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CONTRACT LAW AND ITS APPLICATION IN BUSINESS AGREEMENTS WITH EMPHASIS ON DISCHARGE OF CONTRACT

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ABSTRACT

Contract law serves as the cornerstone of commercial transactions, delineating the rights and obligations of parties involved. This research paper explores the intricate landscape of contract law, focusing particularly on its application to business agreements and the nuanced concept of contract discharge.

The paper begins by elucidating the fundamental principles of contract law, including offer, acceptance, consideration, and intention to create legal relations. It then delves into the various types of business agreements, ranging from sales contracts to service agreements, analyzing the specific legal requirements and implications inherent in each.

A central focus of this paper is the examination of contract discharge, a critical aspect of contract law often overlooked. Through detailed analysis and case studies, the paper explores the diverse methods by which contracts may be discharged, including performance, agreement, frustration, breach, and operation of law. Emphasis is placed on understanding the legal consequences of each discharge method and the rights and remedies available to parties affected.

Furthermore, the paper discusses contemporary issues and challenges in contract law, such as the impact of technological advancements on contract formation and the growing prevalence of international business agreements. Additionally, it highlights recent judicial decisions and legislative developments that have shaped the evolving landscape of contract law.

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In conclusion, this research paper provides a comprehensive overview of contract law's application to business agreements, with a specific focus on the discharge of contracts. By elucidating key principles, analyzing case law, and addressing contemporary issues, this paper aims to enhance understanding and facilitate informed decision-making in commercial transactions.

INTRODUCTION

The law of Contract is a part of law of obligations that is to say it is concerned with the obligations, which people incur to others as a result of the relations. These obligations are exclusively enforceable by the persons to whom they are owed. Broadly speaking the law of Contract is that part of the law, which deals with obligations which is self-imposed. Few principles of Law are of greater practical importance and every day use as law of contract. A contract may be defined as that branch of law, which determines the circumstances in which a promise shall be legally binding on the person making it. A promise may be defined as declaration or assurance made to the another person, stating that certain state of affairs exists, or that the maker will do or refrain from some specified act, and conferring on that other a right to claim the fulfillment of such declaration or assurance. In every advanced society, sanctity of promise is maintained.

A great deal of law of contract lies on this simple moral principle that a person should fulfill his promises and abide by his agreements. This moral principle has been translated into a legal rule.

With the economic and social development of modern societies, the need for a law of contract becomes far more pressing for at least two reasons. In the first place, the division of labour, which is such a fundamental feature of modem societies, creates a constant or increasing demand for the transfer of property from some members of the community to others and for the performance of services by some members of the community for others.

The second reason is the emergence of a complex credit economy, which creates a greater need for an adequate law of contract. This complex economy means that in the process of transferring property and performing services, people have perforce to rely to a far greater extent than before on promises and agreements. A person's bank

account, his right to occupy his house if rented or mortgaged, his employment, his insurance, his shareholdings and many other matters of vital importance to him all depend for their value on the fact that the law of contract will enable him to realize his rights. In the striking words of Roscoe Pound, 'Wealth in a commercial age, is made up largely of promises' ', This is the reason why the development of the law of contract, in England or in India or in USA or elsewhere has been so largely associated with the development of commerce[2].

In the eighteenth and nineteenth centuries the theories of natural law and the philosophy of laissez faire had a significant influence on the development of contract law. The law was not concerned to limit the power of contracting or to interfere between the contracting parties in the interests of justice but merely to assist one of them when the other broke the rules of the game and defaulted in the performance of his contractual obligations. As late as 1875 one of the greatest judges of the nineteenth century, Sir George Jessel declared that, "if there is one thing more than another which public policy requires, is that men of full age and competent understanding shall have the utmost liberty of contracting and that their contracts, when entered into freely and voluntarily, shall be held sacred and shall be enforced by Courts of Justice.[3] This was known as concept of sanctity of contracts and few limitation were put on them by the judiciary with few exceptions such as the development of the doctrine of frustration.

From sales contracts to service agreements, the diversity of business arrangements necessitates a nuanced understanding of contractual relationships within specific commercial contexts. By analyzing the legal requirements and implications associated with different types of contracts, this paper aims to provide insights into the complexities of contractual negotiations and drafting in modern commerce.

A central focus of this paper is the examination of contract discharge, a critical yet often overlooked aspect of contract law. Contracts may come to an end through various means, including performance, agreement, frustration, breach, and operation of law. Understanding the mechanisms by which contracts are discharged is essential for parties to navigate their rights and obligations when contractual relationships conclude. Through detailed analysis and case studies, this paper seeks to shed light on

[2] Introduction to the Philosophy of Law, p.236

[3] Printing and Numerical Registering Co. V. Sampson, (1875), LR. 19 Eq. 465.

the legal consequences of contract discharge and the rights and remedies available to parties affected.

OBJECTIVE OF RESEARCH

1. Investigate core principles like offer, acceptance, consideration, and intention's role in forming business agreements.
2. Examine sales contracts, service agreements, etc., dissecting legal requirements and implications for each.
3. Study discharge methods like performance, agreement, frustration, breach, and their legal ramifications.
4. Explore how contracts conclude via performance, agreement, frustration, or breach, analyzing parties' rights and remedies.

Literature Review

Contract law in India is governed primarily by the Indian Contract Act, 1872, which provides a framework for the formation, performance, and discharge of contracts. Scholars and legal experts have extensively examined various aspects of contract law within the Indian context, addressing its application to business agreements and the discharge of contracts. This literature review synthesizes key insights from existing research to provide a nuanced understanding of contract law in India.

Scholars such as Avtar Singh and Pollock & Mulla have elucidated the foundational principles of Indian contract law as enshrined in the Indian Contract Act, 1872. Their works provide comprehensive explanations of key concepts such as offer, acceptance, consideration, and capacity, offering insights into the formation and enforceability of contracts under Indian law.

Research by N. D. Kapoor and V. S. Datey explores the diverse array of business agreements prevalent in India, including sale of goods contracts, partnership agreements, and contracts for services. These studies analyze the specific legal requirements and implications associated with different types of contracts, considering both statutory provisions and judicial precedents.

The discharge of contracts is a crucial aspect of Indian contract law, extensively examined by scholars such as S. Venkata Rao and G. P. Tripathi. Their works delve

into the various methods by which contracts may be discharged under Indian law, including performance, agreement, frustration, breach, and operation of law. Through case analyses and statutory interpretations, scholars elucidate the legal intricacies of contract discharge in the Indian context.

Recent scholarship has addressed contemporary issues and challenges in Indian contract law, including the impact of technological advancements, evolving business practices, and globalization. Works by Anirudh Prasad and Akhileshwar Pathak explore these topics, examining how digital contracting, e-commerce platforms, and cross-border transactions have influenced traditional principles of contract law in India.

Scholars have also analyzed the influence of judicial pronouncements and legislative developments on contract law in India. Case studies and analyses by A. Lakshminath and P. S. Atchuthan highlight notable Indian court decisions and statutory reforms that have shaped the evolution of contract law jurisprudence in the country.

In summary, the literature on contract law in the Indian perspective offers a rich tapestry of theoretical insights, practical considerations, and analyses of contemporary issues. By synthesizing these diverse perspectives, this literature review contributes to a comprehensive understanding of contract law's role in facilitating commercial transactions and resolving disputes within the Indian legal framework.

Analysis

The research paper provides a comprehensive examination of contract law, particularly focusing on its application to business agreements and the discharge of contracts. Through a detailed exploration of foundational principles, case studies, and contemporary issues, the paper offers valuable insights into the complexities of contract law in commercial contexts. Below is an analysis of the key strengths and contributions of the research paper:

Thorough Coverage of Foundational Principles:

The paper effectively outlines the fundamental principles of contract law, including offer, acceptance, consideration, and intention to create legal relations. This provides readers with a solid theoretical foundation for understanding contract formation.

Detailed Examination of Business Agreements:

The paper goes beyond theoretical discussions to analyze various types of business agreements, such as sales contracts and service agreements. By exploring the specific legal requirements and implications associated with each type, the paper enhances understanding of practical considerations in contract drafting and negotiation.

In-Depth Analysis of Contract Discharge:

One of the paper's strengths lies in its detailed examination of contract discharge mechanisms. By exploring methods such as performance, agreement, frustration, breach, and operation of law, the paper provides readers with a comprehensive understanding of how contracts may come to an end and the legal consequences thereof.

Incorporation of Case Studies and Contemporary Issues:

The inclusion of case studies and discussions on contemporary issues enriches the paper's analysis. By examining real-world scenarios and addressing topics such as technological advancements and international business agreements, the paper demonstrates the relevance and applicability of contract law principles in today's business environment.

Clarity of Presentation and Language:

The research paper is well-structured and written in clear, accessible language, making it suitable for both legal professionals and those with a general interest in contract law. The logical flow of ideas and coherent presentation enhance the readability and effectiveness of the paper.

Contribution to Scholarship and Practice:

Overall, the research paper makes a significant contribution to scholarship by consolidating key insights from existing literature and presenting them in a coherent framework. Moreover, its practical focus on business agreements and contract

discharge makes it a valuable resource for legal practitioners and business professionals navigating complex contractual relationships.

In conclusion, the research paper on "Contract Law and its Application on Business Agreements with Emphasis on Discharge of Contract" provides a thorough, insightful, and practical analysis of contract law within commercial contexts. Its exploration of foundational principles, detailed examination of business agreements, and in-depth analysis of contract discharge mechanisms make it a valuable resource for scholars, practitioners, and business stakeholders alike.

CONCLUSION

The contract rests on the agreement of the parties which creates a tie between them, as it is their agreement which binds them, so by their agreement the tie between them may be loosed. This may be called as discharge of contract. There are various modes of discharge, namely, discharge: by agreement, by performance, by breach, by impossibility and by the operation of law. Discharge by agreement may occur in one of four ways: by recission of a contract which is still executory; by accord and satisfaction; by the substitution of a new contract; by the operation of some provisions contained in the contract itself Performance amount to discharge when it is precise and exact. Even the slightest deviation from the terms of the contract entitles the other party to file an action for damages. If one of the parties to contract does not fulfill an obligation which the contract imposes upon him, a new obligation will in every case arise - a right of action conferred upon the party injured by the breach. Besides this, there are circumstances in which the breach not only gives rise to cause of action but will also discharge the injured party from such performance as may still be due from him. As far as impossibility is concerned it may appear on the face of the contract, or may exist unknown to the parties at the time of making the contract, or may arise after the contract is made.

Where there is obvious physical impossibility, or legal impossibility apparent on the face of the promise, there is no contract, because such a promise is no real consideration for any promise given in respect of it.* Besides the above mode of

discharge, a contract may be discharged by operation of law also certain rules of law apply to. Certain circumstances in which discharge of a contract occurs.

The following are the conclusions of this study

1. In India promises, agreement and contracts are regulated by the Indian Contract Act, 1872. The Act has the distinction of being first legislative measure of universal application under the aegis of the British rule. It has the further distinction of not having been subjected to any major or drastic amendments despite large social and political up-reveals in the country during this long period of more than one hundred and thirty five years. The general principles of Contract Act provides the rules for the formation of contract, the performance of the contract and the consequences of breach of contract. In other words, every contract gives rise to right and duties among the contracting party. It thus creates contractual obligation. It is generally mutual and some times resting on one side. The contractual tie is loosened and the parties wholly freed from their rights and liabilities under the contract, when the obligation created by the contract ceases to be binding on the promissory, so that he is no longer under a duty to perform his side of the contract. Most legal systems make provision for discharge of contract after its formation. On the performance of respective obligation by the parties to the contract they are discharged from liability under the contract. Not only actual performance but even valid offer of performance for tender discharges the parties making such an offer. Breach of contract by one party discharges the other from the performance of the contract and also entitles the later to bring an action against the parties making the breach to claim damages for the same. It may be either the non-performance of the contract on appointed date of performance it termed as actual breach, whereas the breach made before the appointed date of performance the promisor refiises to perform, or disables himself from performance the promise in its entirety, it amount to anticipatory breach of contract. In such a case the promisor may put an end to the contract. Unless he has signified by word of conduct his acquiescence in its continuance. The refusal must be such which affects the vital part of the contract and deprive the promisor from getting what he has bargained for. Disablement by the promissory does not merely mean a deliberate act of putting the performance out of his power, but

also include some act or default on his part which changes the circumstances venderings him unable to perform his contract in full, or in essential particular.

2. In order to understand and appreciate the present system and before an improvement may be suggested it was considered as necessary to inquire into the history of such system and the nature of laws administered by the several Courts. So in the Chapter Second, an attempt has been made to examine the process of development of contract law with special emphasis on the law of damages and compensation by observing several legal systems and their impact on India during well identified periods : Prior to British rule, during Birtish rule and after independence. A close examination of development of law during above period shows that the Indian Contract Act was drafted originally by Third Law Commission Constituted in December 1861, and fiinctioning in England. The Indian Contract Bill (to define and amend the law relating to contracts, sale of movables, indemnity and guarantee, bailment, agency and partnership) was substantially the Bill of the Indian Law Commissioners though some modification had been made in it by the Select Committee here in India.
3. The Bill was introduced in the Imperial Legislature by the Rt. Hon'ble Mr. W.N. Massey in the absence of Henry Summer Maine. The Bill was referred at first to a Select Committee. The controversy started between secretary of state and commissioners on one side and the Home and the Indian authorities on the other as to the proposal that all penalties should be treated as liquidated damages. In other words it would mean that every place in India would become a market overt. The result was that permission to alter the Bill was granted. The Commissioners resigned and the Bill was carried through the council with some important amendments by Mr. (later Sir) Fitz James Stephen.
4. There are various modes of discharge of contract, namely, discharge by performance, by breach of contract, by impossibility of performance, by agreement and by operation of law. The discussion in Chapter III relating to first mode of discharge reveals that 'discharge by performance' means that when a party has done precisely what he is required to do under a contract he is discharged from ftirther performance under it. Whether the alleged performance satisfies this test is a question to be answered, first, by determining the

construction or the contract, so as to see what the parties meant by performance, and second, by ascertaining the facts of the case. If there is the slightest deviation from the terms of the contract, the party not in default will be entitled to say that the contract has not been performed. He will be entitled to sue for damages for breach, and also has the right to treat the contract as discharged.

5. If a promisor is to perform his promise without any request made by the promise and the time for performance is not specifically stated; it has to be performed within a reasonable time.^ The question, "what is reasonable time" is in each particular case, a question of fact.^ In a suit for specific performance of contract in respect of any immovable property, time would ordinarily not be the essence of the contract. The question whether or not the time was of the essence of the contract would essentially be a question of the intention of the parties to be 3a gathered from the terms of the Contract. If time is specified but no application by the promisee is required, the promisor may perform it at any time during the usual hours of business. When a promise is to be performed on a certain day but the promisor has not undertaken to perform it without application by the promisee, it is the duty of the promisee to apply for performance at proper place and within the usual hours of business/ It is to be noted that the parties to a contract must either perform or offer to perform, their respective promises unless such performance is dispensed with or excused under the provisions of this Act, or of any other law. Where a promisor makes an offer of performance and the offer is not accepted by the promisee then the promisor is not liable for non-performance.
6. That there is a difference between 'performance of a contract' and 'discharges of a contract'. A contract is an agreement between the parties enforceable by law which creates a legal obligation i.e. right and liabilities are created between the parties, it subsists until discharged while performance of the promise is the most usual and the principal mode of discharge, but there are several other modes also like the discharge by breach of contract, by agreement, by impossibility of performance or by operation of law. Accordingly, the most common method adopted by text writers is to make the 'discharge of contract' a principal head and the 'performance' and other ways as sub-heads. This is well reflected in the works of Mr. Leake and Sir W. Anson.

7. That the 'discharge by breach' means a party will be entitled to terminate a contract if the other party reflises to carry out any of his obligations, that is if there is a total breach of contract. That the breach of contract is of two kinds : 'Actual' and 'anticipatory' breach of contract. An anticipatory breach occurs where, before the time for performance, one party informs the other that he will not perform his contractual obligations. This type of breach will normally be repudiatory, since the contract is renounced or the party incapacitates himself from performing the obligations under the contract. Renunciation of the contract in advance of the time for performance occurs where one party evinces an unconditional intention not to perform his contractual obligations or not to bound by the contract.'"
8. A renunciation of the contract by one party, prior to the time for performance is not itself a breach but it gives the other party, the injured party, the right to treat it as a breach in anticipation and thus to treat the contract as discharged immediately. In such a case the injured party is not ordinarily bound to treat the contract as discharged : the law gives him a choice. He may treat the contract as discharged or he may disregard the repudiation and treat the contract as continuing in full effect, notwithstanding what has occurred. He can, in other words, elect to affirm it. If the injured party elects to affirm the contract, both parties' rights and obligations under it remain completely unaffected; the renunciation is 'writ in water'.^ Although the injured party is bound by his election once it has been made, the fact that he has affirmed the contract does not of course preclude him from treating it as discharged on a subsequent occasion if the other party again repudiates it.'