

**GUJARAT NATIONAL LAW UNIVERSITY
GANDHINAGAR**

Course: Law of Contracts-I (General Principles & Specific Reliefs)

Semester-II (Batch: 2013-18)

End Term Examination: April-May 2014

Date: 24th April, 2014

Duration: 3 hours

Max. Marks: 50

Instructions:

- Read the questions properly and write the answers in the given answer book.
- The respective marks for each question are indicated in-line.
- Do not write any thing on the question paper.
- Indicate correct question numbers in front of the answers.
- No questions or clarifications can be sought during the exam period, answer as it is, giving reason, if any.
- **Bare Act is not allowed.**

**Part-A
Answer all Questions**

**Marks
27**

- Q.1 a. Mr. Tom is a businessman fighting a long drawn court case with Mr. Jerry who is another businessman. In order to support his case Mr. Tom signs up to the services of Mr. Black, a legal expert stating that an amount of Rs 100,000/- would be paid if Mr. Black does not take up the brief of Mr. Jerry. Mr. Black agrees but at the end of the litigation Mr. Tom refuses to pay. Decide whether Mr. Black can recover the amount under the provisions of the Indian Contract Act 1872. (3x3=09)
- b. 'X' filed a suit against his step-brother 'B' for the possession of half share in the property which was alleged to be an ancestral one. The suit was dismissed. Later on in order to secure reconciliation and family peace 'B' executed and registered a deed agreeing to transfer the half share in the said property to 'X'. 'X' filed a suit for possession under the basis of this deed. 'B' raised a plea that the agreement was without consideration and hence void. Decide.
- c. During the monsoons when dengue was sweeping the city of Pune, KINL Co. Ltd announced by advertisement that whoever uses their mosquito repellent 'Clear' in their bedrooms during sleeping hours will not be affected by dengue. An important condition mentioned in the advertisement is that the doors and windows of the bedrooms during sleeping hours shall be closed. In addition to this condition it is also announced that if any person is affected by dengue the same person can claim compensation of Rs 50,000. Ms Sheela filed a suit against the company claiming that she had bought 'Clear' and was affected by dengue. The company refused to pay the compensation by defending that there was no proof submitted that she used the repellent during sleeping hours with doors and windows closed as per the condition of agreement. Decide the case and support your answers with legal reasons.
- Q.2 On June 15, Tuesday at 10:00 am Mr Victor, CEO of White Smiths Ltd., sent a fax to Mr Jackson, a regular customer offering to sell him an extraordinary vintage car for Rs 60,000. On receiving the fax, Mr Jackson immediately writes a letter of acceptance to Mr Victor which is posted at 1:00 pm on the same day (June 15, Tuesday). Mr Faulty puts an incorrect address on the letter which never arrived. Worried that the letter might be delayed through post as he did not put the address correctly, Mr Jackson subsequently (06)

sent a fax accepting the same offer at 9:00 am on June 16, Wednesday morning. Due to certain personal commitments, Mr Victor was late at work on June 16 and failed to take note of the fax. In the same day he receives yet another offer of Rs 70,000 for the extraordinary vintage car from one Mr Bernard Shaw. He sent a fax revoking the offer of Mr Jackson at 5:30 pm in the same evening of June 16 knowing that Mr Jackson's office will be closed between 5:00 pm and 9:00 am. Mr Jackson received the fax containing revocation at 9:00 am the next day, June 17, Thursday. Mr Victor then received Mr. Jackson's fax at 9:30 am on the same day. Mr Victor now refuses to sell the car to Mr Jackson. Mr Jackson wants to sue him for the breach of contract.

Prepare legal arguments in support of both Plaintiff Mr Jackson and Defendant Mr Victor. Support your legal arguments with relevant cases and provisions of the Indian Contract Act 1872.

- Q.3 William Hanson who inherited a large amount of money with a plan to fulfil his lifelong-dream to own a luxurious home in the style of 1920s art deco. He bought a flat in Mittal Heights, MG Road, a block of flats built in Mumbai in 1920, however modernized in the 1960s. He contracted with Clinton Smith Design Co., a renovations company specializing in art deco work, to restore the flat to its original specifications. A total specification work was agreed and that will cost Rs 220,000. (08)

When Clinton Smith Design Co., finished the agreed work, and had been paid, William Hanson noticed that some of the work was not performed as specified. The mahogany wood used for many of the fixed wall cabinets was not of the right kind, and was apparently lighter in colour. This rework shall cost Rs 40,000 as remedy, however would not affect the value of the flat.

It transpired from the interaction that the reason for Clinton Smith Design Co., to use the lighter colour in mahogany wood was that though they had obtained mahogany wood of the correct colour, the customer contended that they had then sold it to a third party who paid a higher price than his and thereby enabling the company to make an additional profit of Rs 6000.

William Hanson brought an action for damages against Clinton Smith Design Co., for Rs 40,000, as cost of replacement for the mahogany wood. He also brought an action for account of profits for Rs 6000 as profit that Clinton Smith Design Co., earned deliberately by selling the mahogany wood to others which should have been used in his flat as promised and agreed upon.

In the lower court it was held:

- a. That the action for damages failed as the cost of replacing the mahogany wood was disproportionate to the benefit to be obtained and only represented William Hansons' lost consumer surplus. William Hanson was instead awarded damages of Rs 1000 for his loss of amenity.
- b. No account of profits should be awarded as the circumstances of this case did not fall within the principles laid down by the House of Lords in *AG v Blake*. There was no 'exceptional' aspect about this case even taking into account the developments in the law since *Blake* and its apparent application in commercial situations.

William Hanson appeals against both of the above mentioned decisions.

Decide whether his appeal will be allowed. Support your answers with relevant case-laws and suitable provisions of the Indian Contract Act 1872.

- Q.4 Sam is a tenant in one of the flats in a building owned by Tracy. One day Sam received a letter from Tracy in which Tracy stated that she was 'interested in selling' her flat and asking Sam to 'let her know' if he (Sam) is willing to buy the flat for a price of Rs 700000. Three days after the receipt of the letter Sam posted his letter to Tracy in which he agreed to buy her flat for the price as set out in Tracy's letter. After receiving the letter from Sam, Tracy called Sam over phone to tell him that she had decided not to sell her flat. (04)

Sam seeks your advice as to whether he has concluded the agreement with Tracy for the sale of her flat. Advise him in the light of the famous case of *Gibson v Manchester City Council*.

Part B

Answer all Questions

Marks

23

- Q.5 Distinguish between the following: (Answer any 4) (4x2=08)

- Suit for Damages and *Quantum Meruit*
- Remission and Novation
- Liquidated Damages and Penalty
- Contingent Contract and Wagering Agreement
- Temporary Injunction and Perpetual Injunction

- Q.6 Explain the principles evolved from the following cases: (Answer any 4) (4x2=08)

- Lalman v Gauri Datta*
- Derry v Peek*
- Nanjappa v Muthuswami*
- Rajlukhy Dabee v Bhootnath Mookerjee*
- Hadley v Baxendale*

- Q.7 Answer the following: (07)
Statutory Compulsion and Threat to Strike is no Coercion. Explain this statement with the help of case laws and the relevant provisions of the Indian Contract Act 1872.
