

Contracts: Consideration

What is Consideration

- Legal value bargained for and given in exchange for an act or a promise
 - Can be money, promise, act, or forbearance to act
 - Each party must give up something
 - Legal sufficiency not adequacy

Legal Sufficiency

- Benefit to Promisor or
- Detriment to Promisee
 - Doing something or
 - Refraining from doing something
 - Not necessary that detriment results in benefit to promisor
- Unilateral vs. Bilateral Contract

Mutuality of Obligations

- Illusory Promises
 - No real obligation
 - No consideration
- Output and Requirements Contracts

Pre-Existing Obligations I

- Doing something already obligated to do is not consideration
- Modification of existing obligations
 - UCC: no consideration needed
 - CL: must be supported by consideration

Pre-Existing Obligations II

- Settlement of Debt
 - Undisputed: Promise of discharge is not supported
 - Disputed: Promise of discharge is supported
 - UCC: Renunciation
 - Written, signed and delivered is binding without consideration

Bargained for Exchange

- Past consideration is not consideration
- Consideration may benefit someone other than the promisor

Contract Without Consideration

- Previously Unenforceable Obligations
 - Barred by Statute of Limitations; bankruptcy
- Promissory Estoppel
 - Detrimental Reliance
