

LL.B. I Term

Paper – LB – 102 - Principles of Contract

The law of contracts touches equally upon the lives of ordinary persons and the activities of small and big business. This branch of law deals with law relating to promises, their formation, performance and enforceability. It is scattered over several legislations. There are special legislations dealing with particular contractual relationships, e.g. The Sale of Goods Act, 1930, The Partnership Act, 1932.

This paper will include a study of general principles of contracts spelt out in sections 1-75 of the Indian Contract Act, 1872. The remaining provisions of this Act will be covered separately in two papers of LL.B. III/IV Term - Business Association – I (Partnership and Agency) and Commercial Transactions (Sale of Goods, Hire Purchase and Bailments) and one paper of LL.B. VI Term - Negotiable Instruments, Banking and Insurance. The statutory provisions would be supplemented with judicial pronouncements.

Prescribed Legislations:

- (a) The Indian Contract Act, 1872
- (b) The Specific Relief Act, 1963
- (c) The Indian Majority Act, 1875

Prescribed Books:

- (a) Nilima Bhadbhade, **Pollock & Mulla, Indian Contract & Specific Relief Acts** (13th ed., 2006)
- (b) J. Beatson, **Anson's Law of Contract** (28th ed., 2002)
- (c) H.K. Saharay, **Dutt on Contract – The Indian Contract Act, 1872** (10th ed., 2006)
- (d) Avtar Singh, **Law of Contract and Specific Relief** (10th ed., 2008)

Recommended Book:

M.P.Furmston, **Cheshire, Fifoot and Furmston's Law of Contract** (15th ed., 2007)

Topic 1 : General Introduction – History and Nature of Contractual Obligations

Topic 2 : Formation of an Agreement

Intention to create legal relationship; offer and invitation to treat; kinds of offer, communication, acceptance and revocation of offer and acceptance; modes of revocation of offer - Indian Contract Act, 1872, sections 2 – 10

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| 1. | <i>Carlill v. Carbolic Smoke Ball Co.</i> (1891-4) All ER Rep.127 | 1 |
| 2. | <i>Pharmaceutical Society of Great Britain v. Boots Cash Chemist (Southern) Ltd.</i> (1952) 2 All ER Rep. 456 | 9 |

3.	<i>Balfour v. Balfour</i> (1918-19) All ER 860 (CA)	11
4.	<i>Lalman Shukla v. Gauri Datt</i> (1913) XL ALJR 489 (All.)	15
5.	<i>Bhagwandas Goverdhandas Kedia v. M/s. Girdharilal Parshottamdas & Co.</i> , AIR 1966 SC 543	17
6.	<i>Harvey v. Facey</i> (1893) AC 552	28
7.	<i>Felthouse v. Bindley</i> (1862) 11 CB 869	29

Topic 3 : Making of an Agreement – Special Situations

Tenders and Auctions - Indian Contract Act, 1872, sections 2 – 10

8.	<i>Union of India v. Maddala Thathiah</i> , AIR 1966 SC 1724	30
9.	<i>Rajendra Kumar Verma v. State of M.P.</i> , AIR 1972 MP 131	36
10.	<i>Kanhaiya Lal Aggarwal v. Union of India</i> , AIR 2002 SC 2766	37
11.	<i>Haridwar Singh v. Bagun Sumbrui</i> (1973) 3 SCC 889	39
12.	<i>Indian Airlines Corporation v. Sm. Madhuri Chowdhuri</i> , AIR 1965 Cal. 252	42

Topic 4 : Consideration

Meaning; basis and the nature of consideration; Doctrine of Privity of Contract and of consideration, its exceptions; Exceptions of consideration – Indian Contract Act, 1872, sections 2(d), 2(f), 23 and 25

13.	<i>Kedarnath Bhattacharji v. Gorie Mahomed</i> (1886) 7 I.D. 64 (Cal.)	54
14.	<i>Doraswami Iyer v. Arunachala Ayyar</i> (1935) 43 LW 259 (Mad.)	56
15.	<i>Abdul Aziz v. Masum Ali</i> , AIR 1914 All. 22	58
16.	<i>Venkata Chinnaya Rau v. Venkataramaya Garu</i> (1881) 1 ID 137 (Mad.)	60
17.	<i>Nawab Khwaja Muhammad Khan v. Nawab Husaini Begam</i> (1910) LR 37 I.A. 152	62

Topic 5 : Capacity to Contract

Legal disability to enter into contract - Minors, persons of unsound mind ; person under legal disability; lunatics, idiots; Restitution in cases of minor's agreement; Liability for necessities supplied to the minor - Indian Contract Act, 1872, sections 10, 11, 12, 64, 65, 68; Specific Relief Act, 1963, section 33; Indian Majority Act, 1875

18.	<i>Mohori Bibee v. Dhurmodas Ghose</i> (1903) 30 I.A. 114	65
19.	<i>Khan Gul v. Lakha Singh</i> , AIR 1928 Lah. 609	69
20.	<i>Ajudhia Prasad v. Chandan Lal</i> , AIR 1937 All. 610	78

Topic 6 : Free Consent

Free consent ; Definition – Coercion, Undue influence, Fraud, Misrepresentation and Mistake; Effect on contracts influenced by any factor vitiating free consent - Indian Contract Act, 1872, sections 13 – 22

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| 21. | <i>Raghunath Prasad v. Sarju Prasad</i> (1923) 51 I.A. 101 | 87 |
| 22. | <i>Subhas Chandra Das Mushib v. Ganga Prasad Das Mushib</i> ,
AIR 1967 SC 878 | 90 |
| 23. | <i>Lakshmi Amma v. T. Narayana Bhatta</i> , 1970 (3) SCC 159 | 94 |
| 24. | <i>Tarsem Singh v. Sukhminder Singh</i> (1998) 3 SCC 471 | 100 |

Topic 7 : Limitations on Freedom of Contract

Circumstances in which agreements become void or voidable, Distinction between void and voidable agreements; Unlawful Agreements; Public policy; Agreements with unlawful consideration in part and objects; Agreements without consideration; Agreements in restraint of marriage; Agreements in restraint of trade; Agreements in restraint of legal proceedings; Ambiguous and uncertain agreements & Wagering agreements -Indian Contract Act, 1872, sections 23 – 30

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| 25. | <i>Gherulal Parakh v. Mahadeodas Maiya</i> , AIR 1959 SC 781 | 106 |
| 26. | <i>Niranjan Shankar Golikari v. Century Spinning & Manufacturing Co. Ltd.</i> , AIR 1967 SC 1098 | 119 |
| 27. | <i>Central Inland Water Transport Corpn. Ltd. v. Brojo Nath Ganguly</i> (1986) 3 SCC 156
(Also see <i>D.T.C. v. D.T.C. Mazdoor Congress</i> , AIR 1991 SC 101;
<i>Bank of India v. O.P. Swarankar</i> , AIR 2003 SC 858) | 128 |
| 28. | <i>Dhurandhar Prasad Singh v. Jai Prakash University</i> ,
AIR 2001 SC 2552 | 145 |

Topic 8 : Discharge of a Contract

Modes -Discharge by performance; Frustration; Supervening impossibility of performance; Grounds of Frustration and its effect; Discharge by Agreement and Novation - Indian Contract Act, 1872, sections 37 – 67

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| 29. | <i>Satyabrata Ghose v. Mugneeram Bangur & Co.</i> , AIR 1954 SC 44 | 148 |
| 30. | <i>M/s. Alopi Parshad & Sons Ltd. v. Union of India</i> , AIR 1960 SC 588 | 158 |
| 31. | <i>Punjab Sons Pvt. Ltd. v. Union of India</i> , AIR 1986 Del. 158 | 162 |
| 32. | <i>Easun Engineering Co. Ltd. v. The Fertilizers & Chemicals Travancore Ltd.</i> , AIR 1991 Mad. 158 | 167 |

Topic 9 : Remedies for Breach of Contract

(a) Damages; Types of Damages ; Basis of Assessment of Damages; Remoteness of Damages and Measures of Damages; Mitigation of Damages; Penalty & Liquidated Damages – Indian Contract Act, 1872, sections 73 – 74

33.	<i>Hadley v. Baxendale</i> (1843-60) All ER Rep. 461	172
34.	<i>AKAS Jamal v. Moolla Dawood, Sons & Co.</i> (1915) XX C.W.N. 105	175
35.	<i>Karsandas H. Thacker v. M/s. The Saran Engineering Co. Ltd.</i> , AIR 1965 SC 1981	178
36.	<i>Maula Bux v. Union of India</i> , AIR 1970 SC 1955	182
37.	<i>Shri Hanuman Cotton Mills v. Tata Air Craft Ltd.</i> , 1969 (3) SCC 522	186
38.	<i>Ghaziabad Development Authority v. Union of India</i> , AIR 2000 SC 2003	196
39.	<i>Oil & Natural Gas Corporation Ltd. v. Saw Pipes Ltd.</i> (2003) 4 SCALE 92	200

Topic 10 : Quasi – Contracts

Obligations resembling those created by Contract (Quasi – Contracts) : Concept and classification - Indian Contract Act, 1872, sections 68 – 72

40.	<i>State of West Bengal v. B.K. Mondal & Sons</i> , AIR 1962 SC 779	211
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IMPORTANT NOTE:

1. The topics and cases given above are not exhaustive. The teachers teaching the course shall be at liberty to add new topics/cases.
2. The students are required to study the legislations as amended up-to-date and consult the latest editions of books.
3. The question paper shall include one compulsory question. The question papers set for the examinations held during 2007-08 and 2008-09 are printed below for guidance of the students.

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LL.B. I Term Examinations, December, 2008

Note: Answer *five* question including Question No. 1 which is compulsory.
All questions carry *equal* marks.

1. Attempt briefly any *four* of the following
 - (a) Standing offer;
 - (b) All contracts are agreements but all agreements are not contracts.
 - (c) Executed and executory consideration;
 - (d) Liquidated damages;
 - (e) Minor's liability for necessities.