of Assent"	544
[e]	The Case Law of Unconscionability — Merchants — Affirmative Defense —	
	Applications	547
[f]	Arbitration and Unconscionability	551
[g]	Unconscionability Notwithstanding Adherence to Uniform Commercial Code	
	Formulas	554
[h]	Remedy Limitations — Failure of Essential Purpose — Consequential	
	Damages	556
[C]	ī	557
[1]	Obligation of Good Faith Does Not Support an Independent Cause of Action	558
[2]	Good Faith in Negotiations Versus Performance — Contractual Relationships	
		559
§ 98		561
[A]	**	561
[B]	1	564
§ 99		566
[A]	1	566
[B]	Agreements Exculpating a Party From Tort Liability — Indemnity — Strict	

TABLI	E OF CONTENTS	
	Liability	568
[C]	Contracts in Restraint of Trade	571
[1]	Covenants Not to Compete — Sale of a Business	571
[D]	The Protection of Good Will and Employer's Rights — Postemployment	
	Restraints	573
[1]	Consideration	573
[2]	The Elements of "Reasonableness" of Noncompetition Clauses	574
[E]	The Severance Rule — "Blue Pencil" Rule	
[F]	Antitrust Statutes — Non-Ancillary Restraints — Naked Covenants Against	
	•	577
[G]	Wagers and Gambling Contracts — Aleatory Contracts — "Futures" — "Changing	
. ,	Mores"	578
[1]	Future Deliveries That Never Occur	
[2]	Commodity Exchange "Futures"	
[3]	Changing Mores — Public Policy	
[4]		582
[H]	Contracts Adversely Affecting the Administration of Justice, Champerty, and	002
[]	Maintenance — Arbitration	583
[I]	Contracts Tending to Corrupt or Cause a Neglect of Duty — Lobbying	
[J]	Contracts Concerning Marriage — Changing Mores — Cohabitation Agreements .	
[K]	Contracts Facilitating an Illegal Purpose	
[L]	Statutory Prohibitions on Contracting — Sunday, Usury, Licensing, and Other	
	Statutes	591
[1]	Sunday Statutes ("Blue Laws") — Usury	
[2]	Licensing — Regulatory or Revenue Purpose	593
[M]	Effect of Agreements Contravening Public Policy	594
[N]	Effect of Partial Contravention of Public Policy — Divisibility	595
[O]	Mitigating Doctrines — Pari Delicto and Locus Poenitentiae — Restitution	596
[P]	Mitigating Doctrines — Justifiable Ignorance of Facts	598
[Q]	Effect of Substituted Contract in Discharge of Bargain	599
[R]	Effect of Change in Law	599
[S]	Enforcement of "Illegal" Bargains That Are "Legal" Where Made	601
Chapter	7 PERFORMANCE, CONDITIONS, AND BREACH	603
§ 100	MEANING AND NATURE OF CONDITION	606
[A]	Common Usage	606
[B]	-	607
[C]	Nature of the Fact or Event Constituting a Condition	608
[D]	Differences Between a Promise and a Condition	609
§ 101	CONDITIONS DISTINGUISHED FROM WARRANTIES — UNIFORM	
	COMMERCIAL CODE	610

TABL	E OF CONTENTS	
[A]	The Concept of "Warranty" — "Title" and "Quality"	610
[B]	Express Warranties — "Basis of the Bargain"	
[1]	Express Warranty — Leases — CISG	
[C]	Implied Warranty of Merchantability	
[1]	Products Liability — Warranty vs. Tort Standard	
[2]	Merchantability — Leases — CISG	
[D]	•	616
[E]	Warranty Disclaimers and Remedy Limitations Under the Uniform Commercial	
	Code	618
[1]	Warranty Disclaimers — May Express Warranties Be Disclaimed?	618
[2]	Disclaimers in Leases — CISG	
[3]	Limitation of Remedies	621
§ 102	CLASSIFICATION OF CONDITIONS	621
[A]	Overview	621
[B]	Conditions Precedent Distinguished From Conditions Subsequent	621
[1]	The Fallacy of the Distinction — Form Over Substance	621
[2]	Burden of Pleading and Proof	623
[3]	A "True" Condition Subsequent	624
[4]	Restatement 2d Analysis — Event That Terminates a Duty	624
[C]	Express, Implied, and Constructive Conditions Distinguished	626
§ 103	INTERPRETATION — PROMISE VERSUS CONDITION	627
[A]	The Avoidance of Forfeiture	628
[B]	Form of Expression — Favors and Frowns to Avoid Forfeiture — Preference for	
	Promise	629
[C]	Performance Due After an Event Has Occurred — "Pay-When-Paid" Clauses	630
§ 104	CONDITIONS OF SATISFACTION	632
[A]	The Meaning of "Satisfaction"	632
[B]	3	634
[C]	Third Party Satisfaction — Architects, Engineers and Others	
[D]	Uniform Commercial Code — "Sale on Approval" — "Sale or Return"	
§ 105	NONPERFORMANCE AND CONSTRUCTIVE CONDITIONS	
[A]	Nature of the Problem	638
[B]	The Origins of Constructive Conditions — Independent Covenants	639
§ 106	DETERMINING WHEN PERFORMANCES ARE EXCHANGED UNDER AN	
	EXCHANGE OF PROMISES — LEASE, ALEATORY, AND DIVISIBLE CONTRACTS	643
[A]	The Essential Test	643
[A]	Leases of Real Property — Constructive Eviction — Warranty of Habitability	
[D]	Performance in Spite of Nonoccurrence of Condition — "Aleatory" Promises	647
[C]	"Divisible" ("Severable") Versus "Entire" Contracts	649
رط _ا [1]	The Effect of Nonperformance in a Divisible vs. Entire Contract	
[2]	Material Nonperformance in a Divisible Contract — Installment Contracts —	001

TABLE OF CONTENTS § 107 THE ORDER OF PERFORMANCES IN EXCHANGED PROMISES 655 [A] Promises Capable of Simultaneous Performances When They Are Agreed [B] Equivalents — Concurrent Conditions — "Tender" and "Offer to Perform" 655 [C] Promises Capable of Simultaneous Performances Where They Are Not Agreed [D]658 [E] Performances at Different Times — Condition Precedent — Progress Payments . . 659 Performances at Different Times — Becoming Concurrent Conditions [F] 660 § 108 661 [A] Failure of Performance (Material Breach) — Restatements Compared 662 [B] [1] [2] Restatement 2d — Constructive Condition, Cure, Suspension, Termination [C] [1] [2] [3] 669 [D] SUBSTANTIAL PERFORMANCE — MATERIAL BREACH COMPARED — § 109 670 "PERFECT TENDER" RULE Material Breach — "Failure of Consideration" — Failure of Performance 670 [A] Immaterial Failure of Performance — The Doctrine of Substantial Performance — [B] 670 [C] 673 [D]674 [1] [2] UCC — The "Perfect Tender Rule" — Rejection — Revocation of Acceptance . 675 CISG — "Fundamental Breach" — UNIDROIT Principles 678 [3] § 110 PROSPECTIVE FAILURE OF PERFORMANCE — ANTICIPATORY REPUDIATION [A] Anticipatory Repudiation — Origin of the Doctrine — Hochster v. De La Tour . . . 679 [B] [C] What Is an Anticipatory Repudiation? — Degree of Definiteness — Restatement 2d, Uniform Commercial Code, Good Faith Denial of Liability 680 Effects of Anticipatory Repudiation — Time of Breach — Statute of Limitations — [D] 683 [E][1] 685 Must the Obligee Give Notice That He Treats the Anticipatory Repudiation as a [2]

TABL1	E OF CONTENTS	
[3]	Must the Obligee Commence an Action if He Chooses to Treat the Anticipatory	
	Repudiation as a Breach?	685
[4]	If the Obligee Does Not Commence an Action or Rely on the Repudiation, May	
	He Still Treat the Repudiation as a Present Breach?	686
[5]	May the Obligor Retract the Repudiation?	686
[6]	Obligee Provides a Time for Retraction (<i>Locus Poenitentiae</i>)	686
[F]	Anticipatory Repudiation Inapplicable to Unilateral Obligations — Disability	
	Insurance	687
[G]	Prospective Failure of Performance That Is Not a Repudiation — Demanding	
	Adequate Assurances	689
[1]	Demanding Adequate Assurances — Effect — Scope	689
[2]	Basis for the Demand of Adequate Assurances	690
[3]	Nature of the Demand of Adequate Assurances	691
[4]	Form of Demand for Adequate Assurances	692
[5]	Insolvency as Prospective Failure of Performance	693
[H]	Leases — CISG — UNIDROIT Principles	693
§ 111	EXCUSE OF CONDITION	694
[A]	Nature of the Problem	694
[B]	Prevention or Hindrance of Condition — Good Faith	695
[C]	Condition Excused by Repudiation or Other Inability to Perform — Impossibility,	
	Impracticability	696
[D]	Acceptance of Benefits After Nonoccurrence of Condition	697
[E]	Unjustifiable Basis for Nonperformance as Excuse of Condition	699
§ 112	"WAIVER" OF CONDITION — ESTOPPEL AND ELECTION	700
[A]	"Waiver" at or Prior to Contract Formation	701
[B]	"Waiver" After Formation and Before Time for Occurrence of Condition	702
[C]	"Waiver" After Formation and After Time for Occurrence of Condition —	
	Election	703
Chapter	8 RISK ALLOCATION — IMPOSSIBILITY, IMPRACTICABILITY,	
	AND FRUSTRATION PURPOSE	705
§ 113	IMPOSSIBILITY AND IMPRACTICABILITY OF PERFORMANCE	706
[A]	History — The Rigid Common Law Rule	706
[1]	Origins of The Modern Doctrine — Implied Condition — Taylor v. Caldwell	707
[2]	Early Notions of Impracticability	709
[B]	The Modern Impracticability Concept — Uniform Commercial Code and	
	Restatement 2d	710
[1]	The New Diction	710
[2]	Application to Buyers as Well as Sellers	711
[C]	Elements of the Impracticability Principle	711
[1]	Event Making Performance Impracticable — Extent of Cost Increase	712

TABL	E OF CONTENTS	
[a	"Objective" vs. "Subjective" — Burden of Proof	713
[2]	•	714
[3]	Causation — Beyond the Control of the Promisor	715
[4]	•	
[D]	Implementation of the Impracticability Standard — Illustrative Cases — Energy Cos	
. ,	and "Suez" Cases — Long Term Supply Contracts and Gross Inequity Clauses	
[E]	Existing (Antecedent) Impracticability — Mistake Analysis Compared — Effect	
§ 114	TRADITIONAL CATEGORIES OF IMPOSSIBILITY — IMPRACTICABILITY	
[A]	The Traditional Categories and the Modern Doctrine	
[B]	Death, Incapacity, or Threatened Incapacity of a Person	
[C]	Destruction or Unavailability of Essential Subject Matter — Uniform Commercial	
	Code — "Identification"	723
[1]	Failure of Source of Supply	
[2]	UCC Casualty to "Identified" Goods	
[D]	Performance Prevented by Operation of Law — Delays — Temporary	
	Impracticability	727
[1]	Temporary Impracticability	
[E]	Failure of Contemplated Mode of Performance — Partial Impracticability	
[1]	Partial Impossibility — Allocation of Production	
[F]	•	731
§ 115	FRUSTRATION OF PURPOSE	732
[A]	History and Nature of Concept	732
[B]	The Modern Doctrine	734
[C]	Existing or Temporary Frustration of Purpose	736
§ 116	EFFECTS OF IMPRACTICABILITY AND FRUSTRATION OF PURPOSE	736
[A]	Effect on Excused Party	736
[B]	Effect of Excused Party's Nonperformance on Other Party's Prospective Failure	737
[C]	Relief — Restitution — Divisibility — CISG — Reliance — Restatement 2d	738
§ 117		741
[A]	From Property to Contract	741
[B]	Risk of Loss in the Absence of Breach	741
[C]	Risk of Loss Where There Is a Breach	744
Chapter	9 REMEDIES FOR BREACH OF CONTRACT	747
§ 118	${\tt SURVEY-CONTRACTINTERESTS,COMPENSATION,ECONOMICS,AND}$	
E A 3	REMEDIES	750
[A]	The Three Interests	750 751
[B]	Compensation	751 752
[C]	Economic Theory — "Efficient Breach"	752 753
[D] [1]	Right to Damages — Nominal Damages	
111	Mgnt to Damages — Nominal Damages	123

TABL	E OF CONTENTS	
[2]	Money Damages — Expectation Interest — Reliance Interest	754
[3]	Specific Performance or Injunction — Expectation Interest — Election of	
	Remedy	754
[4]	Restoration or Damages — Restitution Interest	755
[5]	Declaratory Judgment and Arbitration Award	755
[6]	Uniform Commercial Code Remedies — CISG Remedies	756
§ 119	THE EXPECTATION INTEREST — BREACH BY BUILDER — COST OF	
	COMPLETION VERSUS DIMINUTION IN VALUE	756
[A]	The General Concept	756
[B]	Cost of Completion Versus Diminution in Value — Builder's Breach	757
§ 120	EXPECTATION, RELIANCE, AND RESTITUTION INTERESTS — BREACH BY	
	OWNER	761
[A]	Expectation Interest of Builder	761
[B]	Reliance Interest — Cost of Completion Cannot Be Shown	761
[C]		762
[D]	, in the second	763
§ 121	THE FORESEEABILITY LIMITATION	763
[A]	History and Rationale — Hadley v. Baxendale	763
[1]	CISG and Foreseeability	766
[B]	Nomenclature — "General," "Special," "Consequential" and "Incidental"	
		766
[C]		768
§ 122		770
[A]		770
[B]	Reasonable Certainty and Lost Profits — "New Business" Rule	771
[C]		773
[D]	Alternate Bases of Recovery — Reliance and Rental Value	774
[1]		774776
[2] § 123	The Rental Value Alternative	777
[A]	The Third Limitation	777
	Expenses or Losses Incurred in Attempts to Mitigate	
[B] [C]	"Duty" to Mitigate — UCC and CISG	779
[C]	Personal Service (Employment) Contracts	780
[E]	The "Lost Volume" Concept	782
(1)	"Lost Volume" Seller Under the Uniform Commercial Code	
[F]		
§ 124	EMOTIONAL DISTRESS LIMITATION	787
§ 125	DAMAGES WITH PURPOSES OTHER THAN COMPENSATION — PUNITIVE	
5 -	AND NOMINAL DAMAGES	789
[A]	Punitive Damages — "Efficient Breach"	789
[B]	Nominal Damages	791

TABLE OF CONTENTS § 126 AGREED DAMAGES — LIOUIDATED DAMAGES, PENALTIES, AND LIMITATIONS ON LIABILITY [A] [1] History — Conditioned Penal Bonds — Penalties vs. Liquidated Damages 792 [B]Traditional Tests to Distinguish Liquidated Damage Clauses From Penalties 793 793 [1] The Revised Liquidated Damages Test — Relevance of Actual Loss — UCC and [C] Uniform Commercial Code and Restatement 2d Modification — "Single Look" vs. [1] The "No Harm" Problem — "First Look" vs. "Second Look" 796 [2] International Contracts for the Sale of Goods — CISG and UNIDROIT [3] [D][E]Alternative Remedies: Specific Performance and Liquidated Damages 800 [1] [F]"Underliquidated Damages" — Exculpatory Clauses 801 Limitation of Remedies Under the Uniform Commercial Code — "Failure of [1] [G] § 127 The Restitution Concept [A] 804 [B]804 [1] 805 [2] 805 [3] 806 Recovery by a Defaulting Plaintiff to Avoid Forfeitures 807 [4] 809 [5] 809 [a] [b] Contract Price Limitation, Liquidated Damages, and Specific Performance — 810 [C] Measuring the Restitution Interest (Benefit Conferred) — Specific Restitution — 811 [1] 812 [D]Different Remedies for Different Injuries — Expectation, Reliance and [1] Alternative Remedies — Damages — Specific Performance 813 [2] § 128 SPECIFIC PERFORMANCE AND INJUNCTIONS [A] [1] [B]

Τ	ABLE	OF CONTENTS	
	[1]	The Uncertainty Limitation	817
	[2]	Inadequate Substitute Limitation	818
	[a]	Unique Goods — Inability to Cover — Uniform Commercial Code —	
		Insolvency	818
	[b]	Land — Specific Performance for Buyer	819
	[c]	Land — Specific Performance for Seller — "Mutuality of Remedy" —	
		Adequate Security of Performance	820
	[d]	Essential Equitable Relief	820
	[C]	The Fairness Limitation	821
	[D]	"Public Policy Limitation"	822
	[E]	The Judicial Supervision Limitation — Personal Service Contracts	
	[1]	General Problems in Judicial Supervision	
	[2]	Personal Service Contracts — Injunction — Reinstatement	
	[F]	Power of Termination Limitation	
	[G]	Equitable Relief for Defaulting Plaintiff	
§		UNIFORM COMMERCIAL CODE AND CISG REMEDIES — SURVEY	826
	[A]	UCC Prerequisites — Repudiation, Failure of Performance, Rejection, Revocation	
		of Acceptance, Inspection	
	[B]	Comparison of Seller and Buyer Remedies Under the UCC	
	[1]	Resale and Cover — "Lost Volume" Seller	828
	[2]	Buyer and Seller Remedies for Difference Between Contract Price and Market	
		Price	
	[a]	Cover — Preferred Remedy	
	[b]	"Hypothetical Cover" — Contract/Market Price Difference	829
	[c]	Seller's Damages for Nonacceptance or Repudiation — "Hypothetical	
		Resale"	
	[C]	Restricting Uniform Commercial Code Remedies to Expectation Interest	
	[D]	Damages for Accepted Goods	
	[E]	Consequential and Incidental Damages — Seller's Consequences	
	[F]	Action for the Price — Specific Performance	
	[G]		
	[1]	Overview	
	[2]	Nachfrist Procedure	838 840
	[3]	·	
	[4]	Nonavoidance Procedure — Specific Performance	840 841
	[5] [6]	Securing the Avoidance Route	842
	[0] [7]	Summary	
	[/]	Dummary	044

TABLE OF CONTENTS

Chapter	10 CONTRACT BENEFICIARIES	845
§ 130	THIRD PARTY BENEFICIARY CONTRACTS	846
[A]	Nature and History	846
[1]	Distinguishing Property Rights in Third Persons	
[B]	English Law	
[C]	American Law	
[1]	Statutory Recognition of Third Party Beneficiaries	851
§ 131	PROTECTED VERSUS INCIDENTAL BENEFICIARIES — RESTATEMENTS	852
[A]	Separating Protected From Unprotected Beneficiaries — Intention of the Parties	852
[B]	The Restatements Compared	
[1]	First Restatement — Procrustean Categories — Interdependent Contractors	
[2]	Restatement 2d Test — "Intended Beneficiary."	
[a]	Reliance Test Under the Restatement 2d	
[3]	Reliance by the Promisee as a Basis for Third Party Enforcement	
[4]	"Intention to Benefit" — Interpretation — Parol Evidence — Intention of	
	Promisee or Both Parties	858
[a]	Interpretation	858
[b]	Parol Evidence Rule	859
[c]	Intention — Promisor <i>and</i> Promisee, or Intention of Promisee	860
[5]	Tests Applied — Restatement 2d, "Direct Obligation," "Direct Benefit," "Main	
	Purpose" and Reliance	861
[6]	Incidental Beneficiaries	863
§ 132	IDENTIFICATION OF BENEFICIARY — "VESTING"	864
[A]	Identification of Beneficiary	864
[B]	When Beneficiary Rights Become Irrevocable — "Vesting"	865
[1]	Immediate Vesting	865
[2]	Vesting Upon Reliance	866
[3]	Prevailing View — Restatement 2d	866
[a]	"Assent"	867
[b]	Bringing Suit	867
[c]	Reliance	868
[C]	Disclaimer of Benefit — Infant Beneficiaries	869
§ 133	${\tt GOVERNMENT\ CONTRACTS-SURETYSHIP-MORTGAGE\ ASSUMPTION}$	
5.4.7	— WILLS	869
[A]	Government Contracts	869
[B]	Construction Contracts — Owners — Contractors — Subcontractors	872
[C]	Suretyship — Payment and Performance Bonds	872
[D]	The Mortgage Assumption Situation — "Subject to" — "Assuming," "Break in the	07:
	Chain"	874
[1]	"Break in the Chain of Assumption"	875
[E]	Beneficiaries and Statute of Wills	877

TABLI	E OF CONTENTS	
§ 134	CUMULATIVE RIGHTS — DEFENSES	877
[A]	Cumulative Rights of Beneficiary	877
[B]	Promisee's Right to Enforce the Promise	878
[C]	Promisor's Defenses Against Beneficiary	880
[1]	Defenses on the Contract	880
[2]	Breach by Promisee — Setoffs	881
[3]	Exceptions	881
[a]	Contract Precludes Defenses — Statute of Limitations	881
[b]	Promisee's Liability vs. Absolute Promise	882
[c]	Employee Benefit Plans — National Labor Policy	882
§ 135	"THIRD PARTY BENEFICIARIES" UNDER THE UNIFORM COMMERCIAL CODE — PRODUCTS LIABILITY — HORIZONTAL AND VERTICAL	
	PRIVITY	883
Chapter	11 THE ASSIGNMENT OF RIGHTS AND DELEGATION OF	
	DUTIES	887
§ 136	NATURE OF ASSIGNMENTS	889
[A]	Concept and Terminology	889
[1]	Contract Right — "Property"	889
[2]	Mechanics and Terminology of Assignment and Delegation — Beneficiary	
	Contracts Distinguished	890
[B]	Evolution of Assignment and Delegation	891
[1]	Opposition at Early Common Law	891
[2]	Circumvention — Agency — Power of Attorney	892
[3]	The Intervention of Equity	892
[4]	Real Party in Interest Statutes	893
§ 137	THE UNIFORM COMMERCIAL CODE — ASSIGNMENTS	894
§ 138	THE FORM AND REVOCABILITY OF ASSIGNMENTS	896
[A]	Manifestation of Intention	896
[1]	Oral — Written — Statute of Frauds — Uniform Commercial Code	896
[2]	Present Transfer	897
[3]	Order Assignments — Checks	898
[B]	Consideration — Gratuitous Assignments	899
[1]	Gift Assignments — Revocability — History	899
[2]	Gift Analogy — Seal — Symbolic Documents — the Contract	899
[a]	Seal	899
[b]	•	900
[c]	Unsealed, Nonsymbolic Writings	900
[d]		901
[C]	Revocation of Gratuitous Assignments — Disclaimer	901
8 139	ASSIGNARI F RIGHTS — LIMITATIONS	902

TABLE OF CONTENTS [A] 902 [1] 902 Payment — Land — Goods — Output and Requirements — Express Warranty . [2] 903 904 [3] 905 [4] [5] 906 907 [6] [7] 907 [B] 908 [1] Limitation — Prohibition of Assignment — UCC — "Structured Settlements" . . . [C] 910 [1] Antiassignment Clauses — Promise Not to Assign — Surrendering Power to UCC Limitations on Antiassignment Provisions — The Article 9 Qualification . . 911 [2] THE ASSIGNMENT OF "FUTURE RIGHTS" 913 § 140 [A] [B] [C] [D]DELEGATION OF DUTIES § 141 917 [A] 917 918 [B][C] 920 [D]Repudiation — Novation — Reservation of Rights — Nondelegable Duty 920 Repudiation [1] 920 [2] [3] [E]Liability of Delegate for Nonperformance — Interpretation of General Language of 921 [F]§ 142 DEFENSES, SETOFFS, COUNTERCLAIMS, AND EQUITIES AVAILABLE AGAINST THE ASSIGNEE — UNIFORM COMMERCIAL CODE CHANGES ... 924 [A] [B][C] [D] [1] Determining Which Setoffs and Counterclaims Are Available — "Matured" — [2] [E][F][G]

[1] [2]	A Commercial Paper Primer — Holder in Due Course	930
[2]		
	Waiver of Defenses	931
[3]	Holder in Due Course, Waiver of Defenses, and the Consumer	932
§ 143 PI	RIORITIES — SUCCESSIVE ASSIGNEES — ATTACHING CREDITORS	933
[A]	Common Law Priorities — Successive Assignees — "Four Horsemen"	933
	Modern Commercial Financing — Successive Assignees	935
[C]	Priorities — Assignees vs. Attaching Creditors	937
Chapter 12	THE DISCHARGE OF CONTRACTS	939
§ 144 M	ETHODS OF DISCHARGING A CONTRACTUAL DUTY	939
[A]	A Survey of Methods	939
[B]	Discharge by Informal Agreement, Gift, Rejection of Tender or Waiver of Breach .	940
[C]	Rescission	942
[D]	Renunciation	943
§ 145 A	CCORD AND SATISFACTION AND SUBSTITUTE CONTRACT	944
[A]	Distinguishing Accord and Satisfaction From Substitute Contract	944
[B]	Obligee's Repudiation of Accord or Substitute Contract	947
[C]	Obligor's Failure to Perform Accord or Substitute Contract	949
[D]	Accord and Satisfaction With a Third Person	949
§ 146 O'	THER METHODS OF DISCHARGE	950
[A]	Account Stated	950
[B]	Novation	952
[C]	Release	954
[D]	Contract ("Covenant") Not to Sue	955
[E]	Cancellation and Termination	956
[F]	Alteration	957
[G]	Merger	959
Appendix A	UNIFORM COMMERCIAL CODE ARTICLES 1 AND 2	961
Appendix B	UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS (Vienna, Jan. 1, 1988) ("CISG")	1037