Contracts

Contracts

The Law of Promises

SECOND EDITION

Daniel P. O'Gorman

Professor of Law

Dwayne O. Andreas School of Law

Barry University



Copyright © 2024 Daniel P. O'Gorman All Rights Reserved

Library of Congress Cataloging-in-Publication Data

Names: O'Gorman, Daniel P., author.

Title: Contracts: the law of promises / Daniel P. O'Gorman.

Description: Second edition. | Durham, North Carolina : Carolina

Academic Press, 2024. | Includes bibliographical references and index.

Identifiers: LCCN 2023050322 | ISBN 9781531027667 (hardback) |

ISBN 9781531027674 (ebook)

Subjects: LCSH: Contracts—United States. | LCGFT: Casebooks (Law) Classification: LCC KF801.A7 O35 2024 | DDC 346.7302/2—dc23/

eng/20231031

LC record available at https://lccn.loc.gov/2023050322

Carolina Academic Press 700 Kent Street Durham, North Carolina 27701 (919) 489-7486 www.cap-press.com

Printed in the United States of America

To Professor Kingsfield, who inspired me to become a Contracts professor; to Patches, the cat who keeps going missing, year after year; and to Susan and Kathleen, for their tolerance and support.

Contents

Table of Principal and Squib Cases	xxvii
Acknowledgments	xxxi
Preface	xxxiii
Online Materials	XXXV
PART ONE • THE BASICS	
Chapter 1 • Introduction	5
1. Contract Law Distinguished from Tort Law, Property Law,	
and Civil Procedure	5
2. Black Letter Law	6
3. Case Method of Instruction	9
4. Casebook's Organization	10
5. Quick Start Guide	11
6. Policies Underlying Contract Law	13
Chapter 2 • Sources of Contract Law	17
1. Statutory Law vs. Common Law	17
1.1 Restatement (Second) of Contracts	17
1.2 Article 2 of the Uniform Commercial Code	18
"Sale" of "Goods"	19
Merchants	21
2. Hybrid (Mixed) Contracts and the Predominant-Purpose Test	23
PROBLEMS	27
Note: International Sale of Goods	29
Chapter 3 • What Is a Promise?	31
1. The Law's Definition of <i>Promise</i>	31
1.1 Manifestation of Intention to Act or Refrain from	
Acting in a Specified Way: Future Action or Inaction	32
Promise and Misrepresentation Distinguished	32
1.2 Commitment	32

viii CONTENTS

2.	ypes of Promises: Express, Implied-in-Fact, and Implied-in-Law	33
	.1 Express Promise	33
	.2 Implied-in-Fact Promise	34
	.3 Implied-in-Law Promise	35
	PROBLEMS	35
Chaj	er 4 • Promises that Are Legally Binding	39
1.	ntroduction	39
	.1 Principal Ways in Which a Promise Becomes Legally Binding:	
	Contract and Promissory Estoppel	40
	.2 Quasi-Contract	41
	.3 Formality and the Seal	41
2.	Contracts (Bargains)	42
	.1 Why Promises in Contracts Are Legally Binding	42
	.2 No Need to Manifest Intent to Be Legally Bound	44
	.3 Elements of a Claim for Breach of Contract	45
	Bolin Farms v. American Cotton Shippers Ass'n	47
	Questions about this Case	48
3.	romissory Estoppel (Detrimental Reliance)	49
	.1 Why Promises Are Enforced Under Promissory Estoppel	49
	.2 Elements of a Claim for Promissory Estoppel	50
	Charitable Pledges	52
	Ricketts v. Scothorn	53
	Questions about this Case	55
4.	Quasi-Contract (Unjust Enrichment)	56
	.1 Why Quasi-Contracts Are Recognized	56
	.2 Why They Are Called "Quasi-Contracts"	57
	.3 Independent Theory of Recovery	57
	.4 Elements of a Claim for Quasi-Contract	57
	.5 Quasi-Contract and Implied-in-Fact Contract Distinguished	58
	.6 When It Is Unjust to not Pay for Services Received in	
	the Absence of an Enforceable Contract	58
	.7 Quantum Meruit	60
	Schoenberg v. Rose	61
	Questions about this Case	65
	PROBLEM	66
	PART TWO • CONTRACT FORMATION	
Chaj	er 5 • Introduction to Contract Formation	71
1.	lements of Contract Formation	72
2.	equirement that Two or More Persons with Legal Capacity	
	Manifest Assent to the Transaction	72

CONTENTS	ix

3. Objective Theory of Contract	74			
Question	76			
Chapter 6 • Offer				
1. Element One: Manifestation of Willingness to Enter into a Bargain				
Leonard v. PepsiCo, Inc.	81			
Questions about this Case	86			
PROBLEM	86			
2. Element Two: Recipient Would Be Justified in Understanding Assent Is Invited and Will Conclude the Bargain Without Further				
Manifestation from the Offeror	87			
2.1 Inquiring About the Possibility of a Deal	89			
People v. Braithwaite	90			
Questions about this Case	91			
2.2 Advertisements	91			
Lefkowitz v. Great Minneapolis Surplus Store, Inc.	93			
Questions about this Case	95			
PROBLEMS	96			
2.3 Price Quotations	96			
2.4 Auctions	97			
2.5 Written Document (or More Formal Written Document)				
to Follow	97			
2.6 Unsigned Signature Line for Party Proposing Written Contract	99			
2.7 Promissory Estoppel and Preliminary Negotiations				
(Precontractual Liability)	100			
3. Element Three: Offer's Terms Are Sufficiently Definite	101			
3.1 Vague Terms, Gaps, and Agreements to Agree	101			
3.2 Distinction Between Definiteness Requirement and Similar Issues	102			
3.3 Gap Filling	104			
3.4 Promissory Estoppel and Quasi-Contract	106			
Chapter 7 • Acceptance	107			
1. Element One: Manifestation of Assent	108			
1.1 General Requirement of Overt Act; Unequivocal;				
Objective Theory of Contract	108			
Lucy v. Zehmer	109			
Questions about this Case	114			
South West Terminal Ltd. v. Achter Land & Cattle Ltd.	114			
Questions about this Case	117			
PROBLEMS	117			
1.2 Duty-to-Read Rule	118			
1.1.1 Fraud in the Execution	118			
Question	120			

x CONTENTS

	1.3	Knowledge of the Offer	120
		Cross Offers	122
	1.4	Grumbling Acceptance	122
		PROBLEM	123
	1.5	Silence and Inaction in Response to an Offer	123
		Exceptions	123
		Ammons v. Wilson & Co.	125
		Questions about this Case	127
	1.6	Exercise of Dominion	127
		Stevenson v. Stevenson	130
		Question about this Case	131
		PROBLEM	131
2.	Elei	ment Two: By an Offeree	132
		Power of Acceptance Is Personal to the Offeree	132
	2.2	General Offer	133
	2.3	Determining the Offeree(s)	133
		Cobaugh v. Klick-Lewis, Inc.	134
		Questions about this Case	135
		PROBLEM	136
3.	Elei	ment Three: To the Terms of the Offer	136
	3.1	Common Law Mirror-Image Rule	136
		Ardente v. Horan	138
		Questions about this Case	141
	3.2	Article 2 of the U.C.C. and the "Battle of the Forms" Rule	141
		3.2.1 Forming a Contract under Section 2-207	143
		3.2.2 Determining the Contract's Terms under Section 2-207	146
		Flender Corp. v. Tippins International, Inc.	148
		Questions about this Case	152
4.	Elei	ment Four: Invited or Required Manner	153
	4.1	Promise vs. Performance as Manner of Acceptance:	
		Bilateral and Unilateral Contracts	153
		Starting Performance as a Promise to Fully Perform	155
		Identifying an Offer for a Unilateral Contract	156
		Davis v. Jacoby	160
		Questions about this Case	166
	4.2	Exclusive vs. Suggested Manner of Accepting Offer	
		for a Bilateral Contract	166
		Allied Steel & Conveyors, Inc. v. Ford Motor Co.	170
		Questions about this Case	173
		Antonucci v. Stevens Dodge, Inc.	173
		Questions about this Case	175
		PROBLEMS	175

	4.3		of Acceptance	175
		4.3.1	Notice of Acceptance of Offer for Bilateral Contract	176
			Dispatch Rule (Mailbox Rule)	177
			PROBLEM	179
			Questions	179
			Overtaking Rejection Ineffective	179
			Private Messenger Service	180
			Deadline for Acceptance	180
			Improper Dispatch	181
		122 1	Instantaneous Two-Way Communications	181
			Notice of Acceptance of Offer for Unilateral Contract	182
			Notice of Acceptance and Effective Time of Acceptance n Case of Doubt	183
			White v. Corlies	184
			Question about this Case	186
5	Fla	ment Fix	re: Acceptance Effective Before Termination of Power	100
٥.		cceptan	_	187
		-	's or Offeree's Death or Legal Incapacity	188
		Revoca	- · ·	189
	3.2		et and Indirect Revocations	191
			n Revocation Is Effective: General Rule (Receipt)	191
			ptions to the Receipt Rule	192
		-	play Between Revocations and the Dispatch Rule	193
			over Motor Express Co. v. Clements Paper Co.	193
			Questions and Notes about this Case	197
			OBLEM	197
	5.3	Lapse o		197
		-	Specified Time	198
			Offeror Specifies Amount of Time to Accept Rather	
			than Date	198
			Specified Time and Dispatch Rule	198
		5.3.2	Reasonable Time	199
			Question	201
			Loring v. City of Boston	202
			Questions about this Case	205
	5.4	Rejection		205
		•	n a Rejection Is Effective (Receipt)	208
			ers v. J. B. Sedberry, Inc.	209
			Questions about this Case	214
			OBLEMS	214
	5.5	Counte	roffer	215
		When	n a Counteroffer Is Effective (Receipt)	217

xii CONTENTS

Rios v. State		
Questions about this Case		
5.6 Failure of Condition of Acceptance Under the Offer's Terms		
5.6.1 Express Condition of Acceptance	223	
5.6.2 Implied Condition of Acceptance	223	
PROBLEM	225	
5.7 Options	226	
Death	226	
Attempted Revocation	227	
Rejections	227	
Dispatch Rule	227	
Creating an Option	228	
5.7.1 Option Contract Formed by Consideration	229	
Starting Performance of Unilateral Contract as		
Consideration for an Option	231	
PROBLEM	233	
5.7.2 Option by Promissory Estoppel	234	
Ragosta v. Wilder	235	
Questions about this Case	238	
Drennan v. Star Paving Co.	240	
Questions about this Case	244	
5.7.3 Option by Formality: U.C.C.'s Firm-Offer Rule	244	
Merchant	245	
Signed Writing	246	
In Excess of Three Months	247	
Chapter 8 • Consideration	249	
1. Element One: Bargained-for Exchange	250	
Objective Theory of Contract	251	
Elements of a Bargained-for Exchange	251	
1.1 Exchange	252	
1.1.1 Past Consideration	253	
Harrington v. Taylor	253	
Questions about this Case	254	
Moore v. Elmer	254	
Questions about this Case	255	
Past Consideration and Promissory Estoppel	255	
Feinberg v. Pfeiffer Co.	256	
Questions about this Case		
Past Consideration and Moral Obligation	261	
1.1.2 Illusory Promise	263	
Spooner v. Reserve Life Ins. Co.	268	
Questions about this Case	271	

CONTENTS	xiii	
Miami Coca-Cola Bottling Co. v. Orange Crush Co.	271	
Questions about this Case	272	
Squib Case for Comparison: Lindner v. Mid-Continent		
Petroleum Corp.	272	
PROBLEMS	273	
1.1.3 Implied-in-Fact Promise as Consideration	273	
Wood v. Lucy, Lady Duff-Gordon	275	
Questions about this Case	276	
1.2 Bargained For	277	
Whitten v. Greeley-Shaw	280	
Questions about this Case		
Squib Case for Comparison: Sharon v. Sharon		
Simmons v. United States		
Questions about this Case	283	
PROBLEMS	284	
1.2.1 Mixed Motive (Mixture of Bargain and Gift)	284	
National Historic Shrines Foundation, Inc. v. Dalí	286	
Questions about this Case	287	
1.2.2 Peppercorn Theory Compared with Pretense of a Bargain	287	
Dingler v. Ritzius	291	
Batsakis v. Demotsis	292	
In re Greene	295	
Questions about these Cases	297	
PROBLEMS	297	
1.2.3 Consideration Compared with Condition of		
a Gratuitous Promise	298	
Pennsy Supply, Inc. v. American Ash Recycling Corp.	301	

Questions about this Case

Promise to Modify a Contract

Alaska Packers' Ass'n v. Domenico

Payment of a Portion of a Preexisting Debt

Questions about this Case

Source of the Duty; Duty Owed to Third Party

PROBLEMS

Questions about this Case

PROBLEM

2. Element Two: Legal Value

PROBLEM

2.2 Preexisting-Duty Rule

2.2.1 General Rule

Hamer v. Sidway

2.1 General Rule

304

305

306

308

308

311

312

312

312

314

314

316

320

320

321

xiv CONTENTS

	2.2.2	Circum	eventing the Preexisting-Duty Rule	322
		2.2.2.1	Unanticipated-Circumstances Doctrine	323
			Angel v. Murray	325
			Questions about this Case	329
		2.2.2.2	Modifying Contracts for the Sale of Goods	329
			PROBLEM	331
2.3	3 Settle	ment of	an Invalid Legal Claim	331
	Rel	ease and	Contract Not to Sue	332
	F	iege v. Bo	oehm	333
		Questio	ons about this Case	336
2.4	l Acco	d and Sa	ntisfaction, Substituted Contract, Novation,	
	and A	greemei	nt of Rescission	336
	2.4.1	Accord	and Satisfaction	336
	2.4.2	Substitu	uted Contract	339
	2.4.3	Novatio	on	340
	2.4.4	Agreen	nent of Rescission	341
	_		PART THREE • BREACH	
Chapter	9 • Br	each: Ge	eneral Concepts	345
1. Br	each			345
2. Re	pudiati	on		346
2.1	Distir	nctions B	Between Breach and Repudiation	348
2.2	2 Aggri	eved Par	ty's Options Upon a Repudiation	349
2.3	Nullif	ication o	of Repudiation	352
2.4	l Dema	and for A	Adequate Assurance	353
	Inse	olvency		355
Chapter	10 • Ic	dentifyir	ng the Contract Duties	357
1. Dı	ıty-to-R	kead Rule	e	358
1.1	Click	wrap, Br	owsewrap, and Shrinkwrap Agreements	359
2. Pa	rol Evid	ence Ru	le	362
]	Rule Pre	cludes P	arol Evidence	365
]	Rule of S	Substant	ive Law, not a Rule of Evidence	365
1	Applies	to Prior	and Contemporaneous Oral Agreements and	
]	Prior W	ritten Ag	greements	365
]	Ooes no	t Apply	to Subsequent Agreements and Promises	366
(Court A	pplies th	e Rule	367
r	The Rule	2		368
2.1	Step (One: Is th	ne Written Contract an Integrated Agreement?	369
	Coı	nditional	-Formation Exception	371

CONTENTS	XV
----------	----

	2.2 Ste	p Two: Is the Extrinsic Term Consistent or Inconsistent	
	-	h the Integrated Agreement?	374
		Note About the Restatement of Consumer Contracts and	
	Iı	nconsistent Terms	376
		Snyder v. Herbert Greenbaum & Assocs., Inc.	376
		Questions about this Case	378
	2.3 Step	p Three: Is the Integrated Agreement a Total (Complete)	
	-	egration or a Partial Integration?	378
	S	Separate Agreements for Separate Consideration	
	('	"Collateral Agreement" Rule)	380
		Natural to Omit	381
	P	Parties' Intentions	382
		Mitchill v. Lath	389
		Lee v. Joseph E. Seagram & Sons, Inc.	392
		Questions about these Cases	395
		PROBLEM	395
3.	Interpre	eting the Contract's Express Terms and Provisions	396
		p One: Is the Term or Provision Ambiguous?	397
	3.1	.1 Plain Meaning Rule (or Four Corners Rule)	399
	3.1	.2 Context Rule	399
		Questions	401
	3.2 Ste	p Two: Was there a Mutual Understanding?	401
	In	n re Soper's Estate	403
		Questions about this Case	407
	3.3 Ste	p Three: Was One Party Aware of the Misunderstanding?	407
	3.4 Ste	p Four: Which Party's Meaning Is More Reasonable?	
	(Ol	bjective Theory of Contract Interpretation)	408
	(City of Everett v. Estate of Sumstad	410
		Questions about this Case	412
	F	PROBLEMS	413
	3.4	2.1 Relevant Extrinsic Evidence	414
		Course of Performance, Course of Dealing, and	
		Usage of Trade	414
		Frigaliment Importing Co. v. B.N.S. International	
		Sales Corp.	415
		Question about this Case	420
		2.2 Canons of Construction	420
	3.4	.3 Material Misunderstanding with Each Party Equally	
		at Fault: Mistake in Expression of Assent	422
		Questions	424
4.	Reform		425
		ing Error	426
	Fraud	lulent Misrepresentation	427

xvi CONTENTS

Heightened Standard of Proof: Clear and Convincing Evidence	427
Note About the Restatement of Consumer Contracts and	
a Business's Misleading Statements	429
5. Implied Terms	429
5.1 Implied-in-Fact Terms	429
5.2 Implied-in-Law Terms	432
5.2.1 Implied Covenant of Good Faith and Fair Dealing	432
PROBLEM	435
5.2.2 Implied Warranties	436
Chapter 11 • Conditions	439
Different Types of Conditions	441
1. Express Conditions	443
1.1 Requirement of Exact and Complete Fulfillment	444
1.2 Express Condition vs. Promise	444
Howard v. Federal Crop Insurance Corp.	448
Questions about this Case	451
PROBLEM	452
1.3 Restitution and the Failure of an Express Condition	452
1.4 Interpreting Conditions of Satisfaction	453
PROBLEM	457
1.5 Parol Evidence Rule and Express Conditions	458
Luria Bros. & Co. v. Pielet Bros. Scrap Iron & Metal, Inc.	459
Questions about this Case	462
2. Implied-in-Fact Conditions	463
3. Constructive (Implied-in-Law) Conditions	466
Effects of a Material Breach	467
Injured party's duties do not become due	467
Injured party can cancel contract	468
Injured party that cancels can immediately sue for all of	
the other party's unperformed duties	469
Determining if there has been a Material Breach that Prevents	450
the Other Party's Performance from Becoming Due	470
3.1 First Question: Were the Performances Part of the	470
Same Contract?	470
3.2 Second Question: Was Performance (or Tender of Performance)	471
Due Prior to Other Party's Performance? 3.3 Third Question: Was the Nonperformance Material?	471 473
1	
Jacob & Youngs, Inc. v. Kent Squib Case for Comparison: O. W. Grun Roofing &	475
Constr. Co. v. Cope	477
Question about these Cases	477
3 3 1 Perfect-Tender Rule	478

CONTENTS	xvii
3.4 Fourth Question: Were the Covenants Dependent?	482
3.4.1 Presumption that Promises Within Same Contract	
Are Dependent Covenants	482
3.4.2 Divisible Contracts	483
Lowy v. United Pacific Insurance Co.	486
Questions about this Case	488
3.5 Quasi-Contract Claim by Party Who Has Materially Breached	488
4. Excusing the Failure of a Condition	490
4.1 Breach of the Implied Covenant of Good Faith and	
Fair Dealing	491
Foreman State Trust & Savings Bank v. Tauber	493
Question about this Case	496
4.2 Waiver	496
4.2.1 Element One: Waiver by Party for Whose Benefit	
the Condition Was Included	497
Express Waiver vs. Implied Waiver	497
Waiving Past Conditions	497
Waiving Future Conditions	498
4.2.2 Element Two: Not Material	499
Waiving Anti-Waiver and No-Oral-Modification	
Clauses	501
Reinstating Waived Conditions	501
Universal Builders, Inc. v. Moon Motor Lodge, Inc.	502
Questions about this Case	503
4.3 Estoppel (Promissory and Equitable)	504
4.4 Impracticability	505
Grenier v. Compratt Construction Co.	506
Questions about this Case	508
4.5 Disproportionate Forfeiture	509
Acme Markets, Inc. v. Federal Armored Express, Inc.	510
Questions about this Case	513
PROBLEM	513
PART FOUR • DEFENSES AND EXCUSES	
Chapter 12 • Statute of Frauds	517
1. Introduction to the Statute of Frauds	517
"Within" vs. "Outside" of the Statute	518
Modifications and Agreements of Rescission	519
Effect of Noncompliance: Entire Contract Is Unenforceable	519
Analyzing a Statute of Frauds Problem: Three Issues	520
Statute of Frauds vs. Parol Evidence Rule	521

xviii CONTENTS

2.		te One: Is the Contract Within One of the Classes of Contracts	522
		vered by the Statute of Frauds?	522
	2.1	Contract to Pay the Debt of Another (Suretyship Provision) Broad Definition of "Debt"	523
		Consideration	523
			524
		Promise Must Be to the Creditor Debt "of Another"	525 525
			525 526
		Promise Must Be "Collateral": Leading-Object Rule	526 527
		Yarbro v. Neil B. McGinnis Equipment Co.	527
	2.2	Questions about this Case	530
	2.2	Contract by Estate's Executor or Administrator to Pay Debt	531
		of Decedent (Executor-Administrator Provision) Debt Must Arise Before Decedent's Death	
			531
		Limitations	532
	2.2	Similar to Suretyship Provision	532
		Contract in Consideration of Marriage (Marriage Provision)	533
		Sale of an Interest in Land (Land-Sale Provision)	535
	2.5	Contract Not to Be Performed Within One Year	F20
		(One-Year Provision)	539
		2.5.1 Measuring the One-Year Period	540
		2.5.2 "To Be Performed" Within One Year	541
		Lifetime Contracts	542
		Performance vs. Excusable Nonperformance	543
		2.5.3 Full-Performance Doctrine	543
		Warner v. Texas & Pacific Railway Co.	545
	2 -	Questions about this Case	547
_		Contract for the Sale of Goods Priced \$500 or More	548
3.		te Two: Is the Contract Evidenced by a Sufficient Writing?	550
	3.1	Writing Requirement	551
		Any Writing May Be Sufficient	551
		Neither Delivery nor Communication Is Necessary;	
		Loss or Destruction Irrelevant	552
		Multiple-Writings Exception	553
		Time of the Writing	553
	3.2	Signature Requirement	554
		"Party to Be Charged"	554
		Broad Definition of "Signature"	555
		Signature by Agent of Party to Be Charged	555
		Location of Signature and Time of Signing	556
	3.3	Contents of the Writing	557
		Crabtree v. Elizabeth Arden Sales Corp.	561
		Questions about this Case	565

CONTENTS	xix

4. Exceptions	566
4.1 Reliance	566
4.1.1 Part-Performance Doctrine (Land-Sale Contracts)	566
4.1.2 Equitable Estoppel	569
4.1.3 Promissory Estoppel	571
McIntosh v. Murphy	571
Questions about this Case	577
4.2 Quasi-Contract and Restitution	577
Chapter 13 • Voidable Contracts	579
1. Introduction	579
1.1 Effect of Voiding the Contract	580
1.2 Voidable Contract, Void Agreement, and Unenforceable	
Contract/Promise	581
1.3 Voiding Party's Burden of Proof	581
1.3.1 When a Party Has the Power of Avoidance	581
1.3.2 Void the Contract Promptly	582
1.4 Other Party's Burden of Proof: Ratification	584
1.5 Action for Rescission: A Sword Rather than a Shield	585
2. Lack of Full Capacity to Contract: Infancy, Mental Infirmity,	
and Intoxication	587
Total Incapacity	587
Partial (or Limited) Capacity	588
Full Capacity	589
2.1 Infancy	589
Limited Capacity to Contract	589
Under 18 Years of Age	590
Purpose	590
Emancipation and Misrepresentation of Age	591
Use and Depreciation	592
Necessaries	593
Disaffirmance	594
Halbman v. Lemke	595
Questions about this Case	599
PROBLEM	600
2.2 Mental Infirmity	600
Protecting the Party Without a Mental Illness	601
When Mental Illness Prevents Formation of a Contract	602
Butler v. Harrison	603
Questions about this Case	606
2.3 Intoxication	606
Questions	608

xx CONTENTS

3.	Mis	take	608
	3.1	Mutual Mistake	608
		3.1.1. Element One: Mutual Mistake	609
		3.1.2 Element Two: Basic Assumption	611
		3.1.3 Element Three: Material Effect on the Agreed Exchange	612
		3.1.4 Element Four: Not Bear the Risk	613
		Reformation: Mistake in Integration	616
		Mistake in Expression of Assent	616
		Beachcomber Coins, Inc. v. Boskett	616
		Nelson v. Rice	618
		Questions about these Cases	621
		PROBLEMS	621
	3.2	Unilateral Mistake	622
		3.2.1 Element One: Unilateral Mistake	623
		3.2.2 Element Two: Basic Assumption	623
		3.2.3 Element Three: Materially Adverse Effect	624
		3.2.4 Element Four: Not Bear the Risk	624
		3.2.5 Element Five: Unconscionable, Reason to Know, or Fault	624
		First Baptist Church v. Barber Contracting Co.	625
		Questions about this Case	630
		PROBLEMS	630
4.		representation	631
	4.1	Element One: Misrepresentation	632
		Need Not Be Fraudulent	632
		Must Be About Past Event or Present Circumstance	632
		Opinion	633
		Half-Truth	634
		Concealment	635
		Nondisclosure	635
		Element Two: Fraudulent or Material	639
		Element Three: Inducement (Reliance)	640
	4.4	Element Four: Reliance was "Justified"	641
		Disclaimer Clause	642
		Opinion	644
		Statement of Intention	645
		Falsity Is Obvious	645
	4.5	Element Five: Other Party Knew or Had Reason to Know of	
		the Misrepresentation (Third-Party Misrepresentation Only)	646
		Fraud in the Execution	647
		Misrepresentation Compared with Express Warranty	648
		Weintraub v. Krobatsch	649
		Questions about this Case	655

CONTENTS	xxi
----------	-----

LaFazia v. Howe	655
Questions about this Case	660
PROBLEMS	661
5. Duress	661
5.1 Element One: Improper Threat	662
Threat to Commit Crime or Tort	663
Threatened Abuse of the Legal Process	664
Threat to Breach a Contract	665
Extortion	666
Threatened Abuse of Power	667
5.2 Element Two: Inducement	667
5.3 Element Three: No Reasonable Alternative	667
5.4 Element Four: Other Party Knew or Had Reason to Know of	
the Threat (Third-Party Threat)	668
Austin Instrument, Inc. v. Loral Corp.	669
Questions about this Case	673
6. Undue Influence	674
6.1 Element One: Confidential Relationship or Position of Domination	674
6.2 Element Two: Unfair Persuasion	675
6.3 Element Three: Inducement	676
6.4 Element Four: Other Party Knew or Had Reason to Know	
of the Threat (Third-Party Threat)	676
Fiduciary Relationship	677
Door-to-Door Sales	678
Kase v. French	678
Questions about this Case	683
Squib Case: Odorizzi v. Bloomfield Sch. Dist.	683
Chapter 14 • Public Policy	687
1. Introduction	687
Agreement Is Either Void or Unenforceable	688
"Public Policy"	689
Restitution	691
2. Types of Agreements Typically Implicating Public Policy	692
2.1 Agreement that Impairs Family Relations	692
2.2 Pre-Injury Release	693
2.3 Agreement in Restraint of Trade	694
Legitimate Business Reason and Restriction Reasonable	
in Scope, Area, and Duration	695
Balancing Test	696
Effect of an Overbroad Noncompetition Agreement	696
West Group Broadcasting, Ltd. v. Bell	697
Questions about this Case	702

xxii CONTENTS

	ling Agreement	703
Prol	olems	703
2.5 Licens	sing Requirement	704
MG	M Construction Services Corp. v. Travelers Casualty	
& Si	urety Co.	705
Q	uestions about this Case	710
Chapter 15 • U	nconscionability	713
1. Element O	ne: Procedural Unconscionability	714
2. Element T	wo: Substantive Unconscionability	715
3. Effect of a	Finding of Unconscionability	717
Unconsc	ionability and the Peppercorn Theory of	
Consider	ration	718
Consum	er Rights Legislation and Administrative	
Regulation	ons	718
Willian	ns v. Walker-Thomas Furniture Co.	719
Que	stions about this Case	723
Chapter 16 • C	hanged Circumstances: Impracticability of	
Pe	erformance and Frustration of Purpose	725
1. Introduction	on	725
General	Rule: Strict Liability and No Buyer's Remorse	726
Force-M	ajeure Clause	727
Seminal	Case: Taylor v. Caldwell	728
2. Impractica	bility of Performance	729
2.1 Types	of Impracticability	729
Supe	ervening and Existing Impracticability	729
Tem	porary Impracticability	730
Part	ial Impracticability	730
2.2 Eleme	ents	730
2.2.1	Element One: Impossible or Impracticable	731
2.2.2	Element Two: Event's Occurrence Was not the	
	Party's Fault	735
	PROBLEMS	736
2.2.3	Element Three: Event's Nonoccurrence Was	
	Basic Assumption	736
2.2.4	Element Four: No Agreement to Bear the Risk	738
	Squib Case for Comparison to Example 16.23:	
	Parker v. Arthur Murray, Inc.	739
2.3 Effect	on Other Party's Duties	740
2.4 Restitu	ution	741
2.5 Comp	leted Performance	742
2.6 Modif	ication	742

		CONTENTS	xxiii
	Squ	uillante v. California Lands, Inc.	743
	-	nib Case for Comparison: Bunge Corp. v. Recker	744
	-	Questions about these Cases	744
3.	Frustratio	n of Purpose	744
	3.1 Introd	duction	744
	3.2 Eleme	ents	747
	3.2.1	Element One: Frustrates Principal Purpose	747
	3.2.2	Elements Two, Three, and Four (Party not at Fault;	
		Nonoccurrence Basic Assumption; No Agreement	
		to Bear Risk)	748
		Krell v. Henry	749
		Questions about this Case	752
		AGW Sono Partners, LLC v. Downtown Soho, LLC	753
		Question about this Case	758
		PROBLEM	758
4.	Impractic	ability of Performance and Frustration of Purpose	
	Compared	d with Mistake and Other Related Doctrines	759
Cha		egal Remedies: Damages	767
-	-		/6/
1.		ion to the Types of Damages Awarded for Breach of	
	an Enforce	eable Promise: Expectation Damages, Reliance Damages,	760
		ages for Breach of Contract	768 768
		Expectation Damages	768 768
		tification for Award of Expectation Damages	769
		pectation Damages Formula	709
	LA	1.1.1.1 Loss in Value	770
		1.1.1.2 Incidental Losses	771
		Attorney's Fees and the American Rule	771
		1.1.1.3 Consequential Losses	772
		Emotional Disturbance	773
		PROBLEMS	774
		1.1.1.4 Costs and Losses Avoided	774
		Savings	775
		Mitigation	776
		Collateral Source Rule	778
	1.1.2	Reliance Damages	778
	1.1.3	Restitution	781
	1.1.4	Punitive Damages	783
	1.1.5	Nominal Damages	783

xxiv CONTENTS

	1.2	Damages under Promissory Estoppel	784
	1.3	Remedy under Quasi-Contract	785
		Hawkins v. McGee	786
		Question about this Case	788
		PROBLEM	788
2.	Lim	nitations on Damages	789
	2.1	Avoidable Losses (Mitigation Doctrine)	789
		Negative Aspect	789
		Affirmative Aspect	790
		Parker v. Twentieth Century-Fox Film Corp.	791
		Questions about this Case	797
	2.2	Unforeseeability (Remote Losses)	797
		Hadley v. Baxendale	800
		Questions about this Case	803
		PROBLEMS	803
	2.3	Uncertainty (Speculative Losses)	804
		"New Business Rule" Rejected	805
		Loss-of-Chance Damages	805
		Delay in Use of Property (Loss-of-Use Damages)	806
		Unfinished or Defective Construction (Cost of Completion/	
		Repair or Difference in Value)	807
		Chicago Coliseum Club v. Dempsey	808
		Questions about this Case	812
		PROBLEMS	812
3.	Cor	ntractual Provisions Regarding Damages	813
	3.1	Stipulated Damages	813
		Enforceable Liquidated Damages or a Penalty	814
		Types of Stipulated-Damages Provisions	814
		Effect of a Provision that Is a Penalty	815
		Test of Enforceability	815
		Effect of Liquidated-Damages Provision on Quasi-Contract	
		Claim by Breaching Party	817
		NPS, LLC v. Minihane	818
		Questions about this Case	821
	3.2	Stipulated Limitations on Damages	821
		No Duty to Read	822
		Unconscionable	822
		Fotomat Corp. v. Chanda	823
		Questions about this Case	828
		PROBLEM	829

CONTENTE	
CONTENTS	XXV

Chapter 18 • Equitable Remedies: Specific Performance	
and Injunctions	831
1. Element One: Inadequate Remedy at Law	833
Difficulty Proving Amount of Damages to a Reasonable Certainty	834
Difficulty Obtaining Substitute Performance	835
Difficulty Collecting	837
2. Element Two: Contract's Terms Sufficiently Certain	838
3. Element Three: No Personal Service Compelled	839
4. Considerations of Fairness	842
Clean Hands and Laches	842
Hogan v. Norfleet	843
Questions about this Case	845
Cort v. Lassard	845
Questions about this Case	847
Squib Case for Comparison: Shubert Theatrical Co. v. Rath	847
PROBLEMS	848
	_
PART SIX • THIRD-PARTY RIGHTS AND DUTIES	_
Chapter 19 • Intended Beneficiaries	853
1. Introduction	853
General Rule: Privity of Contract Required	853
Intended Beneficiary and Incidental Beneficiary	854
2. Test	856
2.1 Element One: "Intent to Benefit" Test	856
2.2 Element Two: Recognition of Right to Performance	
Appropriate to Effectuate the Parties' Intentions	857
PROBLEMS	858
3. Creditor Beneficiaries	859
Statute of Frauds' Suretyship Provision	860
PROBLEMS	860
4. Donee Beneficiaries	861
5. Defenses	862
6. Vesting of Intended Beneficiary's Right to Performance	863
Chapter 20 • Assignment of Rights	867
1. Introduction	867
2. How Rights Are Assigned	869
3. Effect of an Assignment	870
4. When a Party Does not Have the Power of Assignment	871
4.1 Anti-Assignment Clause	871

xxvi CONTENTS

4.2 Material Variation	873
4.3 Precluded by Statute or Public Policy	875
PROBLEM	875
5. Revocability of Assignment	875
6. Defenses	877
7. Power to Modify Executory Contract	878
Chapter 21 • Delegation of Performance of Duties	881
1. Introduction	881
2. Effect of a Delegation	882
Agreement to Discharge Delegator	884
3. When a Party Does not Have the Privilege to Delegate	885
PROBLEM	886
A Final Comment: Tortious Interference with a Contract	887
Appendix A • Black Letter Law	889
Chapter 1: Introduction	889
Chapter 2: Sources of Contract Law	889
Chapter 3: What Is a Promise?	890
Chapter 4: Promises That Are Legally Binding	890
Chapter 5: Introduction to Contract Formation	890
Chapter 6: Offer	891
Chapter 7: Acceptance	892
Chapter 8: Consideration	899
Chapter 9: Breach: General Concepts	902
Chapter 10: Identifying the Contract Duties	903
Chapter 11: Conditions	906
Chapter 12: Statute of Frauds	909
Chapter 13: Voidable Contracts	910
Chapter 14: Public Policy	914
Chapter 15: Unconscionability	915
Chapter 16: Changed Circumstances: Impracticability of Performance	
and Frustration of Purpose	916
Chapter 17: Legal Remedies: Damages	917
Chapter 18: Equitable Remedies: Specific Performance and Injunctions	919
Chapter 19: Intended Beneficiaries	920
Chapter 20: Assignment of Rights	921
Chapter 21: Delegation of Performance of Duties	923
Appendix B • Glossary	925
Index	945

Table of Principal and Squib Cases

\circ	• 1				:	1 •
1	1111h	cases	are	111	11 a	100
o_{ν}	uv	cuscs	uic	$\iota\iota\iota\iota$	uuu	$\iota\iota\iota$

Acme Markets, Inc. v. Federal Armored Express, Inc.	510
AGW Sono Partners, LLC v. Downtown Soho, LLC	753
Akers v. J. B. Sedberry, Inc.	209
Alaska Packers' Ass'n v. Domenico	316
Allied Steel & Conveyors, Inc. v. Ford Motor Co.	170
Ammons v. Wilson & Co.	125
Angel v. Murray	325
Antonucci v. Stevens Dodge, Inc.	173
Ardente v. Horan	138
Austin Instrument, Inc. v. Loral Corp.	669
Batsakis v. Demotsis	292
Beachcomber Coins, Inc. v. Boskett	616
Bolin Farms v. American Cotton Shippers Ass'n	47
Bunge Corp. v. Recker	744
Butler v. Harrison	603
Chicago Coliseum Club v. Dempsey	808
City of Everett v. Estate of Sumstad	410
Cobaugh v. Klick-Lewis, Inc.	134
Cort v. Lassard	845
Crabtree v. Elizabeth Arden Sales Corp.	561
Davis v. Jacoby	160
Dingler v. Ritzius	291
Drennan v. Star Paving Co.	240
Feinberg v. Pfeiffer Co.	256
Fiege v. Boehm	333
First Baptist Church v. Barber Contracting Co.	625
Flender Corp. v. Tippins International, Inc.	148

xxviii TABLE OF PRINCIPAL AND SQUIB CASES

Foreman State Trust & Savings Bank v. Tauber	493
Fotomat Corp. v. Chanda	823
Frigaliment Importing Co. v. B.N.S. International Sales Corp.	415
Grenier v. Compratt Construction Co.	506
Hadley v. Baxendale	800
Halbman v. Lemke	595
Hamer v. Sidway	308
Harrington v. Taylor	253
Hawkins v. McGee	786
Hogan v. Norfleet	843
Hoover Motor Express Co. v. Clements Paper Co.	193
Howard v. Federal Crop Insurance Corp.	448
In re Greene	295
In re Soper's Estate	403
Jacob & Youngs, Inc. v. Kent	475
Kase v. French	678
Krell v. Henry	749
LaFazia v. Howe	655
Lee v. Joseph E. Seagram & Sons, Inc.	392
Lefkowitz v. Great Minneapolis Surplus Store, Inc.	93
Leonard v. PepsiCo, Inc.	81
Lindner v. Mid-Continent Petroleum Corp.	272
Loring v. City of Boston	202
Lowy v. United Pacific Insurance Co.	486
Lucy v. Zehmer	109
Luria Bros & Co. v. Pielet Bros. Scrap Iron & Metal, Inc.	459
McIntosh v. Murphy	571
MGM Construction Services Corp. v. Travelers Casualty & Surety Co.	705
Miami Coca-Cola Bottling Co. v. Orange Crush Co.	271
Mitchill v. Lath	389
Moore v. Elmer	254
National Historic Shrines Foundation, Inc. v. Dalí	286
Nelson v. Rice	618
NPS, LLC v. Minihane	818
Odorizzi v. Bloomfield School District	683
O. W. Grun Roofing & Construction Co. v. Cope	477
Parker v. Arthur Murray, Inc.	739
Parker v. Twentieth Century-Fox Film Corp.	791
Pennsy Supply, Inc. v. American Ash Recycling Corp.	301
People v. Braithwaite	90

TABLE OF PRINCIPAL AND SQUIB CASES	xxix
Ragosta v. Wilder	235
Ricketts v. Scothorn	53
Rios v. State	218
Schoenberg v. Rose	61
Sharon v. Sharon	282
Shubert Theatrical Co. v. Rath	847
Simmons v. United States	282
Snyder v. Herbert Greenbaum & Assocs., Inc.	376
South West Terminal Ltd. v. Achter Land & Cattle Ltd.	114
Spooner v. Reserve Life Ins. Co.	268
Squillante v. California Lands, Inc.	743
Stevenson v. Stevenson	130
Universal Builders, Inc. v. Moon Motor Lodge, Inc.	502
Warner v. Texas & Pacific Railway Co.	545
Weintraub v. Krobatsch	649
West Group Broadcasting, Ltd. v. Bell	697
White v. Corlies	184
Whitten v. Greeley-Shaw	280
Williams v. Walker-Thomas Furniture Co.	719
Wood v. Lucy, Lady Duff-Gordon	275
Yarbro v. Neil B. McGinnis Equipment Co.	527

Acknowledgments

Many persons contributed to this book in many ways. During my sixteen-plus years teaching at Barry University Law School, I have taught Contracts to more than one thousand students, and their observations and questions have formed the basis for much of the casebook's material. They have pressed me to be clear in my thinking and in my explanations of the law. I am in their debt.

I am also indebted to the authors of the great contracts hornbooks — E. Allan Farnsworth, Jeffrey T. Ferriell, John Edward Murray, Jr., and Joseph M. Perillo — whose treatises I have relied on heavily in learning contract law and in writing this casebook, and whose books are always close at hand. I am also indebted to Robert Braucher and E. Allan Farnsworth (again), the Reporters for the *Restatement (Second) of Contracts*, for giving us that monumental achievement upon which so many of us Contracts professors rely.

I would also like to thank my current and former colleagues who encouraged me in the writing of this casebook and who also encouraged me to publish it, including Fred Jonassen (who taught from the book when it was self-published), Steve "There's No Crying in Contracts" Maxwell, Lee Schinasi, Seema Mohapatra, and Eang Ngov. Special recognition is also owed to Dean Leticia Diaz for supporting my development as a teacher and a scholar. Thanks are owed to the anonymous outside reviewers who provided valuable comments on the casebook's draft, including Frank Snyder (who chose to abandon anonymity).

Each of my research assistants during the summer of 2020—Connor Bishop, Andrew Grim, and Molly Mullen—critically reviewed a portion of the book's first edition and provided many valuable suggestions to make the book easier to understand from a student's perspective. I was fortunate to have such a talented trio of students willing to work at making the book better. Thanks are also owed to my fall 2020 research assistant, Zachary Guder, who did much of the cite-checking of the footnotes, and to Samantha Castronova (Barry Law School Class of 2015) for invaluable editorial assistance in a prior, self-published version of the casebook. Ali Sachoo, a student in my fall 2020 class and a careful reader, pointed out typographical errors as we proceeded through the casebook, and acted as an unofficial editor. For the second edition, research assistants Sofia Constantino, Julia Kerns, and Alexandra Mayberry tracked down the answers to many nagging questions left unanswered in the first

edition, and the results of their efforts have helped close those gaps in the second edition. Megan Burnett, Ashley King, and Susan Sacco (my spouse) each read a draft of the second edition and made useful suggestions that have made the material in this new edition easier to follow. Many of the additional examples in the second edition were suggested by them. Thanks are owed to Kerry O'Gorman, my long-lost and now late brother, for many fruitful discussions of the principal cases.

The staff at Carolina Academic Press, including Carol McGeehan, Jennifer Hill, David Herzig, Ryland Bowman, and Keith Moore, have made this book much better than it ever was in its self-published form, and I am in their debt. A professor publishing a casebook for the first time could not have been in better hands. I am eternally grateful that they have given me the opportunity to publish a second edition.

And I am grateful to Susan Sacco, the best lawyer I know, for helping in so many ways.

All errors are my own, and I look forward to the chance to (again) employ the remedy of reformation to correct any such errors in a third edition. A contracts professor remains forever on the verge of mastering the subject.

Preface

In my first years of teaching law, I used several popular Contracts casebooks, and each had its own strengths. As I used each one, it slowly became clear to me which of their strengths worked best for my students (and which did not).

I found my students understood the material better when provided the rules of law up front, rather than having to extract them from cases. They learned better when given clear explanations of the law prior to engaging in challenging case analysis. I came to recognize that they needed enough detail and nuance to understand how the rules applied in different factual situations (and to have the necessary foundation for studying for the bar exam), but not so much detail and nuance that it overwhelmed and confused them. Trying to cover too much of Article 2 of the Uniform Commercial Code was counterproductive because (with just four credit hours) there was barely enough time for students to learn and understand the common law of contracts. The rationale for a rule was helpful to them when its rationale wasn't obvious, but too much contract theory and policy tended to hurt their ability to apply the black letter rules. Covering numerous minority rules consumed precious time and did not provide much benefit. Students found historical discussions dry and unhelpful. They liked case analysis, but were more engaged when the cases were interesting to them, though they still wanted to read the classic cases.

So I decided to write my own casebook to incorporate what I had learned worked best for my students. A casebook that would provide the rules up front with clear explanations of how the rules applied. One that would include enough detail and nuance, yet not so much as to overwhelm the students. One that would include explanations of the rationale for rules when it would be useful, but not too much theory, policy, and history. One that would include interesting cases, while retaining the classic cases that any Contracts student should know.

For many years, I provided these materials solely to the students in my class, and each year revised them to incorporate what I had learned worked best with my students the previous year. I had no intention of publishing my materials for a wider audience. But as a result of positive student feedback, encouragement from current and former colleagues (including Fred Jonassen, who adopted the materials), and support from Carolina Academic Press, I decided to offer my materials for publication, hoping that other professors might find my approach useful for their students.

xxxiv PREFACE

The principal features of this casebook are the following:

- Thorough explanations of how the rules apply, with numerous examples.
- Explanations organized around the elements of claims and defenses, to increase student awareness of the importance of elements when applying rules of law.
- Cases with interesting facts and good explanations of the rules and how they apply, abridged to exclude discussions unrelated to the topic being covered.
- Questions after cases, designed to improve students' understanding of the case, rather than having lengthy comments and notes only tangentially related to the court's analysis.
- Numerous problems to improve students' ability to apply the law to the facts.
- Notes in boxed text for student engagement, including key points, common student mistakes, and exam tips.
- "Key Takeaways" at the end of each chapter.
- An appendix of the black letter law and a glossary of important terms.

This casebook's reliance upon the *Restatement (Second) of Contracts*, published by the American Law Institute (ALI), is based upon its accurate statement of existing law and the fact that courts have adopted many of the relied-upon provisions verbatim as the jurisdiction's common law. The *Restatement* is not relied upon when the provision at issue appears to have been aspirational and not gained substantial caselaw support, such that it cannot be considered an accurate statement of governing law. Article 2 of the Uniform Commercial Code (U.C.C.) (published by ALI and the Uniform Law Commission) is relied upon as it is statutory law in 49 states, and citations to and quotations from the U.C.C. are thus from the state statutes that have adopted the uniform act, and not to the uniform act itself, which is not law. Students should consult the *Restatement (Second) of Contracts* and the U.C.C. (the uniform act), and their comments and any illustrations, to gain a deeper understanding of the relevant law.

Readers should keep in mind that this book is a textbook intended exclusively for use by law students who are studying and seeking to learn the basic rules of contract law. Nothing in this book should be relied on as legal advice, as the law varies from jurisdiction to jurisdiction and also has specific rules for different types of contracts. Readers who have a legal issue involving contract law should consult an attorney.

Like any casebook, this one remains a work in progress. To paraphrase John Lasseter's comment about films, casebooks aren't finished, they're just published. I therefore welcome feedback from professors and students about how I can improve future editions to better accomplish the goal of helping students understand contract law and be prepared for the bar exam.

DANIEL P. O'GORMAN

Professor of Law Barry University Dwayne O. Andreas School of Law dogorman@barry.edu

Online Materials

Additional content for *Contracts: The Law of Promises* is available on Carolina Academic Press's *Core Knowledge for Lawyers* (CKL) website.

Core Knowledge for Lawyers is an online teaching and testing platform that hosts practice questions and additional content for both instructors and students.

To learn more, please visit: coreknowledgeforlawyers.com

Instructors may request complimentary access through the "Faculty & Instructors" link.