9-12-2026 | Lecture 3- Reliance, Promissory Estoppel, and Restitution

If a debtor overpays a bill, under what theory is the creditor obligated to return the excess amount?	Contracts implied at law (restitution).
Restitution	An equitable remedy designed to restore an injured party to their original position and prevent unjust enrichment by requiring payment or equivalent value for benefits conferred.
Capacity Defense	A legal defense permitting voidance of a contract because a party lacked legal capacity (such as infancy or mental incompetence).

If a person receives an unrequested benefit, is restitution owed to the provider?	No; an unrequested benefit is generally treated as a gratuitous gift.
Frustration of Purpose	A defense discharging contractual duty when a supervening, unforeseen event completely destroys the primary underlying purpose of the contract for a party.
Equitable Estoppel (Estoppel in Pais)	An equitable doctrine precluding a party from asserting a position or representation inconsistent with a past position, where another party detrimental reliance occurred.
Restatement (Second) of Contracts § 73	States that performance of a pre-existing legal duty owed to a promisor is not consideration.

What does the Latin phrase 'in pari delicto' mean in contract law?	Equally at fault.
Specific Performance	An equitable court order compelling a breaching party to perform their specific contractual duty, typically granted when monetary damages are inadequate (e.g., real estate or unique goods).
What is the legal doctrine of Promissory Estoppel?	An equitable doctrine allowing enforcement of a gratuitous promise without traditional consideration if the promisee substantially changes position in reliance upon the promise.
Material Breach	A significant failure in contract performance that defeats the essential purpose of the agreement, excusing the non-breaching party from performing.

What distinguishes an executed gift from a promised gift?	An executed gift is delivered and legally irrevocable, while a promised gift is future-oriented and generally unenforceable due to lack of consideration.
Duress	An improper threat by one party that leaves the victim with no reasonable alternative but to enter into or modify a contract, making it voidable.
Impossibility	A contractual defense discharging performance when an unforeseen supervening event makes contractual performance objectively impossible for anyone.
What is the primary objective of awarding restitution in contract disputes?	To prevent unjust enrichment by stripping the defendant of the gain received.

Expectation Damages	Contract damages aimed at placing the non-breaching party in the financial position they would have occupied had the contract been fully performed.
Under what condition is a promise to perform a moral obligation legally enforceable?	When the promisee was harmed in conferring a benefit on the promisor, and the promise is not disproportionate to that benefit.
How does an implied-in-law contract differ from an implied-in-fact contract?	An implied-in-law contract is imposed by law regardless of intent, whereas an implied-in-fact contract is an actual tacit agreement inferred from conduct.
Restatement (Second) of Contracts § 71	Defines the requirement of consideration as a bargained-for exchange involving acts, forbearances, or the creation, modification, or destruction of legal relations.

How does Restatement (Second) § 90 differ from Restatement (First) § 90 regarding the character of reliance required?	Restatement (First) § 90 explicitly required reliance to be of a "definite and substantial character," whereas Restatement (Second) omitted that strict text and added flexible remedies.
Undue Influence	Unfair persuasion of a vulnerable party by a dominant party in a confidential or fiduciary relationship.
Why is an illusory promise unenforceable under contract law?	Because the promisor retains total discretion over performance, creating no actual legal commitment or mutuality of obligation.
Why is a gratuitous promised gift generally unenforceable under contract law?	Because the promisor receives no bargained-for legal detriment or return promise, resulting in a lack of consideration.

Restatement (Second) of Contracts § 90(1)	A promise reasonably expected to induce action or forbearance by the promisee or a third person, which induces such action, is binding if injustice can be avoided only by enforcement.
How does a court determine the existence of an implied-in-fact contract?	By examining the objective conduct, surrounding circumstances, and consensus manifested by the parties' actions.
Which seminal case applied promissory estoppel principles to charitable subscriptions?	Allegheny College v. National Chautauqua County Bank of Jamestown (1927).
Quantum Valebant	A legal remedy allowing recovery for the reasonable value of goods supplied outside of a valid contract ("how much they are worth").

How does an intentional contractual breach affect a breaching party's claim for quasi-contract recovery?	Because quasi-contract is equitable, courts may completely deny recovery for part performance if the breach was willful or intentional.
What standard limits the recovery of consequential damages in contract cases?	Unforeseeability; damages must be reasonably foreseeable at the time of contract formation.
Why does performing a pre-existing duty fail to constitute valid consideration?	The performing party incurs no new legal detriment by performing an action they are already legally obligated to do.
Unilateral Mistake	An erroneous belief held by only one party; usually does not void a contract unless the non-mistaken party knew or had reason to know of the error.

Quantum Meruit	A legal remedy allowing recovery for the reasonable value of services rendered outside of an enforceable contract ("as much as is deserved").
Fraudulent Misrepresentation	An intentional false statement of material fact intended to induce reliance, justifying contract rescission or damages.
How does detrimental reliance function in relation to consideration in contract formation?	Detrimental action or forbearance acts as a substitute for consideration, making an otherwise unenforceable promise binding.
Quid Pro Quo	The mutual exchange of consideration between contracting parties ("something for something").

Implied Duty of Good Faith and Fair Dealing	An implied obligation in every contract requiring both parties to refrain from doing anything that destroys or injures the right of the other to receive fruits of the agreement.
Impracticability	A defense discharging performance when unexpected events cause extreme, unreasonable, and unforeseen expense or difficulty in performing.
According to Restatement (Second) of Contracts § 90(1), how may remedy for breach be restricted?	The remedy granted for breach may be limited as justice requires.
Which landmark 1870 case contributed to the legal development of promissory estoppel regarding promises to convey land?	Freeman v. Freeman (1870).

In what contractual situations may restitution be available to a party?	When a contract is unenforceable, voidable, excused/discharged, or void (provided the party seeking restitution is not in pari delicto).
Mutual Mistake	A shared misconception by both contracting parties regarding a basic assumption of present existing fact on which the contract was made, rendering it voidable.
Restatement (Second) of Contracts § 74	Establishes that forbearance to assert an invalid legal claim constitutes consideration if the claim is doubtful or the forbearing party believes in good faith it is valid.
Under Restatement (Second) of Contracts § 90(2), what types of agreements are binding without proof of induced action or forbearance?	Charitable subscriptions and marriage settlements.

Why does past consideration fail to support a enforceable contract?	An act completed before a promise is made was not bargained for in exchange for that promise.
What standard prevents recovery of damages that cannot be calculated with reasonable accuracy?	Uncertainty.
What standard requirements must reliance damages meet to be recoverable?	Reliance damages must be foreseeable, proven with reasonable certainty, and unavoidable.
If a builder fully constructs a house and the owner wrongfully refuses payment, what remedies may the builder seek?	The builder may sue either for breach of contract or under quasi-contract for the reasonable value of labor and materials provided.

In assessing whether Promissory Estoppel applies, how do courts evaluate the requirement of 'injustice'?	Courts balance the equities between the parties, evaluating the reasonableness of reliance and the degree of hardship suffered.
Quasi-Contract	An obligation imposed by a court in the absence of agreement to prevent the unjust enrichment of one party at the expense of another; also called an implied-in-law contract.
When is specific performance typically granted for breach of a sale contract involving personal property?	When the goods are unique, custom-made, or monetary substitute performance cannot be obtained on the open market.
Restatement (Second) of Contracts § 72	Addresses the exchange of a promise for performance, confirming that performance can constitute valid consideration.

Collateral Estoppel	A civil procedure doctrine holding that factual determinations fully litigated between parties in one proceeding are binding in future litigation between them; also called issue preclusion.
What primary distinction separates Promissory Estoppel from Equitable Estoppel?	Promissory estoppel involves reliance on a future promise, whereas equitable estoppel involves reliance on a present or past representation of fact.
What are the two primary metrics used to measure restitution damages?	1) The reasonable cost to obtain the benefit from another source; or 2) The extent to which the recipient's property value or financial interest was increased.
Constructive Condition	A condition not explicitly stated in the contract but created by law to ensure fair dealing and order of performance.

What effect does Promissory Estoppel have on a Statute of Frauds defense?	Promissory estoppel can preclude a defendant from asserting the Statute of Frauds defense to prevent severe injustice.
What are the core elements required to establish Promissory Estoppel?	1) A clear promise; 2) Promisor's intent to induce reliance; 3) Justifiable detrimental reliance by promisee; and 4) Injustice avoidable only by enforcement.
What is the key factor in determining whether a reliance interest is foreseeable under Promissory Estoppel?	Whether a reasonable person in the promisor's position would expect the promise to induce action or forbearance by the promisee.
Under UCC § 2-209(1), is consideration required for a good-faith modification of a contract for the sale of goods?	No, modifications to existing contracts for the sale of goods require no consideration to be binding.

Is consideration required to enforce a modification to an existing lease agreement?	No, modifications to existing lease agreements do not require consideration.
How are damages usually calculated under unjust enrichment in contract disputes?	By the reasonable value of the benefit conferred upon the defendant.
What three major categories of agreements generally lack legal consideration?	1) Promised gifts; 2) Pre-existing legal duties; 3) Past consideration.
Statute of Frauds	A statutory requirement that certain types of contracts (e.g., land conveyances, debts of another, contracts incapable of performance within one year) must be in writing to be legally enforceable.

Substantial Performance	A contract doctrine where a party who performs the essential obligations of a contract with minor variances is entitled to the contract price minus defects.
May a party who breaches a contract recover under quasi-contract for part performance?	Yes, a breaching party may seek recovery in quasi-contract for the value of part performance, minus any damages caused to the non-breaching party.
Which case extended reliance concepts to promises coupled with gratuitous bailments?	Siegel v. Spear & Co. (1923).
Reliance Damages	Contract damages aimed at placing the injured party back in the position they were in prior to the contract's formation, covering out-of-pocket expenses.

If a party seeks restitution for benefits conferred under a contract rendered unenforceable by the Statute of Frauds, how are damages capped?	Damages are capped at the contract price.
Which landmark 1898 case applied detrimental reliance principles to enforce family promises lacking consideration?	Ricketts v. Scothorn (1898).
Unconscionability	A defense asserting that a contract or term is so unfairly one-sided and oppressive—procedurally or substantively—that enforcing it would shock the conscience.
Can a party recover restitution damages if the defendant received no measurable benefit?	No; restitution requires that a benefit was actually conferred upon and received by the defendant.

Under what circumstance will courts enforce liquidated damages clauses rather than strike them down as unenforceable penalties?	When actual damages are difficult or impossible to estimate, and the specified sum represents a reasonable forecast of anticipated loss.
Restatement (Second) of Contracts § 79	Establishes that if consideration requirement is met, courts generally will not inquire into the adequacy of consideration or require mutuality of obligation.
What duty requires an injured party to take reasonable measures to reduce contract damages after a breach?	The duty to mitigate (avoidability).
What type of damages is primarily awarded under a successful Promissory Estoppel claim?	Reliance damages.