

Contract law – case study essay sample

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Mrs Jones' granddaughter, Paula, decides to buy her grandmother a fully guaranteed electric blanket made by Superwarm for her 70th birthday. Mrs Jones makes immediate use of the present and establishes a routine of switching it on prior to going to bed. The instructions stipulated that users were to put the blanket off prior to getting into bed, but on one particularly cold night some fortnight after receiving the blanket Mrs Jones ignored the instruction and fell asleep with the blanket to catch fire, and Mrs Jones suffered mild burns and the bed was damaged beyond repair. Smoke had also discoloured the decor of the room.

In the light of the case given, the case being discussed is concerning about the kind of contract law which is on civil law basis. According to Law for business (Keenan and Smith, 2003), the primary aim of the civil law is to compensate individuals who have been caused loss or injury by the wrongful act of other people.

Therefore, above all, we need to consciously realize that all the scenarios we discussed later will be based on questions like: ' who to compensate? ; ' whether someone is liable or not? '; ' what are the possible damages and losses? ', which means no one really needs to be punished like criminals here, but just a matter of who is liable for the possible damages and losses in the case. Having bearing the core ideas in mind, in the later sections of this essay, we are going to construct the possible arguments and discussions both on claimant (Mrs Jones) and defendant (Superwarm) sides, trying to give an insight into different possible scenarios.

First of all, provided the information, Superwarm must be the defendant in this case, since it is the only one who could possibly cause damages and losses to the claimant Mrs Jones. The possible damages could be the expenditures and overheads costs Eifion's company spent on the initiation in the production of a series of television programmes, which has been offered in Bethany's letter. It is obvious that if none of the damages and losses is incurred, there is no point for Eifion to sue Bethany.

Therefore, all the following discussions will be based on the presumptions that there have been financial losses to the claimant resulted from his acceptance of the offer, so that Eifion is demanding Bethany to compensate. As written in Law for business (Keenan and Smith, 2003), a contract may be defined as an agreement enforceable by law between two or more persons to do or abstain from doing some act or acts, their intention being to create legal relations and not merely to exchange mutual promises, which has six elements: an intention to create legal relations, agreement, consideration, form, definite terms, and legality.

It is not too difficult to learn that, the issue in the case discussed here satisfies all the six key points which makes it a legal contract, except for the 'agreement' (offer, acceptance, revocation, and communication) element, on which the arguments and conflicts will be focused.

From the claimant's perspective, Eifion would argue that there had been already a legally binding contract before Bethany revoked the offer, so that all the economic losses to he or his company should be compensated by Bethany; whereas, from the defendant's perspective, Bethany would argue

that the revocation came into effect prior to contractual relation being established, so that she is not liable for the expenditure losses. Now, let's look at the both sides in turn.

On the one hand, Eifion, the claimant, would hold the fact that there was definitely an offer in the form of written letter from Bethany, who intentionally tried to create a legal contract. It is also definitive that the written offer, irrespective of the method of communication, was successfully and adequately communicated to him (the offeree). As Eifion was very satisfied with the terms offered in Bethany's letter, he ' positively' communicated his acceptance by posting a written letter back to Bethany.

Therefore, Eifion could argue that, without any knowledge of Bethany's revocation via E-mail, he could and only could deem the offer as still open. The general rule, which could support him, is that acceptance takes effect when the letter is posted, even if it is delayed or is lost or destroyed in the post so that it never reaches the offeror. (Adams vs. Linsell,) However, he needs to prove that it was reasonable for his acceptance to be by post under the circumstances (Keenan and Smith, 2003), otherwise the post rule doesn't apply (he could have phone Bethany directly as the acceptance of the offer, for it would be much quicker).

Tenax Steamship Co vs. Brimnes) What Eifion could argue here is that ' the offeror may somewhat ' stipulated' a mode of acceptance' (Eliaison vs. Henshaw), which means as the offer was transmitted in letter, it implied to him that a written acceptance was to be expected. It also needs to be noted

that Bethany's revocation was communicated via E-mail, which is still largely a matter of informed surmise and untested in the courts.

However, the time when Bethany sent the E-mail could be the crucial point in this argument, because if it was after the plaintiff accepted the offer by post, the revocation would be an invalid cancellation, so that the establishment of the legal contract would have been finished. Referring to Law for business (Keenan and Smith, 2003), to be effective, revocation must be communicated to the offeree before he has accepted the offer. As there is little information concerning the exact time when the actions took place, we simply consider it as 'arguable' here in this case.

Nevertheless, Eifion could still argue that the revocation of an offer is not effective until it is communicated to the offeree / arrival (Byrne ; Co vs. Tienhoven ; Co). Although Bethany wrote an E-mail to cancel the offer, she didn't make sure that Eifion had got and read it. The same situation happened in Byrne & Co vs. Tienhoven & Co , in which the mere posting of a letter of revocation is not communicated to the person to whom it is sent.

Despite the controversy of internet communications, it is definite a good point Eifion could argue. Last but not least, Eifion needs to give strong evidences that the company has been incurred certain losses, especially financial costs and expenditures. On the other hand, undoubtedly, Bethany, the defendant, had intentionally made an offer to create legal relations with Eifion by post, and the offer was communicated clearly and successfully to the claimant. There are a few points that she could argue.

First of all, irrespective of the controversy over internet communication, the ambiguity in the time of the revocation will earn her a lot of credits, if Bethany could prove that it was before Eifion accepted the offer when she sent the revocation E-mail. If it is so, there wouldn't have been any legally binding contracts so that she could simply escape from any prosecutions, because 'acceptance must take place when the offer is still open and an offer may be revoked at any time before acceptance', as written in Law for business (Keenan and Smith, 2003).

Nevertheless, for the sake of inadequacy of information here, we could only end this point with possible scenarios like that. Secondly, the controversial and dynamic property of electronic communication itself couldn't comply neatly with the old contract law, which might give some excuses for Bethany to argue about. Basically, Bethany would argue that the revocation was communicated by E-mail, which transmitted the withdrawal in seconds and should obviously be different from the postal principles in contract law.

There are not definite terms in contract law on the internet communication. Therefore, it is not definitely defined that either when Bethany sent the withdrawal E-mail to Eifion should be deemed as the moment of revocation turned to effect, or the moment when the E-mail is read by Eifion is the appropriate interpretation of the existing contract law. Thirdly, Bethany could also argue that the E-mail was sent to Eifion during office hours, so it was the negligence of him who didn't check the E-mail led to bad consequences (financial losses).

Moreover, if Eifion failed to give convincing and satisfying reasons why he chose to write back as an acceptance instead of instantaneous communication, the postal rule wouldn't have applied and his acceptance would be invalid. Fourthly, under all circumstances, Bethany has all the rights to deny any responsibilities for the opportunity cost (the 'would-have-earned' income) incurred by Eifion's company, but at most accepting merely the pure costs and financial losses of producing the offered programmes which Eifion's company has suffered.

The reason for this is because of the property of the civil law again: as the civil law aims merely to 'compensate' people rather than 'punishment', only the losses and damages should be the matter in the case instead of 'fines'. All in all, till now, hopefully, we have had rough ideas about the scenarios in the case and some of the possible arguments both sides of the case would hold.

Yet, it is too simplistic to draw a conclusion of who is going to win (defendant or claimant), because of the complication of the contract law itself and the 'situations' (how judge interprets the law in court, the controversy of the electronic communication, and the limitation of the information given here). Nevertheless, we could reasonably infer that if considerable amount of financial losses have been incurred, it is more likely that Bethany ends up with certain compensations to Eifion in the particular circumstances. However, as stated before, it is only speculations; it all depends in practice!