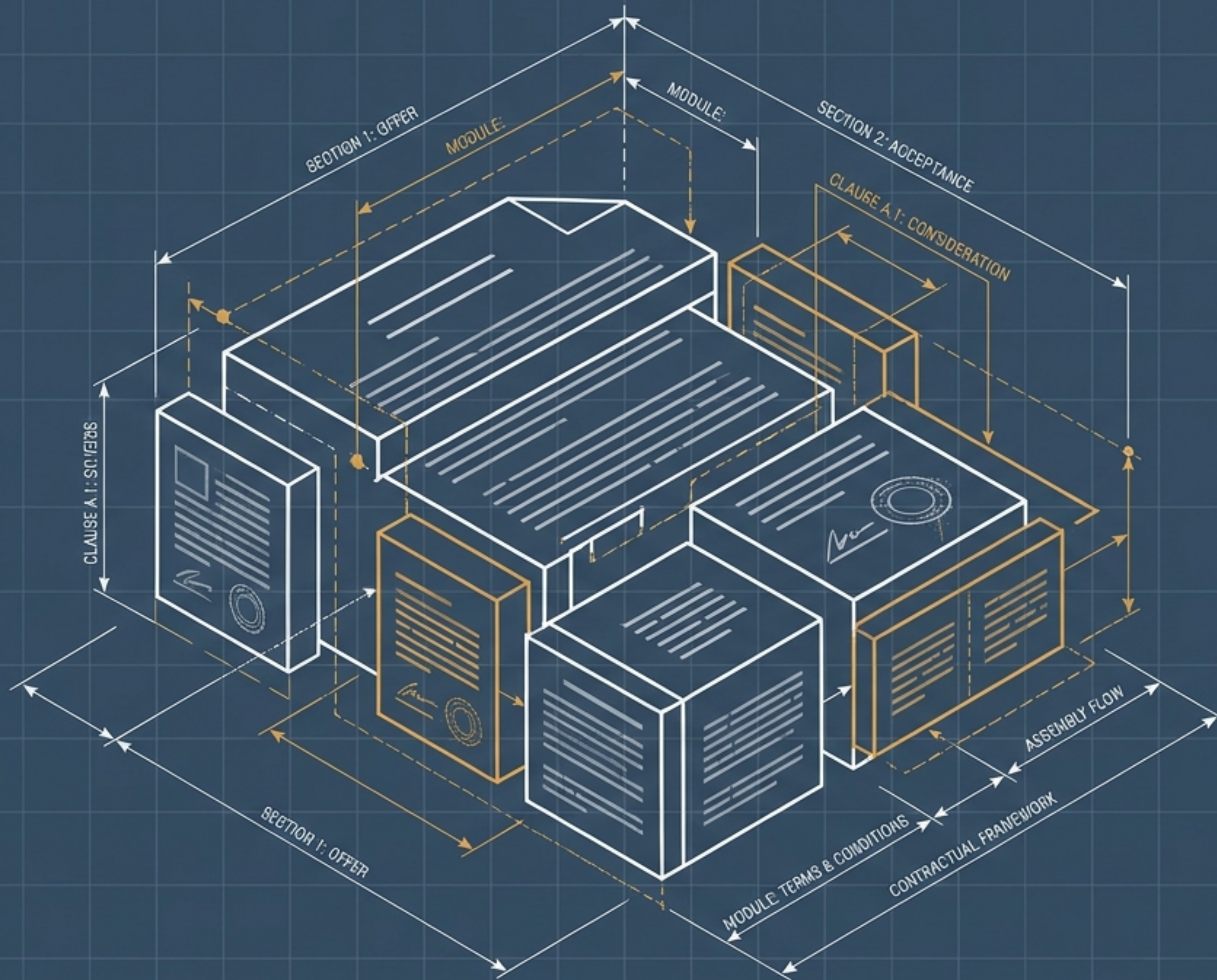


Contracts I: The Architecture of Agreements

Core elements, rules, and remedies mapped for rapid recall.



Legend



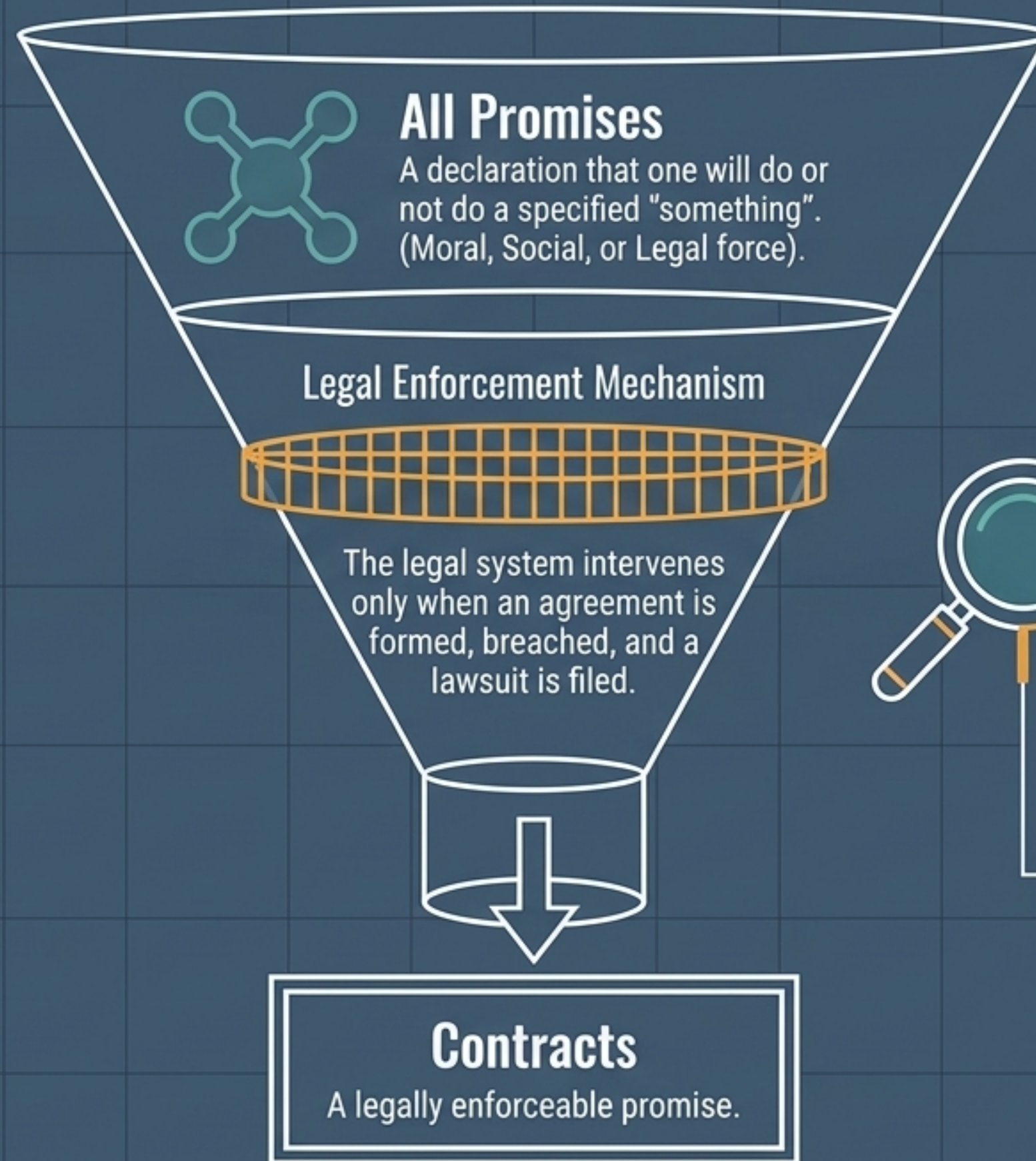
Elements



Exceptions/Defenses



Definitions



UCC Definition (Memorize)

The total legal obligation that results from the parties' agreement as determined by the UCC as supplemented by any other applicable laws.
(UCC § 1-201(b)(12))



Tort Law

Basis	Wrongful infliction of harm to protected interests.
Imposition	Imposed primarily by the law.
Scope	Owed to a wider class of persons.
Direction	Liability for actions that make things worse than before.



Contract Law

Basis	Obligations voluntarily undertaken.
Imposition	Owed to specific person(s).
Scope	Includes an implied covenant of good faith and fair dealing.
Direction	Liability for failing to render expected performance (failing to make things better).



(Offer + Acceptance = Mutual Assent)

1. Offer

A promise by the offeror to the offeree.

2. Acceptance

Unqualified agreement to the offer's terms.

3. Consideration

The bargained-for value (The Engine).

4. Consent

Agreement entered into freely (No duress/undue influence).

5. Legal Capacity

Parties are legally capable of entering an agreement.

6. Legal Purpose

The objective is not illegal/contrary to public policy.

Contract Viability Status Dashboard



Valid

All essential elements are present.

Enforceable:

A valid contract with no legal defenses against it.



Void

No contract exists / lacks legal obligation entirely.



Voidable

One party has the option to avoid or enforce the obligation (e.g., a minor).



Unenforceable

A contract exists, but enforcement is blocked by a legal defense.

Mechanics	
Unilateral	Bilateral
Promise in exchange for an act/future performance. Only one party makes an express promise. (Master of the offer determines completion is the only acceptance).	Promise for a promise. Mutual exchange and mutuality of obligation (e.g., sale of goods).
Executory	Executed
Obligations are yet to be performed.	Obligations are fully completed.



Consideration Definition

Something of legal value, bargained for and given in exchange for an act or promise.

Old View: Benefit-Detriment Theory



A contract must benefit the promisor or detriment the promisee.



Flaw: It relies on a circular argument to prove enforceability.

Modern View: Bargain Theory

(Rest. 2d). Requires a reciprocal bargained-for exchange.



- 1) Promisor gives promise to induce promisee's return performance.
- 2) Promisee gives performance in exchange.

Takeaway: No mutual assent? No contract.

What is NOT Consideration (The Boundaries)



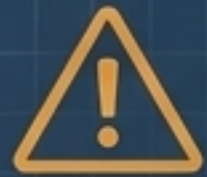
1. Illusory Promises

Apparent commitment that actually leaves a free way out (e.g., 'I promise to do it, if I want to').



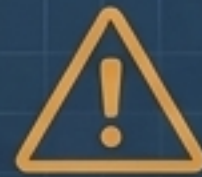
2. Restricted Gifts

Limitations on generosity without a bargained-for exchange (e.g., 'I will loan you my car if you return it Sunday').



3. Personal Exchanges

Two-way exchanges deemed too private/remote from commercial exchange for a court to enforce.



4. Mere Pretense (Peppercorns)

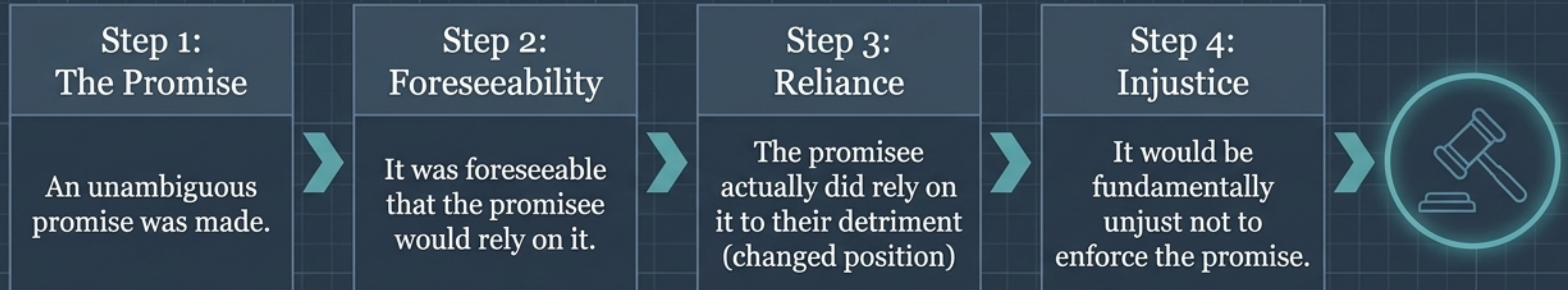
While courts generally won't evaluate the adequacy or fairness of a bargain, they will reject sham transactions using token payments to disguise a gift.



Rule: Consideration is required.



Exception: Promissory Estoppel (enforcing a gratuitous promise to prevent injustice).



Explicit

Equitable / Court Imposed

Express

Obligations created by the explicit oral or written expression of commitments.

Implied-in-Fact

Consensual agreements inferred entirely from the parties' conduct, failing to explicitly express the agreement in its entirety.

Implied-in-Law (Quasi-Contract)

Equitable remedy. An obligation imposed by law (despite no actual contract) to prevent Unjust Enrichment.

Quantum Meruit: "As much as he has earned" – recovery based on the value of services rendered.

Contract Timeline

Path A: Discharge

The contract ends successfully through performance of the agreed-upon obligations.

Path B: Breach

A contracting party fails to uphold the obligations due under the contract.

The Trigger: Breach empowers the injured party to file a lawsuit seeking a legal remedy.

Next Phase →
Remedying the Breach
(The goal: secure the benefit of the bargain).



Breach Remedies

Branch 1: Legal Remedies (Damages)

Goal: Monetary compensation for financial losses.

Includes: Compensatory, Consequential, Incidental, Liquidated, and Punitive (rare in contracts).

Branch 2: Equitable Remedies (Performance)

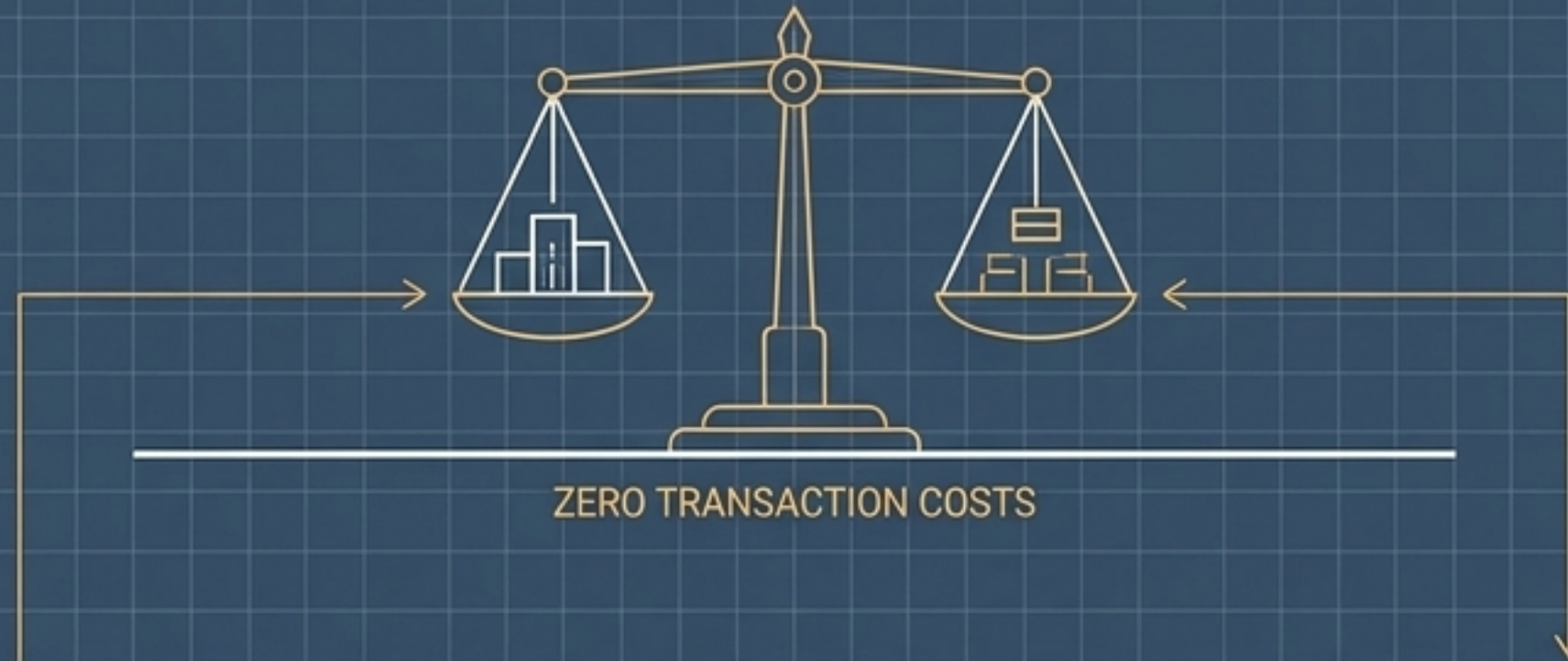
Goal: Non-monetary court orders to achieve fairness.

Includes: Specific Performance (force the promised action), Rescission (cancel and return advances), Reformation (rewrite terms), Injunction (stop an action).

Types of Monetary Damages

Goal / Loss Type	Damage Name
Goal: Put party where they SHOULD have been.	Expectation Damages
Goal: Put party back where they WERE (out-of-pocket).	Reliance Damages
Goal: Compensate for foreseeable downstream losses.	Consequential Damages
Goal: Retrieve unjustly retained benefits from the breaching party.	Restitution / Disgorgement
Goal: Punish egregious/intentional conduct (Torts, rarely Contracts).	Punitive Damages
Goal: Enforce pre-specified penalty written into the contract.	Liquidated Damages

The Economics of Remedies



Pareto Efficient Breach

A scenario where the promisee is left no worse off, and the promisor is no better off by the breach.

The Coase Theorem

If transaction costs are zero and property rights are well-defined, parties will naturally negotiate to the most mutually beneficial and efficient outcome, regardless of who is initially granted the rights.

Insight: Externalities are internalized through costless bargaining (e.g., Noise pollution negotiations).

