

Practice Hypotheticals

Contracts

Evaluation Sheet: "Amy and the Convertible"

1. Threshold question: Was there a contract?
_____ Need to identify the overriding question of whether enforceable promises were made.
Here there was an exchange of promise to wash and wax a car for ten weeks and a promise to pay \$600.
2. If so, what kind of contract?
_____ Is it a contract for the sale of goods or services? Need to identify the nature of the parties' agreement to determine the rule of law to apply: whether the UCC or common law. Since the nature of the agreement is one for personal services (washing the car) and not a transaction in goods, the common law is applicable
3. What are Ben's damages?
General rule: Every breach of contract entitles the aggrieved party to sue for damages. The general theory of damages in contract actions is that the injured party should be placed in the same position as if the contract had been properly performed, at least so far as money can do this. Compensatory damages are designed to give the plaintiff the benefit of his bargain.

Expectation damages

_____ Rule:
This interest represents the "benefit of the bargain" and would include all that Ben expected to earn over the course of the contract. It is what the injured party had expected to receive under the contract "but for" the breach, less expenses saved by not having to perform.

_____ Application:
Here, Ben would have earned \$600 over the life of the contract, the amount she promised to pay him. He said he needed to spend \$50 for supplies, so \$550 was pure profit. The benefit of his bargain would entitle him to recover the \$600 less the \$50 he saved in not having to purchase supplies to do the job.

Reliance damages

_____ Rule:
This interest is protected where one party relies to its detriment on a promise and damages will be awarded to prevent injustice from the detrimental reliance. This is the amount of out-of-pocket expenditures made by the injured party in performing (any expenditure by P and for other detriment following proximately and foreseeably from D's failure to carry out his promise; i.e., to put P back in the position he occupied before the agreement)

_____ Application:
Here, Ben already had a regular source of income of \$40 per week for mowing lawns for the 10 week period he had to cancel to wash Amy's car. As a result, he gave up \$400 in reliance on Amy's promise that he would be washing her car. His reliance recovery would be \$400.

Restitution damages

_____ Rule:
This is measured by the value to the breaching party of the injured party's performance (an amount corresponding to any benefit conferred by P upon D in the performance of the contract).

_____ Application:
Here, Amy is enriched by the \$50 Ben gave her to buy brushes and wax which she did and used to clean her car. She is enriched to this extent and should be made to disgorge this benefit to Ben. If not, she would be unjustly enriched by this amount.