

Issue of contract being assignable



**ASSIGN
BUSTER**

Case Study #1

Parks plays as a center for the San Diego Slick. His original contract was with the ABC Corporation. The Slick's owner is now the XYZ Corporation. The change from the ABC Corporation to the XYZ Corporation did not change the nature of the contract that Parks signed. It also did not change the makeup of the team. In addition, Park's compensation and responsibilities did not change. The only change that occurred, beyond the Slick having a new owner is that a new team coach was hired. Park's objected to his contract being sold from ABC Corporation to XYZ Corporation and wants to know if this contract was assignable?

The first requirement for a contract to be assignable is to examine if the original contract that Parks signed had a clause in it preventing the contract from being assigned. This is known as an anti-assignment clause. If the anti-assignment clause is present in the original contract, it would make the contract un-assignable. Therefore, Parks would have just cause to challenge the change in corporation ownership.

The second requirement for a contract to be assignable is if the change altered the expectations of Parks. " An assignment of " the contract" or of " all my rights under the contract" or an assignment in similar general terms is an assignment of rights and unless the language or the circumstances (as in an assignment for security) indicate the contrary, it is a delegation of performance of the duties of the assignor and its acceptance by the assignee constitutes a promise by him to perform those duties" (Cornell Law School). According to the case study, Parks compensation and responsibilities did not

change when his contract was assigned to XYZ Corporation. Therefore, this requirement has been met. Had the assignment altered his duties in anyway, in which he had not agreed to while with the ABC Corporation, the contract would be un-assignable.

The third requirement for a contract to be assignable is that it does not promote violation of policy and/or law. No such details were provided in the case study, however, it did state that the only change that occurred was the hiring of a new coach. Therefore, if the original contract promoted violation of policy and/or law, it would have been null and void. It would remain unenforceable if the promoted violations remained once XYZ Corporation had the contract. However, since the assumption is the contract did not contain this, the contract remains assignable.

Parks would have a legal argument in regards to his contract being assigned to XYZ Corporation, if his original contract required consent to be given by Parks in order for his contract to be assigned to a new corporation. If his original contract had this, and his consent was not given, he would have a legal case for breach of contract. In addition, as long as Parks was notified that his contract was no longer with ABC Corporation and it was now assigned to XYZ Corporation, which appears to be the case, the contract remains assignable. Parks may not like the fact that his contract was assignable, but it was legal.

The contract that Parks signed is assignable. In addition, should Parks decide to speak out publically about his objection to his contract being assigned to XYZ Corporation, he could face legal action by that Corporation. If his

contract specifically states he will not disparage the holder of his contract in a public manner, and he chooses to do so, it could result in him facing a breach of contract lawsuit. Parks may not like what happened in regards to his contract, but it was legal.

Reference

- Cornell Law School. (n. d.). *Delegation of Performance; Assignment of Rights* . Retrieved from Cornell Law School: Legal Information Institute: <https://www.law.cornell.edu/ucc/2/2-210>

Case Study #2

Andy owed Bill a debt. Bill assigned the debt to Carl for \$200. Carl failed to give notice of the assignment to Andy. Andy repaid the debt to Bill. Does Andy have to pay Carl the \$200? What legal options does Carl have against Bill for accepting the debt payment after assigning the debt to him?

Once Carl took over the debt was owed to Bill, it was his duty to inform Andy that any payment on the debt was now to be paid to him and not to Bill. However, Andy was not made aware of that. Carl could not reasonably expect any payment on the debt if the debtor was not aware he was assigned the debt by Bill. Therefore Carl has no rights in terms of seeking payment from Andy, until Andy is made aware.

Andy repaid his debt to Bill by paying Bill himself. Bill knew the debt had been assigned to Carl. He took the payment without telling Andy he no longer held the debt and that he assigned his debt to someone else. Bill knowingly accepted money that was not rightfully his to accept.

Carl does have potential legal action options available to him against Bill.

Firstly, because Bill accepted the payment of the debt by Andy, Bill could be held in breach of contract. Bill and Carl entered into a legally binding agreement once Bill assigned the debt to Carl for \$200. Because Bill accepted the payment without telling Andy or Carl, the breach occurred.

Carl could also press charges for petty larceny, if the debt was under \$500. “Petty larceny is a misdemeanor punishable at maximum with a term in the county jail” (Cornell Law School). Bill taking the payment and not telling Carl would be considered theft. In addition, because Andy technically no longer owed Bill the debt he paid, Carl could face charges for theft against Andy for taking money from him by being dishonest.

Andy is innocent in this scenario. Carl was responsible for ensuring that Andy knew to pay him the debt and not Bill. Carl failed to do this; therefore, Andy paid the person he believed he owed the debt to. Carl has no options for recourse against Andy.

All of Carl’s options for recourse are against Bill. Bill owes him the money he received as payment for the debt that was originally owed to him, but that he assigned to Carl for \$200. Carl could sue Bill for the money Andy paid Bill (to settle the debt) in addition he could sue to recoup the \$200 he paid Bill to have Andy’s debt assigned to him. Andy may not have known that the debt was assigned, but both Carl and Bill knew. Carl dropped the ball in regards to his responsibility in notifying Andy, but Bill knowingly misrepresented himself to Andy when Andy showed up to pay the debt.

Bill could find himself in small claims court due to the amount of money involved. He could also find himself in criminal court, should Carl choose to have charges pressed against him for stealing the money. Either way, Carl is the guilty party in this case study. Bill should have been more proactive, as well as, more knowledgeable in his responsibilities in obtaining someone else's debt. Andy did as he believed he was supposed to, he paid the debt to the man he thought he owed the debt to.

Reference

- Cornell Law School. (n. d.). *Petty Larceny* . Retrieved from Cornell Law School: Legal Information Institute: https://www.law.cornell.edu/wex/petty_larceny