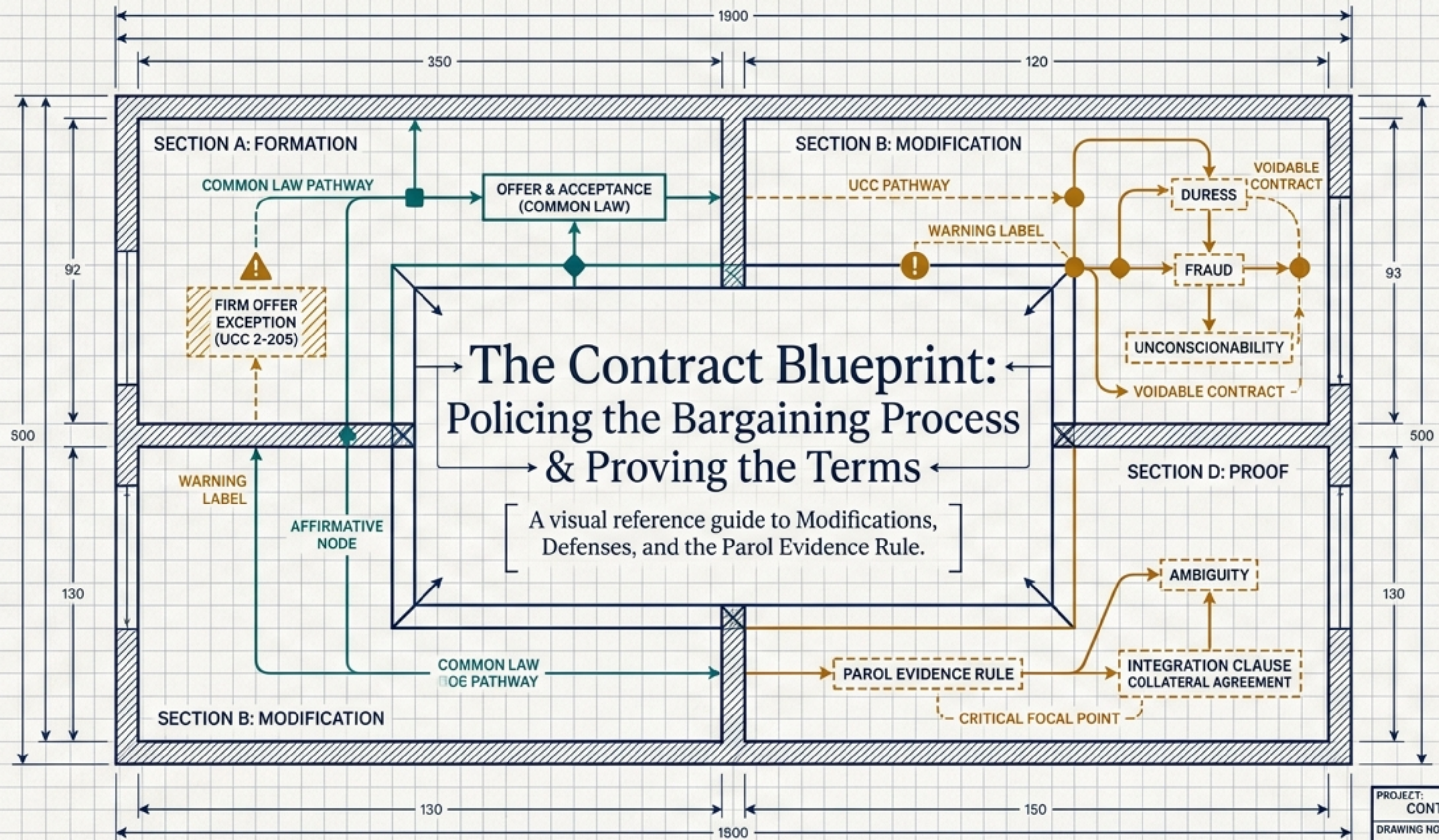
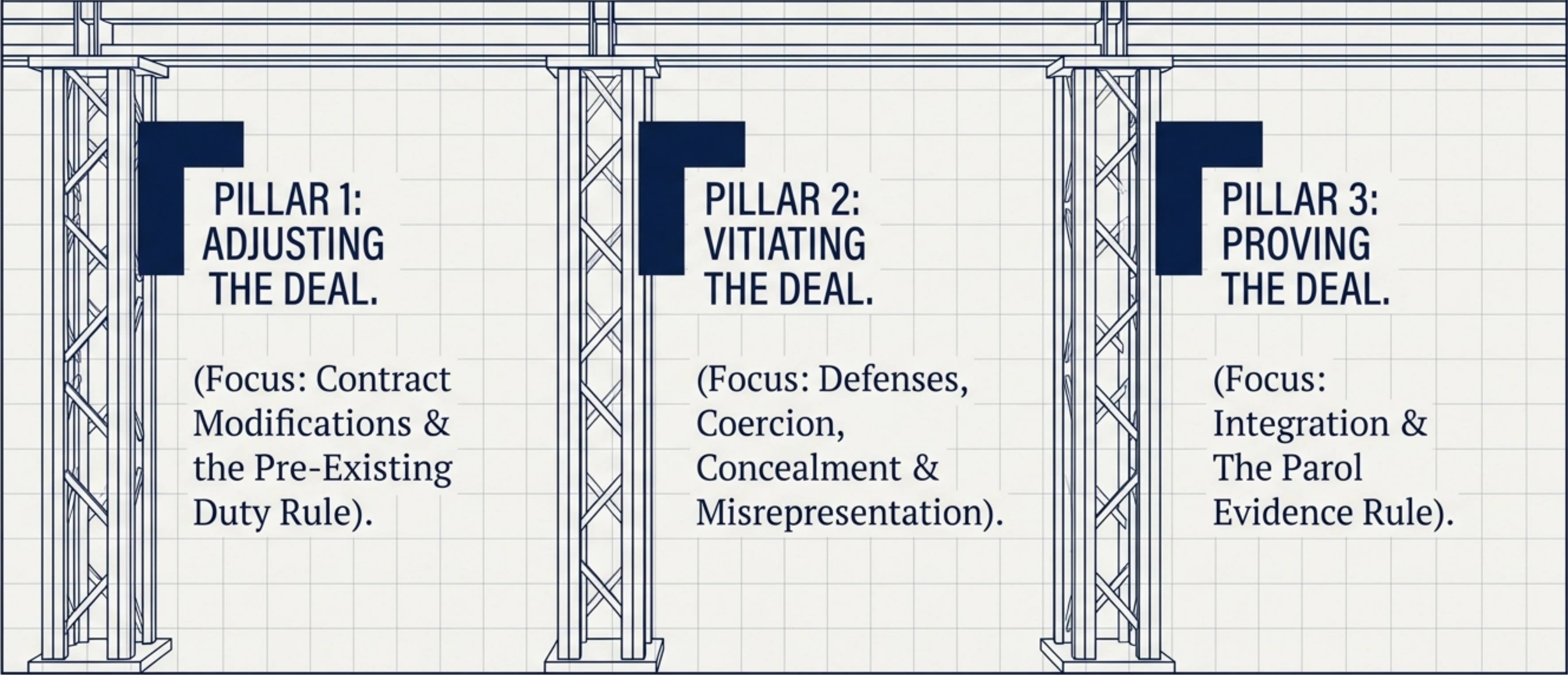




PROJECT: CONTRACT LAW SCHEMATIC	
DRAWING NO: CL-101	
DATE: 1/11	DATE: OCTOBER 26, 2024
DESIGNER: M.A.B. SHERMAN	

THE ARCHITECTURAL FRAMEWORK OF A DEAL



The diagram illustrates the architectural framework of a deal using three pillars. Each pillar is a vertical structure with a cross-hatched pattern, representing a column. They are connected by a horizontal beam at the top, which is supported by a series of horizontal lines above it. The pillars are labeled Pillar 1, Pillar 2, and Pillar 3, each with a specific focus area.

PILLAR 1: ADJUSTING THE DEAL.

(Focus: Contract Modifications & the Pre-Existing Duty Rule).

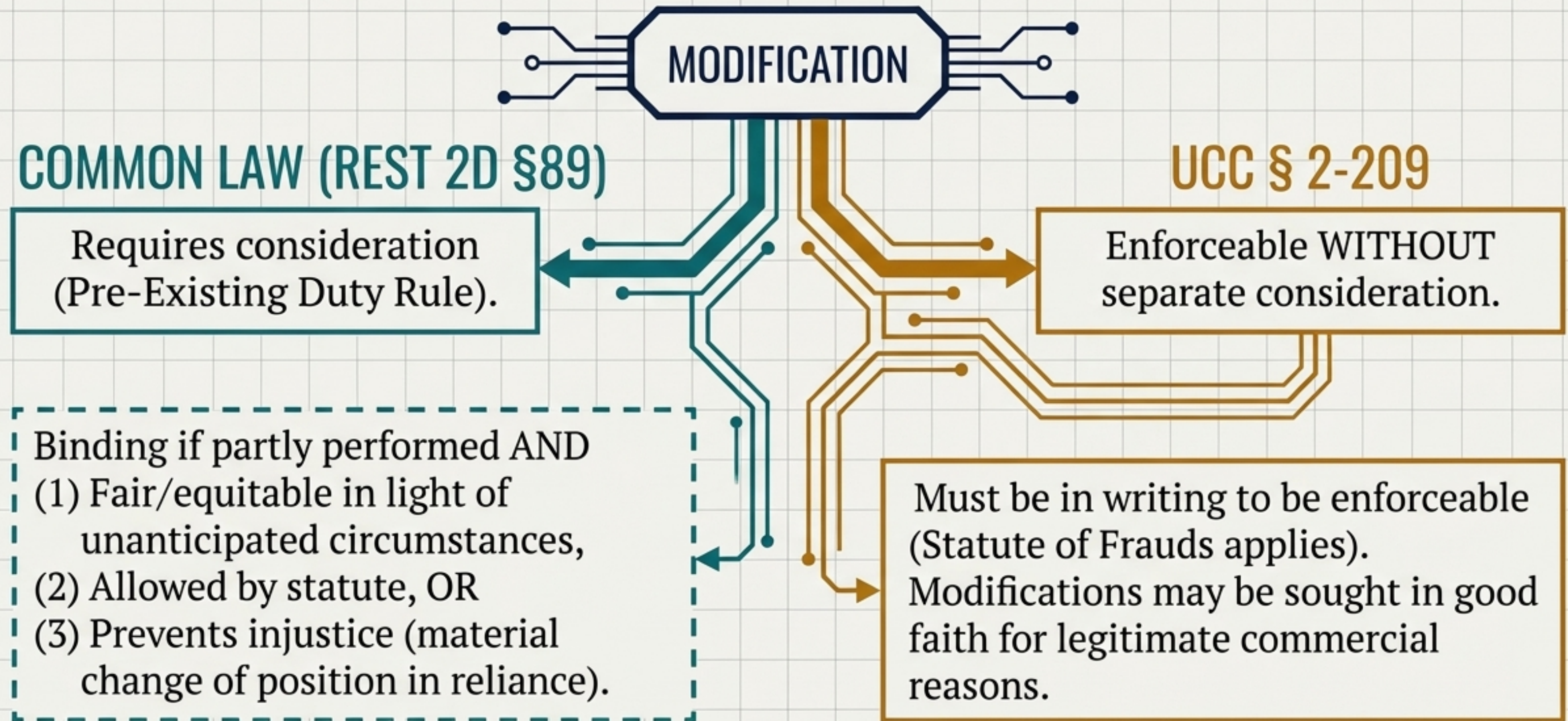
PILLAR 2: VITIATING THE DEAL.

(Focus: Defenses, Coercion, Concealment & Misrepresentation).

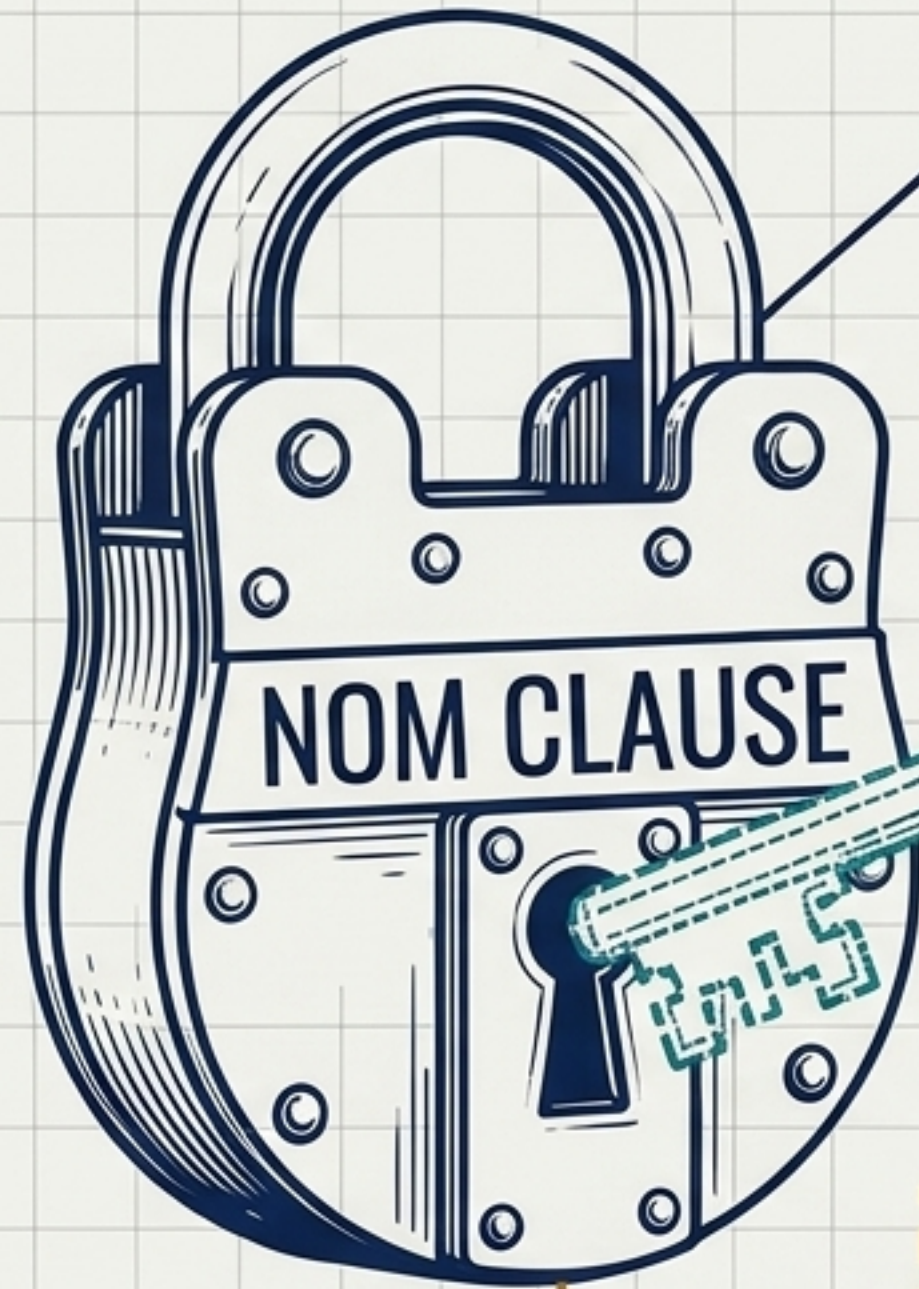
PILLAR 3: PROVING THE DEAL.

(Focus: Integration & The Parol Evidence Rule).

CONTRACT MODIFICATION: DIVERGING PATHS



THE NO-ORAL-MODIFICATION (NOM) TRAP



WAIVER

NOM clauses generally make oral modifications unenforceable.

Waiver. An oral modification that violates a NOM clause can still operate as a waiver under UCC §2-209.



TRAP: Waivers can be retracted with reasonable notice!

Exception to the Trap: Retraction is blocked if the other party relied on it (material change of position in reliance on the waiver).

Note: The law is unsettled on enforcing NOMs in common law jurisdictions, particularly in construction agreements.

VICES OF ASSENT: COERCION VS. DECEPTION

COERCION & FEAR

Focuses on pressure applied to the will.

DURESS

UNDUE INFLUENCE

DECEPTION & LACK OF KNOWLEDGE

Focuses on asymmetrical information or trickery.

FRAUD

DECEIT

CONCEALMENT

MISREPRESENTATION

UNDUE INFLUENCE: EXPLOITING VULNERABILITY



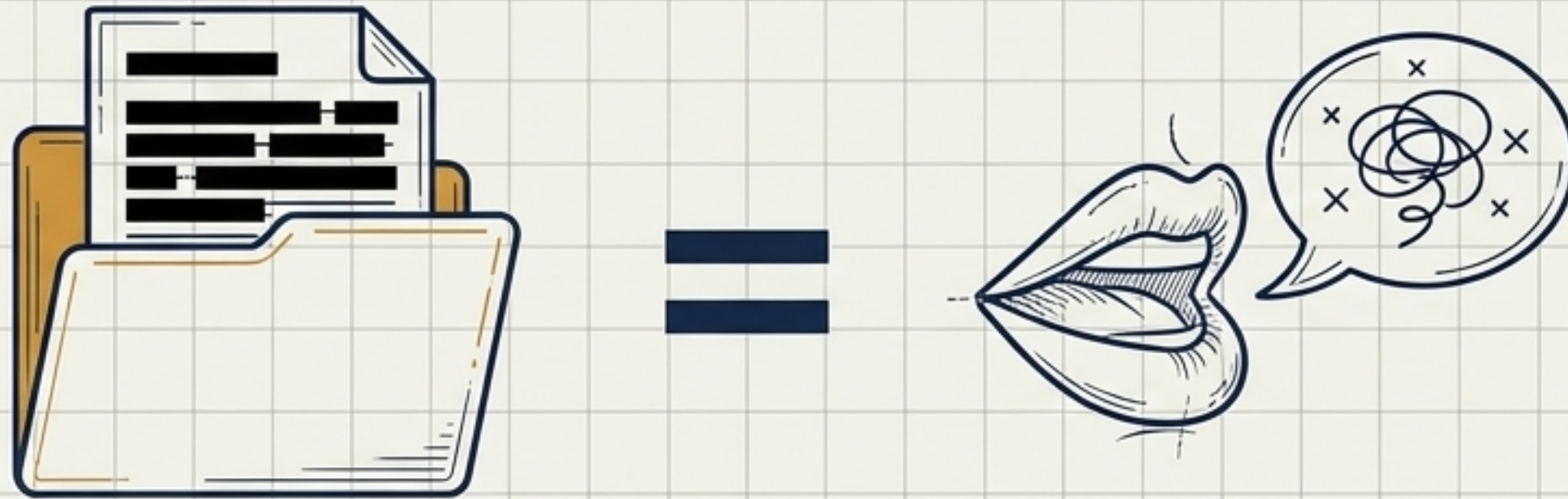
Definition: When a vulnerable party succumbs to untoward bargaining tactics falling short of actual fraud or duress.

- ✓ 1. Unfair Persuasion
- ✓ 2. Vulnerable Party (e.g., mental infirmity short of incompetence, recent trauma, relationship of trust/confidence).

Remedies: Contract is voidable; aggrieved party entitled to restitution.

Exception (Third-Party Trap): If the undue influence came from a third party, the contract is NOT voidable if the counterparty (1) gave value/relied materially AND (2) proceeded in good faith without reason to know of the influence.

Concealment: The Affirmative Cover-Up



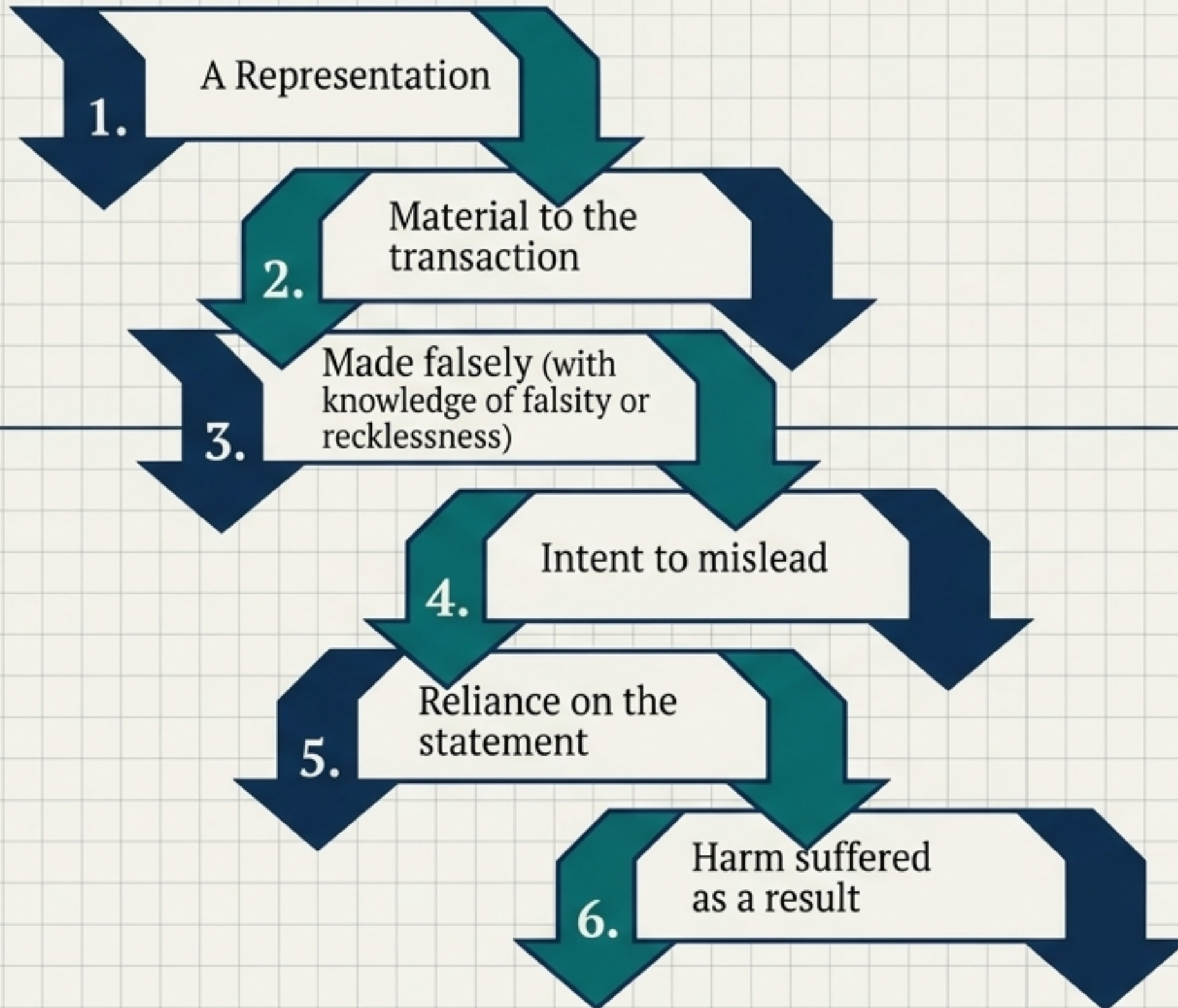
Unlawful suppression of a fact that in justice ought to be made known.

Concealment requires an affirmative act intended or known to be likely to keep another from learning a fact (e.g., hiding a defect).

Affirmative Concealment = Misrepresentation. It carries the exact same legal effect as an outright lie.

Note on Caveat Emptor: Watch out for 'as is' clauses (UCC § 2-316) and latent defects not readily observable to the buyer.

Fraudulent Misrepresentation (The 6 Elements)



Shield (Contract Defense):

Avoid enforcement or rescind an executed contract (requires restitution to avoid unjust enrichment).



Sword (Tort Claim):

Affirmative relief for monetary (compensatory/punitive) damages.

The Misrepresentation Matrix

	Fraudulent	Negligent	Innocent
State of Mind	Scienter / deceitfulness. Intentional lie or half-truth.	Careless false statements; lack of verification where reliance is reasonable.	Truthful belief with justifiable grounds, but factually wrong.
Remedy	Rescission AND Tort Damages (Compensatory/Punitive)	Avoidance / Rescission	Avoidance / Rescission (Contract is voidable by the innocent party).

Fraud in the Inducement vs. Fraud in the Factum

Inducement (‘The Why’)

Mechanism: Tricked into acting to defendant’s advantage. Misled about the facts surrounding the deal.

Result:

VOIDABLE

(Innocent party must justifiably rely).

Factum (‘The What’)

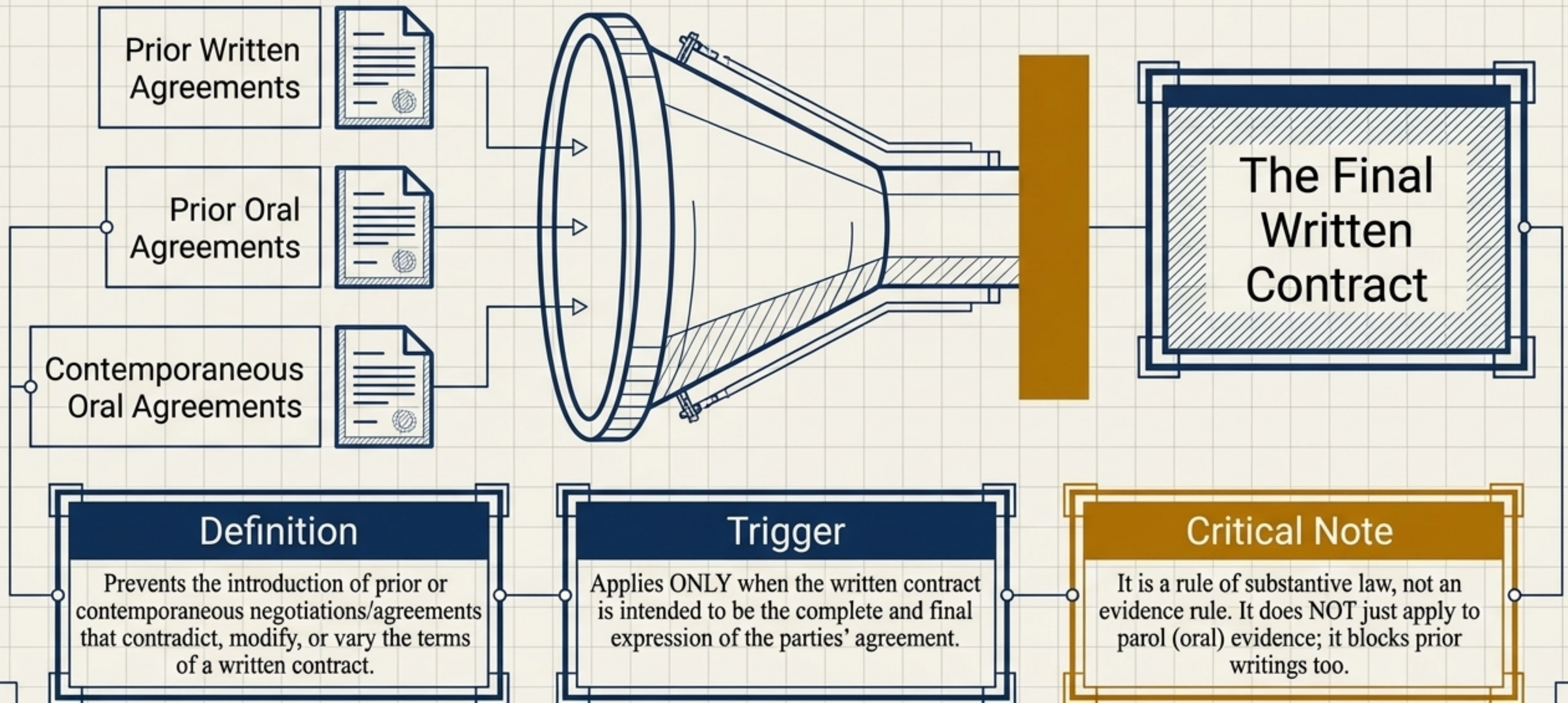
Mechanism: Deceived about the subject matter of the contract itself. Tricked into assenting without appreciating the significance.

Example: You sign a contract for 30 collectible, collector’s edition Christmas toys. In reality, the document says 30 ordinary toys.

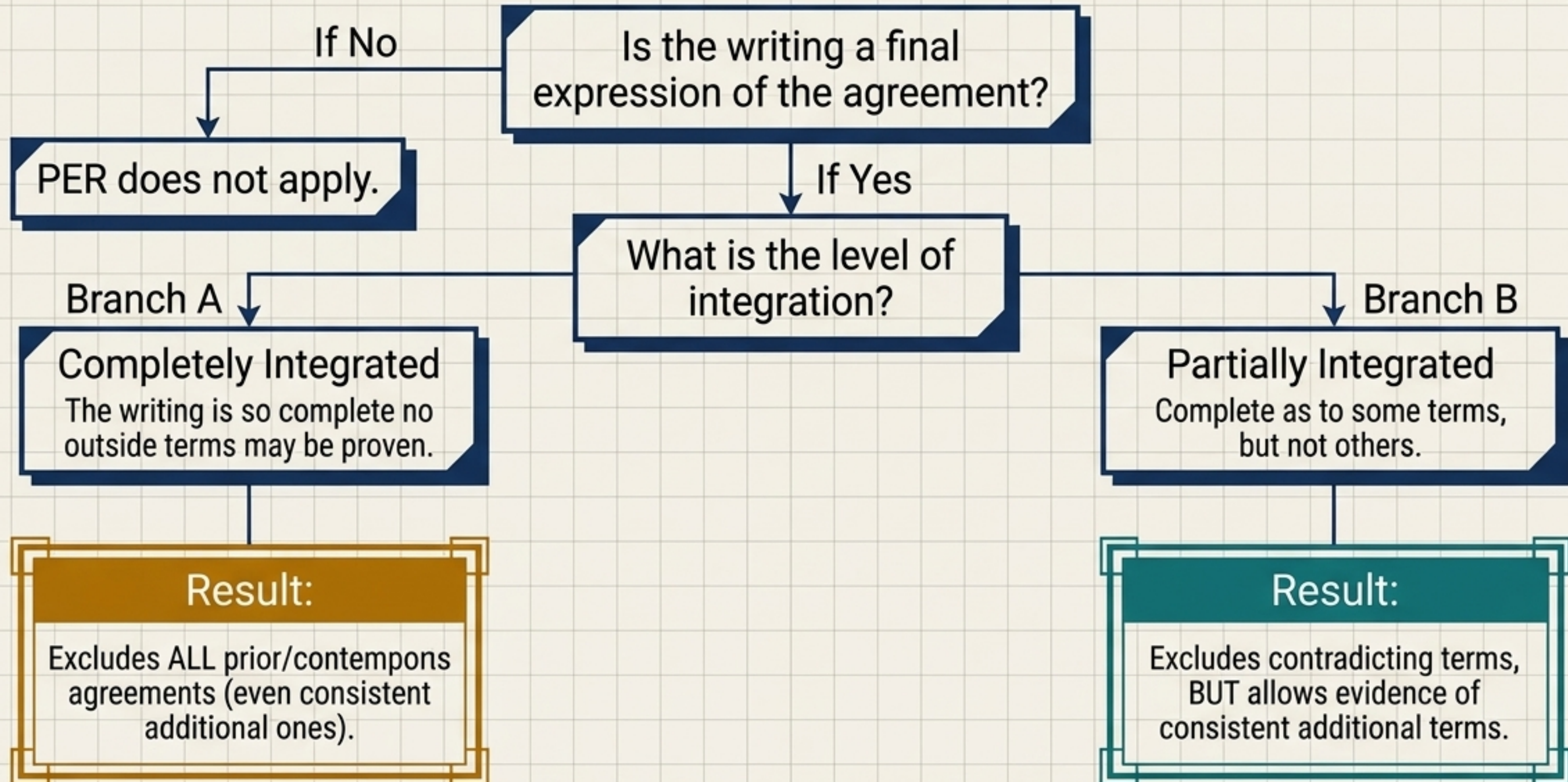
Result:

VOID.

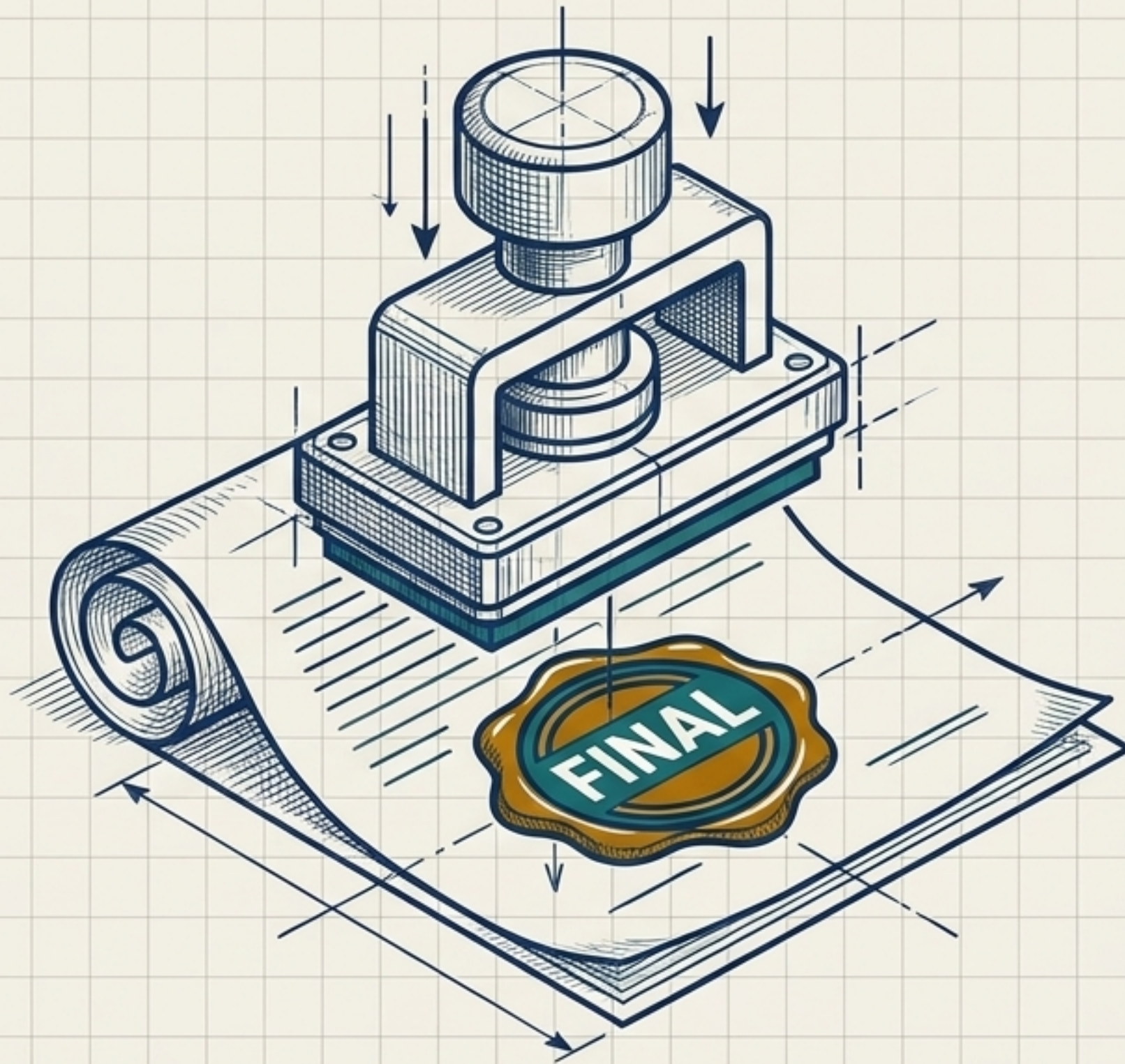
The Parol Evidence Rule (PER): The Gatekeeper



The PER Decision Tree: Determining Integration



Merger Clauses: The Stamp of Finality



Rule Box

A clause expressly stating the document is the final and full expression of the parties' agreement.

Effect Box

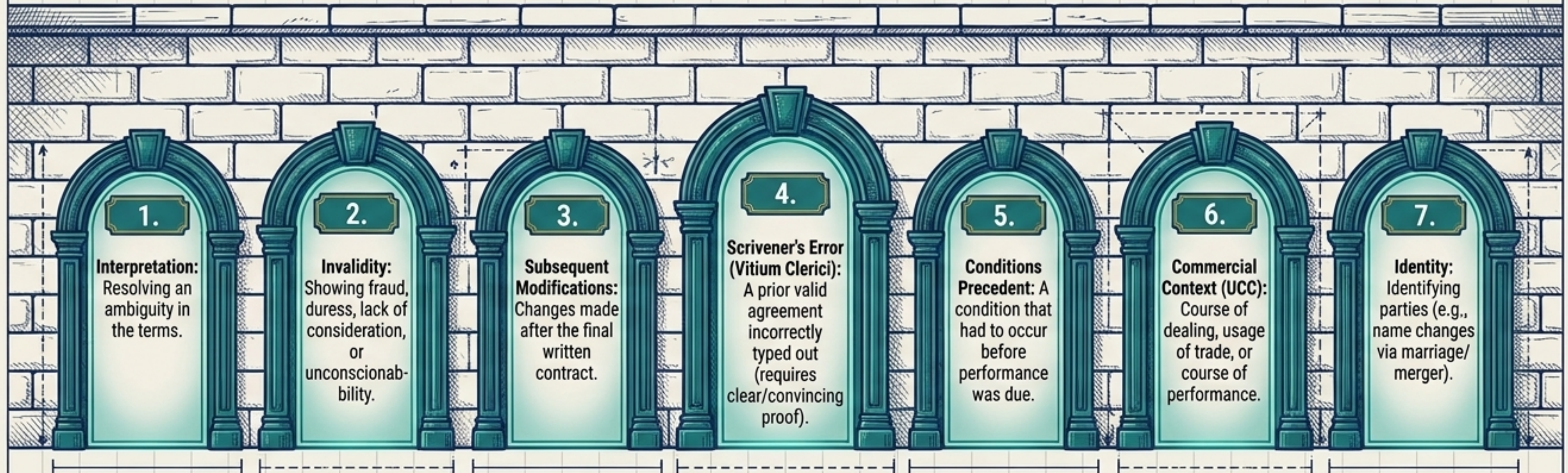
Effect: Supports the presumption that the contract is completely integrated, thereby excluding even consistent additional terms. (Rest 2d §216).

The Exception

A merger clause does NOT control whether the agreement is invalid. It does not block allegations of fraud or misrepresentation. (Harry can still sue for fraud, but he must prove the elements).

Exceptions to the PER: The 7 Backdoors

The Parol Evidence Rule DOES NOT block evidence offered to show:



The Master Diagnostic: Contract Disputes

