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Course; Contract Law

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Assignment

Breach of Contract

**Breach of contract**

is a legal cause of action and a type of civil wrong, in which a binding agreement or bargained-for exchange is not honored by one or more of the parties to the contract by non-performance or interference with the other party's performance. Breach occurs when a party to a contract fails to fulfill its obligations, whether partially or wholly, as described in the contract, or communicates an intent to fail the obligation or otherwise appears not to be able to perform its obligation under the contract. Where there is breach of contract, the resulting damages will have to be paid by the party breaching the contract to the aggrieved party.

If a contract is rescinded, parties are legally allowed to undo the work unless doing so would directly charge the other party at that exact time.

It is important to bear in mind that contract law is not the same from country to country. Each country has its own independent, free standing law of contract. Therefore, it makes sense to examine the laws of the country to which the contract is governed before deciding how the law of contract (of that country) applies to any particular contractual relationship.

A business contract creates certain obligations that are to be fulfilled by the parties who entered into the agreement. Legally, one party's failure to fulfill any of its contractual obligations is known as a "breach" of the contract. Depending on the specifics, a breach can occur when a party fails to perform on time, does not perform in accordance with the terms of the agreement, or does not perform at all. Accordingly, a breach of contract will usually be categorized as either a "material breach" or an "immaterial breach" for purposes of determining the appropriate legal solution or "remedy" for the breach.

A breach of contract is a violation of any of the agreed-upon terms and conditions of a binding contract. The breach could be anything from a late payment to a more serious violation such as the failure to deliver a promised [asset](https://www.investopedia.com/ask/answers/12/what-is-an-asset.asp).

A contract is binding and will hold weight if taken to court. To successfully claim a breach of contract, it is imperative to be able to prove that the breach occurred.

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A breachofcontract is a material non-compliance with the terms of a legally binding contract. ... If a party doesn't receive the benefit of the contract by reason of the other party's breach, the innocent party has a legal right to recover compensation for their loss in damages.

**What causes a Breach of Contract**

To determine whether or not a contract has been breached, a judge needs to examine the contract. To do this, they must examine: the existence of a contract, the requirements of the contract, and if any modifications were made to the contract. Only after this can a judge make a ruling on the existence and classifications of a breach. Additionally, for the contract to be breached and the judge to deem it worth of a breach, the plaintiff must prove that there was a breach in the first place, and that the plaintiff held up his side of the contract by completing everything required of him. Additionally, the plaintiff must notify the defendant of the breach prior to fling the lawsuit.  **In other words, both individuals must know that there is a contract before the discussion of a breach.**

**Ways of Breaching a Contract**

A breach of contract may take place when a party to the contract:

* fails to perform their obligations under the contract in whole or in part
* behaves in a manner which shows an intention not to perform their obligations under contract in the future or
* the contract becomes impossible to perform as a result of the defaulting party's own act.

## **Remedies for a Breach of Contract**

When an individual or business breaches a contract, the other party to the agreement is entitled to relief (or a "remedy") under the law. The main remedies for a breach of contract are:

* Damages,
* Specific Performance
* Cancellation and Restitution

### **Damages**

The payment of *damages* — payment in one form or another — is the most Common remedy for a breach of contract. There are many kinds of damages, including the following:

* **Compensatory damages**aim to put the non-breaching party in the position that they would have been in if the breach had not occurred.
* **Punitive damages** are payments that the breaching party must make, above and beyond the point that would fully compensate the non-breaching party. Punitive damages are meant to punish a wrongful party for particularly wrongful acts, and are rarely awarded in the business contracts setting.
* **Nominal damages**are token damages (small amount of damages) awarded when a breach occurred, but no actual money loss to the non-breaching party was proven.
* **Liquidated damages** are specific damages that were previously identified by the parties in the contract itself, in the event that the contract is breached. Liquidated damages should be a reasonable estimate of actual damages that might result from a breach.

### **Specific Performance**

If damages are inadequate as a legal , the non-breaching party may seek an alternative remedy called Specific *performance* . Specific performance is best described as the breaching party's court-ordered performance of duty under the contract.

Specific performance may be used as a remedy for breach of contract if the subject matter of the agreement is rare or unique, and damages would not suffice to place the non-breaching party in as good a position as they would have been in had the breach not occurred.

### **Cancellation and Restitution**

A non-breaching party may *cancel* the contract and decide to sue for *restitution* if the non-breaching party has given a benefit to the breaching party.

"restitution" as a contract remedy means that the non-breaching party is put back in the position it was in prior to the breach, while "cancellation" of the contract voids the contract and relieves all parties of any obligation under the agreement.

Cases under Breach of Contract

### *Revelations Perfume and Cosmetics Inc. v. Prince Rogers Nelson*

*In 2008, the Revelations Perfume and Cosmetics company sued the famous musician “Prince” and his music label, seeking $100,000 in damages for reneging on an agreement to help market their perfumes. The flamboyant pop star had promised to personally promote the company’s new perfume named after his 2006 album “3121,” and to allow his name and likeness to be used in the perfume’s packaging. Prince then refused to grant interviews related to the project, and refused to provide a current photograph for a press release.*

*In its breach of contract complaint, Revelations asked the court to award more than $3 million in lost profits, as well as punitive damages. The judge found no evidence, however, that the pop star acted with malicious intent, and ordered him to pay nearly $4 million for the cosmetics company’s out-of-pocket expenses. Revelations’ request for punitive and loss-of-profits damages was denied.*

### *Macy’s v. Martha Stewart Living*

*Macy’s department stores filed a breach of contract complaint against Martha Stewart Living Omnimedia for making an agreement with J.C. Penney for the creation of Martha Steward retail stores within their retain stores beginning February 2013. Prior to the deal, J.C. Penney had purchased a minority stake in Steward’s company for $38.5 million. The mini-retail stores were to carry Martha Stewart home goods, however Macy’s argued they had been granted an exclusive right to make and sell certain Martha Steward Living products in an agreement signed in 2006.*

*Macy’s asked the court to grand a*[*preliminary injunction*](https://legaldictionary.net/preliminary-injunction/)*to stop Steward from breaching the contract while the court considered the matter. Twelve years later, in June 2014, a New York judge ruled that J.C. Penney had indeed stepped over Macy’s contract with the domestic diva in its attempt to sell products bearing her name. While the J.C. Penney contract has been nullified, monetary breach of contract damages were not immediately decided, and may be limited to the legal fees and costs of the lawsuit, as the judge decided the case did not warrant punitive damages*

1. Wikipedia meaning of Breach of Contract .
2. Law firms for cases under breach of contract.
3. Law firm association for different types of remedies for breach of contract.