

Introduction case
illustrates a situation
when an
entrepreneur



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Introduction

This paper aims to discuss the obligations of an entrepreneur to consumers and to investors. In this case, Carl can incur liabilities to several parties, in particular, to such companies Widget World and Widget Universe. Secondly, one has to speak about Emma who purchased Carl's products. We need to make recommendations that can help Carl avoid legal responsibility. On the whole, this situation describes different types of conflicts which may occur in contract law. Prior to evaluating Carl's possible strategies we need to identify the essential components of a contract; they include consent of the parties, offer and acceptance, consideration (Waddams, 2010; Yates, 1999). Without them an agreement between the sides does not have legal or binding power.

This information is crucial for us because Widget International has entered contracts and it is necessary for us to assess them in terms of their validity. On the basis of this analysis, we will be better able to assess the position of Widget International. Overall, this case illustrates a situation when an entrepreneur can incur several liabilities due to the fact he involuntarily entered into several agreements.

Carl's Actions

Tacit contract with Widget World

At first, we need to discuss Carl's obligations to Widget World. He did not sign any agreement with this enterprise; however, he made an offer to them by saying that he is sell products to them, while the opposite side accepted this offer. Thus, in this case we have two essential components of a contract, offer and acceptance (Waddams, 2010). To some extent, this situation can

be described as a tacit contract. This is one of those cases when there is no document that can confirm the existence of a contract; at least this contract is not drawn up properly.

However, one of the sides has made a promise which can be viewed as an offer. Carl sent Widget World a fax in which he expressed readiness to enter into agreement with this company. So, one can say that this agreement has a binding force.

Judging from it Carl's company Widget International will be forced to sell its products exclusively to Widget World at a certain price, namely, \$ 10 per a product. If he prefers to sell goods to a different enterprise, he would have to pay indemnity to Widget World. This is one of the hypothetical scenarios and Carl must be ready for it. Theoretically Widget World can sue Carl for breach of contract. Yet, we can maintain that Widget International will be able to avoid liability Carl can defend his position by pointing out that this tacit contract lacks such an essential element as consideration.

In other words, the parties did not specify the obligations and rights of both parties in case the contract is breached. Therefore, this agreement is rebuttable. Apart from that, Carl can repudiate the claims of Widget World by arguing that fax letter must not be regarded as an offer but rather as an invitation to treat, which means that one of parties only invites to opposite side to evaluate a proffer and it should not be confused with a binding offer. Thus, Carl can adopt this line of defense if he does not want to work with Widget World. This is the first conflict that Carl may have to resolve in the

future, and this information that we have presented can help him to disclaim responsibility provided that he manages to find a different business partner.

Exclusive contract with Widget Universe

Furthermore, according to the exclusive contract, this entrepreneur is obliged to sell all his products to Widget Universe at a fixed price, namely \$ 8.00 per widget. These terms are not very advantages for Carl especially given the fact that he has a more lucrative offer.

We do not know the amount of compensation that has to be paid to WU provided that Carl violates this agreement. There is great likelihood that this company will file a lawsuit against Carl if he chooses to work with Widget World. Unlike the previous case, in this situation there is a legal document which substantiates the fact of agreement. Moreover, it was concluded by a representative of Widget International. So, it will be more difficult to abrogate this agreement. However, one should not suppose that this exclusive contract cannot be repudiated because this agreement was signed without Carl's consent. The acceptance of the contract by each side is an indispensable element of any contract, without this element, the very contract is not valid (Waddams, 2010). It is worth noting that this agreement with Widget Universe was negotiated by Ivan, who owned 50 per cent of the shares.

Fifty percent is not a control stock and Ivan did not have a right to enter into this contract on behalf of Widget International. The fact that he owned 50 per cent of company's shares did not grant him the right to use the property of Widget International. This is why this contract can be rendered

illegitimate. This is how Carl can defend his position and avoid responsibility. Still, in order to give a definitive answer, we need to know more about the rights of the second shareholder, Ivan.

According to this case, Carl is the President and Director of Widget International but we do not know if he conferred any executive rights to Ivan. Despite these limitations, we may still argue that Carl is in a more advantageous position, and he will be able to cancel the contract signed by Ivan. There will be another dispute that Carl will need to resolve.

Fifty percent of the shares are owned by Ivan, and it is not clear whether this person will retain his stock or he will allow Carl to buy them back.

Emma's claim for reimbursement

Finally, we need to speak about the compensation that Carl has to give to Emma who procured 50 prototypes of his widgets. According to the Canada Consumer Product Safety Act, a buyer is entitled to reimbursement for a defective product (Government of Canada, 2010). This law is quite applicable to this situation even despite the fact that this legislative act focuses primarily on the hazardous products which may endanger the health of a consumer. This law requires manufacturers to inform customers about possible defects of a product.

This provision is crucial in this situation. The thing is that we do not know whether Carl warned Emma about the short durability of the widgets which she purchased. If Carl told her that these widgets were prototypes and they could be broken within a short time, then Emma would not be eligible for reimbursement. We have to emphasize an idea that according to Canadian <https://assignbuster.com/introduction-case-illustrates-a-situation-when-an-entrepreneur/>

laws, a consumer has a right to be informed about the product, and this is one of seller's responsibilities. Thus, the outcome of this conflict largely depends on what exactly Carl had said about the products. Still, there is great likelihood that Carl would have to indemnify Emma, especially if there is any document that proves the financial transaction. Apart from that, Carl can claim that the products might have been damaged because of misuse rather than poor design. Yet if he adopts this defensive line, he would have to start long litigation with Emma, and this process can become both expensive and time-consuming.

Moreover, this litigation can potentially damage the reputation of Widget International. Thus, it is more advisable to settle this conflict without court's intervention.

Conclusion

In this paper we have tried to illustrate different situation in which the contract can or cannot be denounced. There are several essential elements of contract like consent, offer, acceptance, and considerations. Carl has faced a situation when he may bear responsibility to different parties. In each of these cases, he may repudiate the agreements. Nonetheless, it has to be admitted that some circumstances of this case are not fully known to us, namely, the case does not tell us what kind of information he provided to Emma. Most likely, Carl will have to give indemnity to the end user.

Furthermore, given the available information, we can say that Widget International will be able to repudiate the contract signed with Widget Universe and may accept or reject the agreement with Widget World.

Reference List

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