

- or: Gives
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Business Law - Chapter 13
Tuesday, October 15th, 2013

★ Learning Objectives

- What is an assignment? What is the difference between an assignment & delegation?
- In what situations is delegation of duties prohibited?
- What factors indicate that a third party beneficiary is an intended beneficiary?
- How are contracts discharged?
- What is contractual condition, & how might a condition affect contractual obligations?

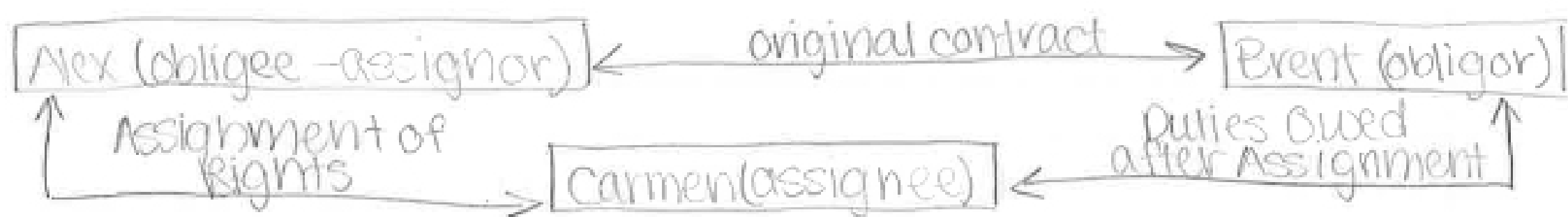
★ Introduction

- Privity of Contract: only original parties to a contract have rights and liabilities under the contract
- Exceptions:
 - Assignment or Delegation →
 - Third Party Beneficiary Contract →

★ Assignments

- Transfer of contractual rights is an assignment.
- Transfer of duties is a delegation.
- Terminology:
 - Assignor: party assigning rights to third party.
 - Assignee: party receiving rights →
 - Obligee: person to whom a duty or obligation is owed
 - Obligor: person who is obligated to perform the duty.
- Effect of An Assignment
 - Extinguishes the rights of the Assignor.
 - 1) When rights of assignor are unconditionally assigned, her rights are extinguished.
 - 2) The third party (assignee) has right to demand performance from original party to contract.
- Assignee Takes Rights Subject to Defenses
 - Assignee obtains only those rights that the assignor originally had.

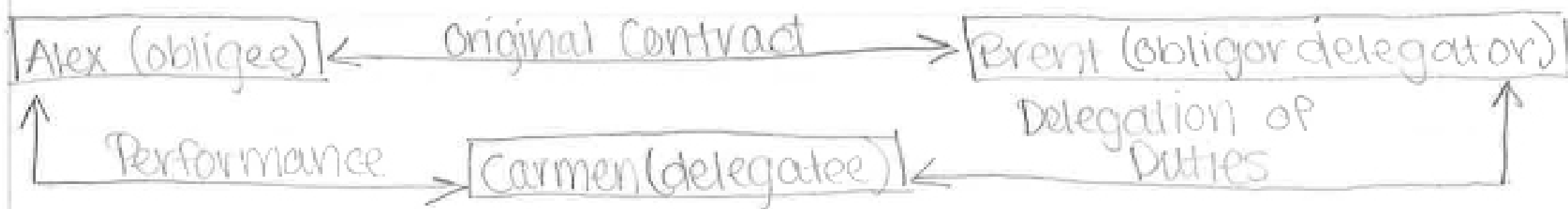
- Since the assignment is a contract, it is subject to the same defenses as previously discussed, e.g., statute of frauds, misrepresentation, mistake.



- Rights that cannot be Assigned:
 - When a statute Expressly Prohibits Assignment
 - When a contract is personal in Nature
 - Assignment materially changes rights or duties of obligor.
 - When an Assignment Will significantly change the risk or duties of the obligor.
- Notice of Assignment
 - once assignment is made, assignee should notify the obligor of the assignment.
- if notice is not given:
 - Who has the priority if the assignor assign the same right to two different persons?
 - obligor can discharge his obligation by performance to assignor.
- Notice of Assignment
 - Potential for Discharge by Performance to the Wrong Party only performance to the assignee can discharge the obligor's contractual duties.

* Delegations

- Contractual duties are delegated to a third party.
- Terminology:
 - Delegator: party making the delegation of duty.
 - Delegatee: party to whom the duty is owed.



-Duties that cannot be Delegated

- Performance depends on the personal skills or talents of the obligor
- Special trust in the obligor
- Third party performance will materially vary from contractual expectations.
- When contract expressly prohibits delegation.

-Effect of a Delegation

- If a delegation is enforceable, the obligee (to whom performance from the delegatee (to whom duties are delegated))
- Valid delegation does not relieve delegator of duties under the contract

* Assignment of "All Rights"

- Generally, when an assignment is made in a contract, the implication is an assignment of ALL rights & duties.
- However, assignee remains liable for performance of duties.

* Third Party Beneficiaries

- 2nd Exception to Privity of contract
- Original parties to the contract intend at the time of contracting to directly benefit a third person.
- Both parties are promisors.
- Types of intended beneficiaries
 - Creditor beneficiary benefits from a contract in which promisor promises the promisee to pay a debt the promisee owes to a third party (cp)