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THE INDIAN CONTRACT ACT

GENERAL PRINCIPLES

Satyabrata Ghose v. Mugneeram Bangur and Co., AIR 1954 SC 44

The Indian Contract Act, to the extent it addresses a particular subject, exhausts it, making it impermissible to import principles from English law. Decisions of English Courts are merely persuasive in nature.

CWT v. Abdul Hussain, (1988) 3 SCC 562

In commercial transactions, there is a presumption that parties intend legal consequences. The burden lies on the party asserting the absence of legal consequences. The test of intention is objective rather than subjective.

Banwari Lal v. Sukhdarshan Dayal (1973)1 SCC 294

The Supreme Court emphasised that an intention to create legal relations is essential for the formation of a contract.

Carlill v. Carbolic Smoke Ball (1893) 1 QB 256 (CA)

The Supreme Court highlighted the importance of reducing a contract to writing. Expressing agreements in writing serves to eliminate any ambiguity and ensures clarity of understanding.

State of Uttar Pradesh v. Murari Lal, AIR 1971 SC 2210

The Supreme Court held that the provisions of Article 299(1) are mandatory. Contracts made in contravention of Article 299 are invalid.

SBI v. Radhey Shyam Pandey, (2020) 6 SCC 438

If it is impossible to separate the legal and illegal parts of a covenant, the contract is entirely void. However, if it is possible to sever the legal from the illegal parts, the invalid portion may be rejected while upholding the valid part.

OFFER

Lalman Shukla v. Gauri Dutt (1913) 11 All LJ 489

A proposal cannot be accepted unless it comes to the knowledge of the person accepting it.

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Carlill v. Carbolic Smoke Ball Company Ltd (1893)1 QB 256 (CA)

The court elucidated the following regarding general offers:

- An offer can be made to the public at large, and a contract is formed with the individual who accepts the offer.

- In such instances, communication of acceptance is unnecessary; performance of conditions suffices as acceptance without communication.

- A general offer remains open for acceptance by any number of persons until it is revoked.

McPherson v. Appana, AIR 1951 SC 184 Harvey v. Facey, (1893) UKPC 1

Mere statement of the lowest selling price by the offeror does not constitute a contract.

Pharmaceutical Society of Great Britain v. Boots Cash Chemists Ltd. (1952) 2 QB 795

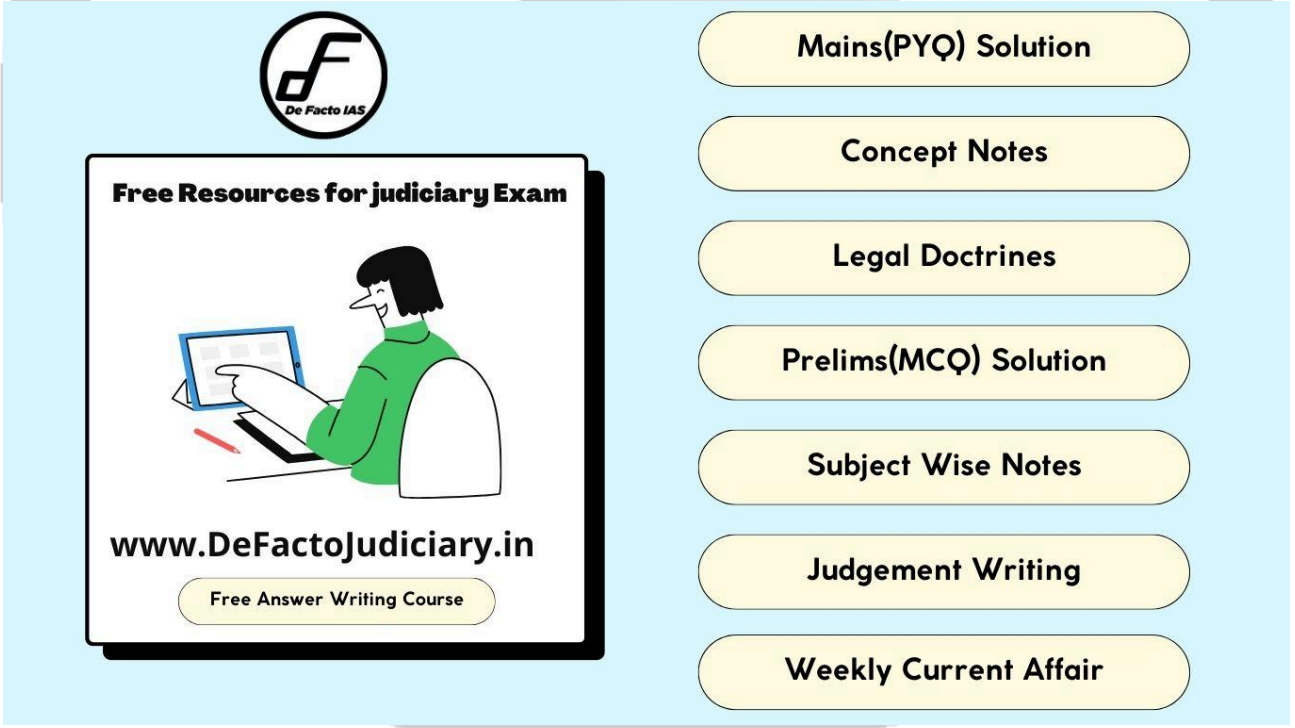
Displaying goods in a shop with price tags does not constitute an offer, even in a self-service shop; it is an invitation to offer.

Hyde v. Wrench, (1840) 49 ER 132

A counteroffer terminates the original offer.

Upton Rural District Corporation v. Powell, (1942)1 All ER 220

A contract can be express or implied. In this case, the defendant mistakenly summoned fire brigade services, believing them to be free, and the court deemed services rendered under an implied promise to pay.



Harris v. Nickerson, (1873) LR 8 QB 226

An advertisement for an auction is merely an invitation to offer.

Henderson v. Stevenson, (1875) 32 LT 709

The offeree must receive reasonable notice of printed terms and conditions. Failure to provide such notice renders the offeree not bound by those terms and conditions.

ACCEPTANCE

Brogden v. Metropolitan Railway Co. (1877)

Mere mental agreement is insufficient for acceptance; there must be communication to the other party.

Powell v. Lee (1908)

Communication of acceptance must be received from an authorised person. Acceptance communicated by someone lacking authority is legally ineffectual.

Felthouse v. Bindley (1863) 7 LT 835

Acceptance must be communicated directly to the offeror; communication to any other person is legally inconsequential. The offeror cannot impose on the offeree the duty to respond or refuse, and silence cannot constitute acceptance.

Boulton v. Jones, (1857)

A specific offer can only be accepted by the person to whom it is directed.

Entores Ltd. v. Miles Far East Corporation, (1955) 1 QB 327

In contracts made through instantaneous communication, such as telegraph or telephone, the contract is concluded only upon receipt of the acceptance by the offeror.

Bhagwandas v. Girdharilal and Co., (1966)1 SCR 656

In contracts concluded through postal communication, the contract is formed at the place where the letter of acceptance is posted. For instantaneous communications, like telephone calls, the contract is formed where the acceptance is received.

CONSIDERATION

Currie v. Misa (1875)

The court affirmed that a valuable consideration, in the eyes of the law, may encompass either a right, interest, profit, or benefit accruing to one party, or some forbearance, detriment, loss, or responsibility given, suffered, or undertaken by the other.

Durga Prasad v. Baldeo, (1880) 3 All 221

An act performed at the request of the promisor constitutes valid consideration. However, if the act is not performed at the request of the promisor, it will not be deemed consideration.

Kedar Nath v. Gorie Mohammad, (1887) ILR14 Cal. 64

A promise to pay a subscription is legally binding if the party to whom the promise is made has incurred liability based on that promise.

Abdul Aziz v. Masum Ali and ors., AIR 1914 All 22

A promise to pay a subscription for charitable purposes is not enforceable if the other party has not incurred any liability.

Tweddle v. Atkinson, (1861) 123 ER 762

Under English law, it is essential that consideration must be provided by the promisee. A stranger to the consideration cannot bring a legal action.

CAPACITY TO CONTRACT

Mohori Bibee v. Dharmodas Ghose, (1902)

The Indian Contract Act does not explicitly address the consequences of agreements entered into by minors. However, it has been firmly established that a minor's agreement is entirely void, as a minor cannot make a legally enforceable promise. Under Indian law, concerning restitution, a minor is not obligated under Sections 64 and 65 of the Contract Act to repay any money or compensate for any benefit received.

Khan Gul v. Lakha Singh AIR 1928 Lah 609

No estoppel can be invoked against a minor, even if the minor has acted fraudulently and misrepresented their age. The defence of minority is available to minors, as there can be no estoppel against the law. Thus, a minor cannot be held liable under an agreement based on estoppel. The doctrine of restitution is enshrined in Section 41 of the Specific Relief Act (Section 33

of the current Act). False representation by a minor regarding their age creates an equitable liability. The grant of restitution does not enforce the contract but restores the state of affairs to how they existed before the contract was formed.

Leslie Ltd. v. Sheil, (1914) 3 KJB. 607

Regarding the doctrine of restitution in English law, the court established the following principles:

- If a minor acquires property or goods by misrepresenting their age, they can be held liable to restore it only if it is still traceable in their possession.

- If the minor has sold or converted the goods, they cannot be compelled to repay the value of the goods.

- The doctrine of restitution does not apply when a minor has received money instead of goods because restitution ceases where repayment begins.

Raghav Cheriar v. Srinavasa, 40 Mad 308 (FB 1917)

A mortgage executed in favour of a minor who has provided the entire mortgage money is enforceable by the minor or any person acting on their behalf.

FREE CONSENT

Chikham Amiraju v. Chikham Seshamma ILR (1918) 41 Mad 33

In this case, the court ruled that a threat of suicide constitutes coercion, which is a form of unlawful pressure that can invalidate a contract.

Andhra Sugars Ltd. v. State of A.P. AIR 1968 SC 599

Mere statutory compulsions, such as those imposed by law, are not considered undue influence.

Ragnunath Prasad Sahu v. Sarju Prasad Sahu 1924 PC 60

The Privy Council established the following principles regarding undue influence:

- The parties' relationship must enable one party to dominate the will of the other.
- Once dominance is established, the court will consider whether the resulting bargain is unconscionable.

- Mere unconscionability, without dominance, is not sufficient to prove undue influence, especially between parties of equal standing.

Subhash Chandra Das v. Ganga Prasad Das, AIR 1967 SC 878

The law on undue influence applies equally to gifts made during life (inter vivos) and contracts. The court must examine whether:

- The relationship between the donor and donee allows the latter to dominate the former's will.

- The donee has taken advantage of this position to secure an unfair benefit.

Derry v. Peek, (1889) 14 AC 337

Fraud is defined by the court as a false statement made knowingly, without belief in its truth, or recklessly, regardless of its veracity.

ITC Ltd. v. George Joseph Fernandes, AIR 1989 SC 83

Under Section 20 of the Indian Contract Act, for an agreement to be void, there must be a mutual mistake about a vital fact. Mutual mistake implies that the parties are at cross purposes, with no genuine agreement between them.

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Phillips v. Brooks Ltd., (1919)

If one party commits fraud, but there is no mistake regarding the identity of the party involved, the contract is voidable rather than void.

VOID & VOIDABLE CONTRACT

Central Inland Water Transport Corpn v. Brojo Nath. AIR 1986 SC 1571

The Supreme Court emphasised that public policy can evolve and adapt to changing times, considering Fundamental Rights and Directive Principles of State Policy as guiding principles.

Carlill v. Carbolic Smoke Ball Co. (1893)1 QB 256 (CA)

A wagering contract has the following essentials:

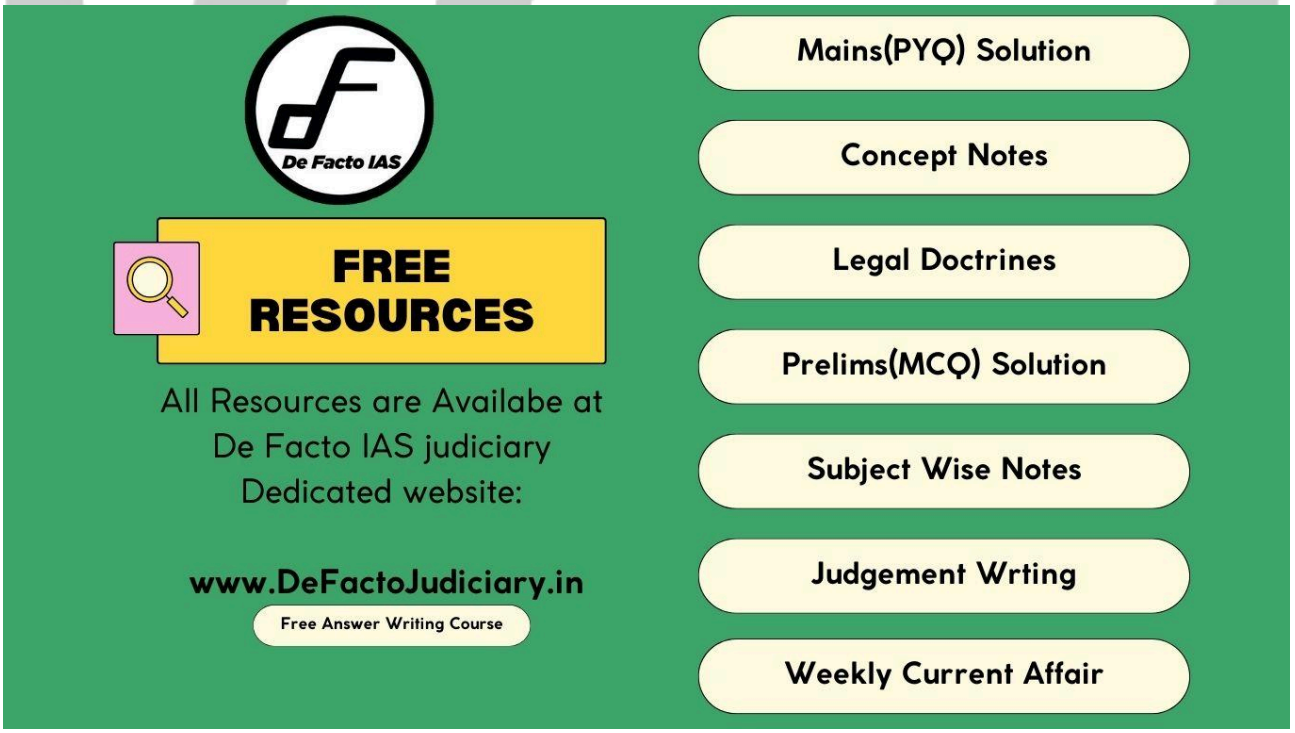
- The event must be uncertain.
- Both parties must have mutual chances of gain or loss.
- Neither party should have any interest except winning or losing.
- Neither party should have control over the outcome.

Gherulal Parekh v. Mahadeo Das AIR 1959 SC 781

While wagering agreements are void, they are not considered illegal in India. Therefore, transactions related to wagering agreements may still be enforceable.

Satyabrata Ghose v. Mugneeram Bangur 1954 SCR 310

In India, the doctrine of supervening impossibility is similar to the doctrine of frustration in English law.



Hukum Singh v. Gammon (India) Ltd, AIR 1971 SC 740

When two courts are equally competent to handle a dispute, parties may agree that the dispute should be adjudicated by only one of the courts.

Niranjan Shankar v. Century Spinning Co. Ltd, AIR 1967 SC 1098

Negative covenants that operate during the term of employment, when an employee is bound to serve the employer exclusively, are generally not considered restraints of trade and thus do not fall under Section 27 of the Indian Contract Act.

K.R. Lakshman v. State of Tamil Nadu, (1996) 2 SCC 226

The business of horse racing is not considered gambling or gaming but rather a game of skill.

QUASI CONTRACT

Chappel v. Cooper 153 ER 105

"Necessaries" refer to things essential for maintaining a person according to their condition in life, determined by their fortune and circumstances. It depends on the person's status and requirements at the time of delivery.

Nash v. Inman (1908) 2 KB1

To render an infant's estate liable for necessaries, two conditions must be met:

1. The supply must be for goods reasonably necessary for the infant's support.
2. The infant must not already have a sufficient supply of necessaries at the time of delivery.

When a contract is void due to non-compliance with Article 299(1) of the Constitution, the parties' rights are determined according to Section 70 of the Indian Contract Act.

Moses v. Macferlan, (1760) 2 Burr 1005

Both law and justice aim to prevent unjust enrichment, wherein one person benefits at the expense of another. This forms the basis of quasi-contractual obligations.

State of W.B. v. B.K. Mondal and Sons, AIR 1962 SC 779

For Section 70 to be invoked:

1. One person must lawfully do something for another or deliver something to them.

2. The action must not be intended gratuitously.

3. The recipient must accept and benefit from it voluntarily.

Food Corporation of India v. Mazdoor Shakti Mandali, (2007) 13 SCC 544

The principle of quantum meruit applies when a contract is technically invalid, entitling the party to reasonable payment for work done. Section 70 is based on this principle.

MTNL v. Tata Communications Ltd, (2019) 5 SCC 341

Compensation quantum meruit is awarded when the contract doesn't specify a price. However, if the contract provides for consideration, compensation quantum meruit cannot be awarded for work done under its terms.

DAMAGES

Jarvis v. Swan Tours Ltd. 1973 QB 233

In certain special cases, damages for mental distress may be recovered, though ordinarily they are not allowed.

Hadley v. Baxendale (1854) EWHC 570

Damages for breach of contract should be such as may fairly and reasonably be considered either arising naturally from the usual course of things or as may reasonably have been in the contemplation of the parties when they made the contract.

Addis v. Gramophone Co. Ltd., 1909 AC 488

Damages for mental pain and suffering are not typically allowed, except in specific circumstances like unjustified dishonour of a cheque, breach of promise of marriage, or failure of a vendor to make title to real estate.

Ghaziabad Development Authority v. Union of India, AIR 2000 SC 2003

Mental agony cannot be claimed as damages for breach of an ordinary commercial contract.

Dunlop Pneumatic Tyre Ltd. v. New Motor Co. Ltd, (1915) AC 79

If a lump sum is payable for one or more events, some serious and some trifling, it is presumed to be a penalty.

Vedanta Ltd. v. Emirates Trading Agency LLC, (2017) 13 SCC 243

To claim compensation for loss and damages arising from a breach of contract under Section 73 of the Contract Act, a concluded contract is necessary. Acceptance of a proposal must be absolute and unqualified; a counterproposal does not create a concluded contract.

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