

Chapter 9
Contract Formation

1 Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Contracts

- A contract is an agreement between two or more parties that a court will enforce
- Contract law protects promises that have been made
- Sources of Commercial Law
- Uniform Commercial Code
- Elements of a contract
- Variations in terms of sale - international

2 Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Sources of Commercial Law

- Law Merchant
- Common law
- Uniform Commercial Code

3 Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Contract Terms

- Offer
- Offer or
- Offeree
- Acceptance
- Rejection

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Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Classifying Contracts

- Bilateral v. Unilateral
- Express v. Implied
- Formal v. Informal
- Implied-in-law v. Implied-in-fact
- Valid, Voidable, Unenforceable, Void
- Executory v. Executed

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Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Legally Enforceable Contract

- Agreement
- Consideration
- Capacity
- Legality
- Writing

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Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Requirements of an Offer

- Offeror intends to be bound by the offer
- Reasonably certain and definite terms
- Offer must be communicated to the offeree

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Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Termination of the Offer

- By action of the parties
 - Revocation
 - Rejection
 - Counter-offer
 - Mirror image rule in UCC
- By operation of law
 - Lapse of time
 - Destruction of subject matter
 - Death or incompetence of either party
 - Illegality of offer

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Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Acceptance

- Voluntary agreement to be bound by the terms of the offer
- Issues involving acceptance
 - Silence
 - Mailbox rule
 - Mode of acceptance

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Genuineness of Assent

- Occurs when you have a
 - Meeting of the minds
- Does not occur when there is
 - Fraud
 - Misrepresentation
 - Mistake
 - Unilateral
 - Bilateral
 - Duress
 - Undue influence

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Source: Bohlman/Dundas, The Legal, Ethical, & International Environment of Business

Consideration

- Parties must exchange something of legal value for the other's promise
 - Legal benefit
 - Legal detriment
- Parties must bargain for and exchange the promises
- There are always issues of adequacy of consideration

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Summary

- Contracts
- Sources of Commercial Law
- Contract Terms
- Classifications
- Legally Enforceable Contract
- Requirements of an Offer
- Termination of the Offer
- Acceptance
- Genuineness of Assent
- Consideration

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