Important judgements under contract act

Balfour v. Balfour (1919)

The 1919 case of Balfour v. Balfour was the foundation for the contract law as it gave birth to the purpose behind the creation of the legal reaction theory in contract law. Legal reaction theory means that one lawful act will be responsible for a subsequent legal act to take place. Lord Justice Atkin observed that agreements that are made between a husband and his wife, specifically personal family relationships, to provide maintenance costs, and other related capitals are generally not categorized as contracts because in general, the parties to the agreement do not intend to enter into an agreement that should be attending legal ends. Therefore, a contract cannot be enforceable by nature if the parties to the same do not intend to create legal relations with each other.

Lalman Shukla v. Gauri Datt (1913)

The importance of knowledge and communication, in formation of a contract, was highlighted by the Allahabad High Court in the landmark judgment of Lalman Shukla v. Gauri Datt (1913). The Hon'ble Court observed that the fundamental necessity of a valid contract is the knowledge and assent of a proposal in order to convert the concerned proposal into an enforceable agreement. In the present case, none of the criteria discussed are being fulfilled as the plaintiff was unaware and there was an absence of assent about the particular act. This is also an important principle governing general offers in contract law, and a classic example of a general offer is offering a reward by means of an advertisement for finding a lost article. Only the person completing the required task is said to be accepting the offer.

Rose and Frank Co v. Crompton and Brother Ltd (1925)

The House of Lords in the well-known case of Rose and Frank Co v. Crompton and Brother Ltd (1925) highlighted agreements that are enforceable by law. The Court, in this case, held that the very fact that the arrangement between the parties to the case does not constitute a legal contract will not ipso facto preclude the orders and acceptances from constituting legally binding contracts. Therefore, the absence of enforceability of a legal arrangement that is expressed under an agency agreement does not preclude the legal transactions.

Harvey v. Facey (1893)

The difference between an "invitation to offer", and "offer" has been laid down by the Lords of Judicial Committee of the Privy Council on the appeal in the case of Harvey v Facey (1893). While the case surrounded an issue that arose regarding the offer to sell a Bumper Hall Pen, the Privy Council observed that there never existed an agreement between the parties to the case. The Council went further to state that for a contract to be valid, a proposal and an acceptance are needed and to make the contract binding. Further, acceptance of the proposal must be notified to the individual who is proposing because a legally enforceable agreement requires sureness to hold from both the parties to the contract.

Ramsgate Victoria Hotel v. Montefiore (1866)

In the case of Ramsgate Victoria Hotel v. Montefiore (1866), the Court of Exchequer discussed revocation of an offer that resulted due to lapse of time. As the defendant wanted to purchase shares in the plaintiff's hotel, and also went ahead to communicate the offer to the defendant, the plaintiff had accepted the offer after six months of its proposal. By that time the share value had decreased which affected the interest of the defendant to purchase the same. While passing an order in favor of the defendant, the Court drew attention to the fact that the plaintiff had not accepted the offer in spite of being provided with sufficient time to consider. As the offer was accepted after six months, the same can no longer be categorized as valid, and therefore even if the defendant doesn't show interest in buying the shares, he will not be held liable for the same.

Felthouse v. Bindley (1862)

The concept of acceptance was taken up by the Court of Exchequer Chamber, the United Kingdom in the case of Felthouse v. Bindley (1862). While accepting an offer proposed to a party, he or she cannot remain silent. If he or she remains so then the same cannot be presumed to be an acceptance of the proposed offer. The Court of law made it clear that there should be absolute clarity in the communication of the acceptance of an offer so as to proceed towards the formation of a valid contract.

Pharmaceutical Society of Great Britain v. Boots Cash Chemist (1953)

The case of Pharmaceutical Society of Great Britain v. Boots Cash Chemist (1953) revolves specifically around the concept of "invitation to offer". The case which appeared before the Courts of Appeal of England and Wales involved the defendant, a pharmaceutical company who introduced a new method of displaying the drugs for the shoppers, which could be used for purchasing drugs, and the plaintiff objecting to the same. The Court of law observed that "goods on a display are an invitation, not an offer" instead, the customers make an offer when they take the medicines to the register with the cashier being under the shopkeeper to accept the offer proposed. The Court reasoned that displaying medicines to the customers will be treated as an "invitation to treat", and not as an "offer".

Bhagwandas Kedia v. Girdharilal & Co (1959)

The Supreme Court of India while deciding the case of Bhagwandas Kedia v. Girdharilal & Co (1959) took into account Sections 2,3, and 4 of the Indian Contract Act, 1872. The Court observed that making an offer at a place that has been accepted elsewhere does not ipso facto form part of the cause of action in a suit for damage, in scenarios for breach of contract. Generally, a contract is the consequence of acceptance of offer and intimation of that acceptance, therefore the intimation must be by the same external manifestation which is recognized by the law, or is sufficient in the eyes of law.

Kedarnath v. Gorie Muhammad (1886)

The Calcutta High Court in a notable case of Kedarnath Bhattacharji vs Gorie Mahomed (1886), observed that although the promise made in this case was in relation to a charitable purpose and that the defendant, in this case, had no benefit, the defendant was held responsible for the promise made by him. The Court believed that the defendant will be held liable, as it was noted that in this case people were asked to knowingly subscribe to the purpose for which the money was to be applied or used. Along with this, the people were aware that in the faith of their subscription they had to incur the obligation to pay the contractor for the work. In this case, the law of the applicant was recognized by the Hon'ble High Court as the conclusion of a contract with the contractor was made at the will of the promoter, which was to be perceived as a good consideration according to Section 2(d) of the Indian Contract Act, 1872.

Durga Prasad v. Baldeo (1880)

The two-Judge Bench of Allahabad High Court comprising Justices Pearson, and Oldfield decided on the validity and legitimacy of a contract in the well-known case of Durga Prasad v. Baldeo (1880). In this case, the Court referred to the doctrine of rule of law that is inherently related to Section 2(d) of the Indian Contract Act, 1872. Section 2(d) read with Section 25 of the Act of 1872 states that "any agreement without consideration is void". Thus when the legislation itself clears the necessities of a valid agreement, there cannot exist any case which walks against the statutory rules.

Leslie Ltd v. Sheill (1914)

The English Court of Appeal in the well-known case of Leslie Ltd v. Sheill (1914) took into account the issue as to whether the defendants, in the case, are entitled to equitable restitution against a loan provided to a minor or not. Explaining the doctrine of equitable restitution, the Court viewed that, "If an infant obtains property or goods by misrepresenting his age, he can be compelled to restore it so long as the same is traceable in his possession". The Court went further to state that restitution stops whenever the repayment begins, and the principles of equity do not enforce any kind of contractual obligations against a minor.

Mohori Bibee v. DharmodasGhose (1903)

A bench of Judges Lord Mcnaughton, Lord Davey, Lord Lindley, Sir Ford North, Sir Andrew Scoble, and Sir Andrew Wilson considered the ambit of minor's agreement in the well-known case of Mohori Bibee v. DharmodasGhose (1903). The Privy Council expressly barred any person below the age of eighteen years to enter into a contract, and take major decisions in relation to the same. Thus in the present case where the plaintiff and the defendant had entered into a mortgage deed, the same was held to be void as the mortgage execution was carried out by a minor individual.

Raghava Chariar v. Srinivara (1916)

The issue in the present case of Raghava Chariar v. Srinivara (1916), the issue that appeared before the Madras High Court was whether a mortgage that had been executed in favor of a minor who had also advanced the mortgage money in totality, would be deemed to be enforceable by him or by any other person on his behalf, or not. In comparison to previous observations in the case of Mohori Bibee v.

DharmodasGhose (1903) which has provided a restrictive view on the liability of minors in contracts, the present case holds greater significance in the current scenario as it facilitated in providing a divergent scope of safeguarding minors in the contracts.

Donoghue v. Stevenson (1932)

The doctrine of negligence was laid down unambiguously by the House of Lords in the English case of Donoghue v. Stevenson (1932). In the present case, the injuries that were caused to the plaintiff from the defendant's defective products were claimed on the basis of the contract of sale between the parties to the case. While it was the plaintiff's friend who suffered the damage, the plaintiff did not, hence the plaintiff's claim could only be on the grounds of negligence by the defendant. The issue before the Court was whether the defendant owed a duty of care to the plaintiff or not. Applying the "neighbor principle", the Court rules out that the defendant did owe a duty of care to the plaintiff.

Phillips v. Brooks (1919)

The issue as to whether a mistake to identify an essential of a contract ipso facto makes the contract void or not came before Judge Horridge of the King's Bench Division in the case of Phillips v. Brooks (1919). The Court while ruling out in favor of the defendant observed that the claimant in the case intended to sell the ring to the man in front of him, that is a face-to-face contract, whoever that man turned out to be. No relevant mistake could therefore be scooped out from this case. As the property had passed to the rogue, the claimant in the case was therefore not entitled to recover the ring.

Dunlop Pneumatic Tyre Co Ltd. v. Selfridge & Co (1915)

In the case of Dunlop Pneumatic Tyre Co Ltd. v. Selfridge & Co (1915), the House of Lords delivered a judgment that accompanied the understanding of the concept of "construction of contract". Dismissing the appeal in the present case, the Court held that as there existed no contract between the plaintiff and the defendant, therefore, the plaintiff, in this case, can no way sue the defendant. Taking a cue on the aspect of privity of contract, the Court observed that only the parties to a contract can sue each other over breach of the contract entered into, and the only exception to this general rule will be in case of a principal-agent relationship where the agent was unnamed by the party under whom he/ she was appointed.

Hadley v. Baxendale (1854)

Consequential damage over breach of contract was determined by the English Court in the well-known case of Hadley v. Baxendale (1854). When the defendant made an error in carrying out his work which was assigned to him by the plaintiff in his mill, the latter claimed professional negligence on the latter's part. The issue before the Court was whether the claim that was made by the plaintiff was disproportionate to the damages caused or not. Observing that losses can be claimed if it can be reasonably viewed to have been the outcome of the defendant's actions, the Court ruled out that the defendant will not be liable to compensate the plaintiff for his losses on grounds that the plaintiff had not reasonably foreseen the consequences of the delay caused by the defendant.

Dickinson v. Dodds (1876)

England's Court of Appeal, in the well-known case of Dickinson v. Dodds (1876) took into account whether a defendant who had promised to keep his offer open till a certain day be bound by contractual obligations if he had revoked his promise and sold off his offer to a third party, prior to the specified date? Ruling out that there was no contract that was formed between the parties to the case, the defendant had no obligations to follow before he could revoke his promise. The Court reasoned that although the defendant had made an offer, he did possess the right to revoke the same before the offer was accepted by the plaintiff, hence was not liable for his action.

Powell v. Lee (1908)

A well-known case of offer and acceptance was the case of Powell v. Lee (1908) which involved the plaintiff filing a suit against the defendant over breach of contract. The question that the King's Division Bench considered was whether a person who acted in an unauthorized capacity, communicated an offer's acceptance? Ruling that for an acceptance to be valid, the same should be communicated, and the same should be carried out by the person offering in an authorized capacity, the Court dismissed the plea of breach of contract between the plaintiff, and the defendant.

Merritt v. Merritt (1970)

The Master of the Rolls decision in the case of Merritt v. Merritt (1970) plays a significant role in framing the contract law jurisprudence. Although the present case walks in the same line as the case of Balfour v. Balfour (1919), the Court distinguished both these cases on the grounds that the present involves parties who are separated from their marital ties, whereas in the 1919 case, the parties where the couple was married. In the present case, the husband had signed an agreement with his wife of £40 per month in connection to their mortgage house. When the payment was made, the wife claimed the property to be hers. The Court of Appeal held the agreement to be binding in nature as against the decision made in the Balfours' case.

Conclusion

It is necessary to take note of the cases which have been discussed in this article as questions surrounding them are often located in different law examinations. A law student must, therefore, have these cases at their fingertips. Although the list of twenty cases provided in this article is not exhaustive, they surely are the foremost ones to be learned along with the contract law.