

# Introduction to Contracts

## Introduction to Contracts – Study Notes

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### 1. What Is a Contract?

| Element           | Description                                                                                                    |
|-------------------|----------------------------------------------------------------------------------------------------------------|
| <b>Definition</b> | A legally enforceable agreement between two or more parties that creates mutual obligations.                   |
| <b>Purpose</b>    | Sets out each party's rights and duties, provides certainty, and offers a remedy if the agreement is breached. |
| <b>Scope</b>      | Can be written, oral, or implied by conduct, but some types must be in writing (e.g., real estate sales).      |

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### 2. Essential Elements of a Valid Contract

| Element                                    | Key Requirement                                                                                                                 | Typical Question                                          |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>Offer</b>                               | One party proposes definite terms.                                                                                              | "What exactly is being offered?"                          |
| <b>Acceptance</b>                          | Unconditional agreement to the offer's terms.                                                                                   | "Did the offeree accept in the prescribed manner?"        |
| <b>Consideration</b>                       | Something of value exchanged (money, services, a promise).                                                                      | "What is each side giving up?"                            |
| <b>Intention to Create Legal Relations</b> | Parties must intend the agreement to be legally binding. (Presumed in commercial contracts; not in social/family arrangements.) | "Is this a business deal or a casual arrangement?"        |
| <b>Capacity</b>                            | Parties must have legal ability to contract (e.g., age, mental competence).                                                     | "Is the party a minor or otherwise incapacitated?"        |
| <b>Legality</b>                            | Subject matter must be lawful.                                                                                                  | "Does the contract involve illegal activity?"             |
| <b>Certainty</b>                           | Terms must be clear enough for enforcement.                                                                                     | "Are the price, quantity, and performance dates defined?" |

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*All elements must be present for a contract to be enforceable.*

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## 3. Types of Contracts

| Category             | Description                                                      | Example                                                           |
|----------------------|------------------------------------------------------------------|-------------------------------------------------------------------|
| <b>Bilateral</b>     | Mutual promises (both sides promise to do something).            | Sale of goods: buyer promises to pay, seller promises to deliver. |
| <b>Unilateral</b>    | One promise in exchange for an act.                              | Reward for finding a lost dog.                                    |
| <b>Express</b>       | Terms are stated explicitly (written or spoken).                 | Lease agreement.                                                  |
| <b>Implied</b>       | Terms inferred from conduct or circumstances.                    | Paying for a meal at a restaurant.                                |
| <b>Executed</b>      | All obligations have been performed.                             | Completed construction project.                                   |
| <b>Executory</b>     | One or more obligations remain outstanding.                      | Ongoing service contract.                                         |
| <b>Void</b>          | No legal effect from the start (illegal purpose).                | Contract to sell narcotics.                                       |
| <b>Voidable</b>      | Valid until one party rescinds (e.g., due to misrepresentation). | Contract signed under duress.                                     |
| <b>Unenforceable</b> | Valid but cannot be enforced (e.g., statute of limitations).     | Oral contract for the sale of land (where writing is required).   |

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## 4. Contract Formation Process

### 1. Pre-contractual Negotiations

- Discussions, offers, and counter-offers.
- Generally not binding unless a “letter of intent” creates an enforceable promise.

### 2. Offer

- Must be clear, communicated, and indicate willingness to be bound.
- Can be revoked before acceptance (unless an option contract exists).

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## 3. Acceptance

- Must mirror the offer (the “mirror image rule”).
- Must be communicated unless the offer provides otherwise (e.g., “acceptance by performance”).

## 4. Consideration & Mutual Assent

- Exchange of value; both parties must agree to the same terms.

## 5. Writing Requirement (Statute of Frauds)

- Certain contracts must be in writing to be enforceable (e.g., >