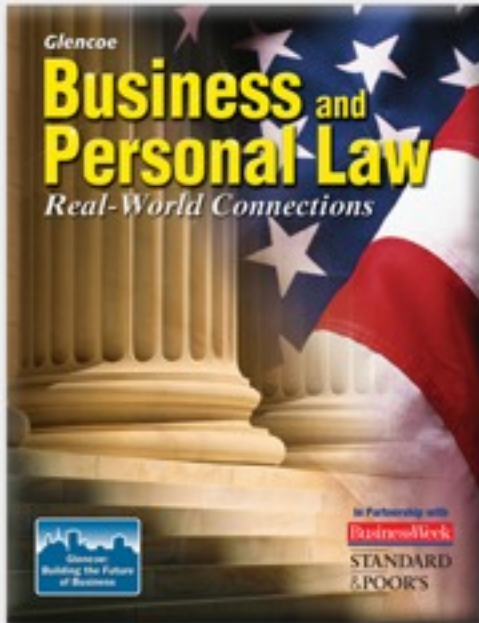


# CHAPTER 6

## How Contracts Come to an End



## Section 6.1

# Transferring and Ending Contracts

A contract can be discharged, or ended, voluntarily or involuntarily.

Contract are discharged voluntarily in two ways:

**by agreement**

**by performance**

A contract is discharged by performance when the terms of the contract have been completed.

A contract is discharged by agreement when both parties agree to end it even if the terms of the contract are not completed.

Contracts are discharged involuntarily in two ways:

**by impossibility  
of performance**

**by operation  
of law**

A contract is discharged by impossibility of performance if:

- a party to the contract becomes ill or dies
- the subject matter of the contract is destroyed
- the contract becomes illegal

A **breach of contract** occurs when a party to a contract fails to perform the duties specified in the contract.

The rights and duties laid out in a contract can be transferred, or moved, to someone else.

The transfer of a right under a contract, such as the right to receive money or have goods delivered, is called an **assignment**.

## Transfer of Rights

Anthony had a contract with Cathy to rebuild her front steps for \$1,800.



Anthony owed his landlord \$1,800. He therefore assigned his right to the \$1,800 to his landlord.



When payment was due, Cathy paid the \$1,800 to Anthony's landlord.

The transfer of a duty under a contract, such as the duty to pay money or to deliver goods, is called a **delegation**.

Although the performance of a duty in a contract can be delegated, the responsibility for it cannot.

### Transfer of Duties

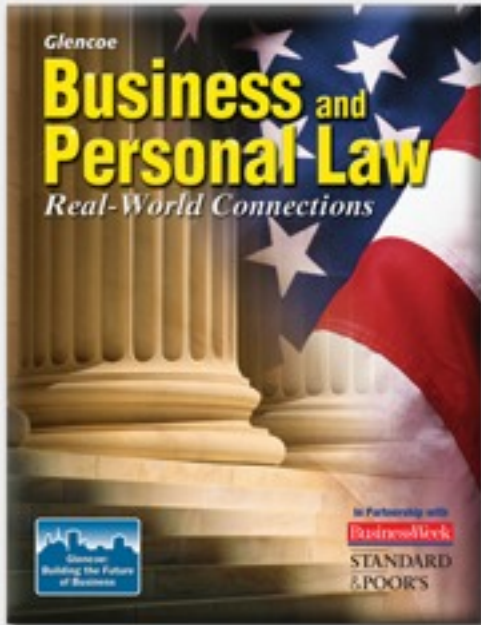
Ivan has a contract to print the PTA newsletter but cannot do it.

Ivan transfers his duty to ABC Press.

ABC Press prints the PTA newsletter.

Ivan is still liable for the terms of the contract.

The PTA pays Ivan and Ivan pays ABC Press.



## Section 6.2

# Voidable Contracts and Remedies

A contract that seems to be valid can be voided if the agreement is defective.

A contract may be defective due to:

**fraud**

**misrepresentation**

**mistake**

**duress**

**undue influence**

**Fraud** is a deliberate deception designed to gain something unfairly and unlawfully.

Misrepresentation occurs when a person unintentionally claims something that turns out to be false.

A mistake is an error made in a contract.

The mistake can be unilateral or bilateral.

A unilateral mistake is a mistake made by one of the parties to a contract.

When this happens, the party usually cannot get out of the contract.

A bilateral mistake is a mistake by both parties to a contract.

When this happens, usually either party can get out of the contract.

**Duress** occurs when someone uses force or the threat of force to get someone else to enter into a contract.

**Undue influence** occurs when someone uses a position of power over someone else to persuade that person to enter into a contract.

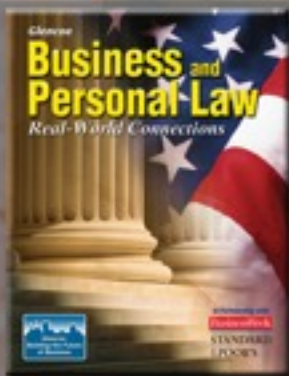
When a contract has been breached, the injured party can seek a remedy.

A **remedy** is a legal means of enforcing a right or correcting a wrong.

The injured party can sue for damages or ask the court for an equitable remedy.

Damages are usually in the form of money.

An equitable remedy usually consists of requiring the other party to complete the contract.



# CHAPTER 6

## How Contracts Come to an End