

Contracts: Third Parties to Contracts

Assignment

- Assignment of Contract Rights
 - Assignor may assign rights to assignee
 - No consideration necessary
 - If consideration, irrevocable
 - If no consideration, revocable unless delivery or performance
 - May be oral or written
 - No special form

Exceptions to Assignability

- Increase Burden or Risk
- Personal Rights
- Clauses Prohibiting Assignment are Strictly Construed

Assignee

- Has Rights of Assignor
- Notice to Obligor
 - None required; but advisable because will lose rights against obligator if the obligator without notice of assignment pays assignor

Assignor

- **Implied Warranties**
 - Do nothing to defeat or impair assignment
 - Assigned right exists and subject to only limitations stated or apparent
 - The writing that evidences assignment is genuine
 - Assignor has no knowledge of any impairment
- **Express Warranties**
 - Can be made at time of assignment

Successive Assignment

- Majority Rule: First in Time Prevails
- Minority Rule: First Assignee to Notify Obligor Prevails
- Restatement Rule: First in Time Unless Assignment is Revocable or Voidable by Assignor
 - Later assignee may also take precedence if gives value in good faith without knowledge of prior assignment and obtains one of following re obligor: (1) payment, (2) judgment, (3) a new contract, or (4) written evidence of the right assigned

Delegation

- Delegation of Duty
 - Delegator may Delegate Duty under Contract as long as still Liable
 - Delegable Duties
 - Those which do not involve traits, skills, or judgment of promisor
 - Delegation may be prohibited by statute or contract
 - Delegator and delegatee both remain liable unless there is a novation (new contract)

Third Party Beneficiaries

- Not Parties to Contract, but receive Benefits from Contract
- Creditor and Donee Beneficiaries can Enforce Rights
- Incidental Beneficiaries can not Enforce Rights
 - Parties to the contract never intended that they benefit