

A Brief Discussion on Sources of Contract Law

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ABSTRACT:

The origins and authority that influence and regulate the ideas, guidelines, and laws that apply to contracts are referred to as the sources of contract law. These resources provide the rules and foundation for how contracts are created, interpreted, and upheld legally. For people, companies, and legal experts engaged in contractual transactions and disputes, understanding these sources is essential. Legislation and common law are the two major categories that may be used to classify the basic origins of contract law. Statutes passed by legislative bodies, such as national or state governments, that particularly address issues relating to contracts are included in legislation. These laws may set out fundamental rules of contract law, provide conditions for contracts to be formed, and govern particular aspects of contracts. The common law, on the other hand, results from court rulings over time. Statutes, precedents, and legal concepts are interpreted and used to create common law principles. Courts look to earlier rulings, sometimes referred to as case law or precedents, for direction and to create legal principles that will be used in subsequent cases.

KEYWORDS:

Binding Precedents, Equitable Principles, Influential Precedents, Legal Framework.

I. INTRODUCTION

The legal framework that controls the creation, interpretation, and enforcement of agreements between parties is known as contract law. It lays down the guidelines and values that govern business dealings and protect the rights and duties of all parties. It is essential to grasp the origins of contract law in order to appreciate its foundations and historical development. Although different countries have different origins for contract law, certain components are universal. Legislation, common law, court rulings, and equity principles are some of these sources. Each source makes a unique contribution to the formation and implementation of contract law, influencing the judicial environment in which contracts are made and upheld [1], [2].

Understanding the legal norms and principles that apply to their contractual interactions may be gained by looking at the sources of contract law. This can help people and organisations negotiate and manage contracts more successfully. We shall examine the main sources of contract law and their importance in this debate [3], [4].

Legislation: Statutes passed by legislative bodies often codify contract law. These laws outline the fundamental guidelines, prerequisites, and restrictions that apply to contracts. For instance, the Uniform Commercial Code (UCC) in the United States offers an extensive set of regulations for the sale of commodities, while other legislation deals with particular contractual concerns like consumer protection and employment agreements.

Common Law: The term "common law" refers to legal doctrines and regulations that have developed as a result of judicial precedent and court rulings. Based on earlier instances with comparable circumstances or situations, judges interpret and apply the law. By defining legal theories, rules of interpretation, and criteria for deciding whether a contract is enforceable, common law concepts aid in the formation of contract law [5], [6].

Judicial Decisions: Through their interpretations and decisions on commercial issues, courts significantly influence contract law. Legal principles are established and the proper application of contract law in particular circumstances is clarified by judicial rulings, which set precedents that direct subsequent cases. Common law rules, the parties' intentions, and the interpretation of the relevant legislation are often used to make these conclusions.

Equity and Equitable Principles: In situations when a rigid interpretation of contract law could lead to injustice, equitable principles serve as a complement to the law by offering remedies and standards of fairness. To avoid unfair enrichment or unacceptable results, equity places a strong emphasis on the unique facts and fairness of each case. In situations involving fraud, error, undue influence, and unconscionable contracts, equitable principles are especially pertinent [7], [8].

For parties to understand their rights and duties in contractual interactions, they must have a thorough understanding of the sources of contract law. People and organisations may negotiate the complexity of contract law and make sure their agreements are valid and enforceable by taking into account the law, common law, court rulings, and equitable principles.

II. DISCUSSION

The many authorities and resources that determine the legal principles, rules, and regulations regulating the creation, interpretation, and enforcement of contracts are referred to as contract law sources. In nations with a legal system founded on English common law, such as the United States and many Commonwealth countries, common law is a key source of contract law. Common law rules are formed from judicial rulings and examples that courts have established throughout time. In order to define contractual rights, responsibilities, and remedies, courts interpret and apply these precedents. Statutes and other laws passed by legislative bodies like congresses or parliaments are a significant source of contract law. These laws may provide broad guidelines for contract creation and fulfilment or they may govern particular kinds of contracts, such sales agreements, employment contracts, or consumer protection legislation [9], [10].

The Uniform Commercial Code (UCC) is an important source of contract law in the United States, particularly with regard to business transactions involving the sale of products. To harmonise and standardise contract laws, including those governing contract formation, performance, and remedies, the UCC has been ratified by all 50 states. In cross-border transactions, contract law may be governed by international conventions and treaties. Examples include The Hague Convention on the Law Applicable to Contracts, which addresses the choice of law in international contracts, and the United Nations Convention on Contracts for the International Sale of Goods (CISG), which offers a standardised framework for international sales contracts.

Restatements of law are important secondary sources that concisely and clearly describe legal doctrine and regulations in a variety of legal fields, such as contract law. Restatements are intended to provide a clear and reliable summary of the law as it is drawn from court judgements and legal precepts. They are often cited as authoritative evidence by juries and solicitors. In particular, in specialised sectors or areas, custom and trade use may be significant sources of contract law. When the words of a contract are ambiguous, these conventions and usages may be utilised to understand the parties' intentions and be legally recognised as implied conditions in contracts.

The development and shape of contract law is greatly influenced by judicial rulings and case law. By interpreting contractual clauses, resolving disputes, and establishing legal principles via their rulings, courts set precedents for future cases that must be followed. It is important to keep in mind that various countries and legal systems have distinct sources for contract law. While some countries may put a larger emphasis on common law principles or international treaties, others may depend more strongly on statute law. For parties entering into contracts and legal experts engaged in contract formulation, interpretation, and dispute resolution, it is essential to comprehend and use the proper sources of contract law.

Case law

Case law, usually referred to as judicial precedent or court rulings, is essential in the field of contract law. It alludes to the collection of legal precepts, interpretations, and regulations that courts have formed via their rulings in situations involving contracts. An important authority and source of direction for the creation, interpretation, and enforcement of contracts is case law.

The following are some significant facets of contract law case law:

Binding precedents: When a court rules on a matter involving a contract, the ruling creates a precedent that other courts in the same jurisdiction must follow. This implies that in instances involving the same facts or legal

concerns, later courts must use the legal reasoning and principles established in previous decisions. Consistency and predictability in the application of contract law are provided by binding precedents.

Stare Decisis: In common law legal systems, established precedents must be followed by the courts, and this is known as the stare decisis concept. It encourages consistency, predictability, and stability in how contract law is interpreted and applied. Unless there are strong grounds to do so, courts are often hesitant to deviate from binding precedents.

Development and Evolution of Legal Principles: Case law aids in the formation and advancement of legal rules in the field of contracts. Existing legal concepts may be adjusted by courts throughout time to reflect changing social, economic, and technological conditions. It is also possible for unusual conditions to read contracts to reveal new legal concepts.

Contractual term interpretation: Case law is important in helping to understand contractual phrases. Courts look on earlier decisions to interpret disputed or unclear contract clauses and ascertain the parties' intentions. To identify the parties' intents, they examine the contract's text, the surrounding circumstances, and any pertinent business practices.

Legislative Gaps: When the statute law is silent or ambiguous on a particular contractual problem, the courts may interpret the case law to fill in the blanks. In order to ensure that contractual rights and responsibilities are sufficiently safeguarded, judicial rulings might provide direction on matters that are not expressly covered by law.

Influential Precedents: Although they are not legally binding, courts may take into account precedents from higher courts or other jurisdictions that are persuasive or influential. When there is no directly relevant binding precedent or when the subject is unique or contentious, these precedents may be useful in guiding the court's conclusion.

Relevance of Fact Patterns: When addressing a case, case law takes into consideration the particular facts and circumstances of that case. Legal interpretations and conclusions may differ depending on different fact patterns. Therefore, while using case law as a source of advice, it is crucial to take the case's factual background into account.

Case law offers helpful insights into how contract law is used in practical settings via its interpretation and application of legal concepts. It aids in establishing legal norms and guidelines for contracting parties as well as legal professionals, resolving disputes, and clarifying contractual rights and duties. For successfully navigating the complexity of contract law and making knowledgeable judgements in contractual problems, understanding and analysing pertinent case law is essential.

Statute law

A significant source of contract law is statute law, commonly referred to as legislation or statutory law. It alludes to the laws that regulate different facets of contractual partnerships and are passed by legislative bodies like parliaments or legislatures. Statutes provide a legal framework that lays forth guidelines that apply to contracts, enhancing or amending common law principles. The following is an explanation of the function and importance of statute law in contract laws:

Contract Formation: Statutes often specify the conditions necessary for the creation of a legal contract. They might describe things like offer and acceptance, consideration, ability, and purpose to establish legal ties, among other things. For instance, laws may stipulate that some contracts, such those for the sale of property or guarantees, must be in writing.

Consumer Protection: Statutes pertaining to contracts usually address consumer protection by setting certain duties and restrictions. These laws are designed to protect customers against unfair conditions, false statements, and dishonest business practises. Examples include rules governing standard form contracts, grace periods, or the disclosure of certain information to customers under consumer protection laws.

Unfair Contract Terms: Statutory laws often include provisions governing unfair contract terms. These rules are intended to stop parties from imposing unfair or unreasonable conditions on less powerful parties. If a contract provision is judged unfair, harsh, or unconscionable, these laws may make it unenforceable.

Sale of products: Laws that expressly regulate contracts for the sale of products have been passed in several countries, including the Uniform Commercial Code (UCC) in the US. These laws lay forth guidelines for matters including delivery, ownership transfer, warranties, and legal recourse in the event of a contract violation in the context of the sale of goods.

Employment Contracts: Statutory laws often govern employment contracts by creating minimum requirements and safeguards for workers. These laws may address issues including the minimum wage, working hours, right to leave, discrimination, and layoffs. Employers' and workers' rights and duties are intended to be balanced by employment legislation.

Remedies and Enforcement: Statutes usually include remedies and methods of enforcing agreements that have been broken. They may define the steps to take in order to pursue legal action or other conflict resolution procedures and detail the potential remedies, such as damages, specific performance, or injunctions.

International Conventions: A few legislations include provisions from treaties or conventions that apply internationally in domestic law. For instance, nations may legally ratify the United Nations Convention on Contracts for the Sale of Goods (CISG), incorporating its terms into national contract law.

It is important to remember that legislation may differ across jurisdictions, and their influence on contract law relies on the particular legal system of each nation or area. To guarantee compliance and comprehension of their rights and duties under contract law, contracting parties, legal experts, and enterprises must be aware of the relevant legislative provisions applicable to their jurisdiction.

European law

The European Union's (EU) contract laws are significantly influenced by European law. A system of laws and rules has been built by the EU to unify and control contract law in its member states. The following are some significant elements of European contract law:

European Union Treaties: The Treaties of the European Union serve as the cornerstone of European contract law. The legal foundation for harmonising contract laws among member states and guaranteeing the smooth operation of the internal market is the Treaty on the Functioning of the European Union (TFEU).

Principles of European Contract Law: The Commission on European Contract Law created a collection of non-binding guidelines known as the Principles of European Contract Law (PECL). Even though it is not actual law, the PECL is often referred to by courts and legal professionals to interpret and implement EU contract law principles. It acts as a benchmark for harmonising contract laws.

Directives: The EU has published a number of directives that are intended to harmonise certain facets of contract law across its member states. These directives lay forth general guidelines on a variety of subjects, such as consumer protection, deceptive contract clauses, distance marketing, and online shopping. These directives must be incorporated into member states' national laws in order to maintain uniformity in EU contract law.

European Court of Justice (ECJ): The ECJ has a significant impact on how European contract law is interpreted and clarified. It offers legal judgements and interpretations that direct how EU legislation should be applied in member states. The judgements of the ECJ help to shape EU contract law and ensure that it is applied consistently throughout the EU.

Consumer Protection: In contractual interactions, European law lays a strong focus on protecting consumers. To protect consumer rights, the EU has passed a number of directives and laws, including the Consumer Rights Directive and the Unfair Contract Terms Directive. By taking these steps, contractual transactions will be conducted fairly, transparently, and with vulnerable customers protected.

International Sale of Goods: The EU is a party to the United Nations Convention on Contracts for the International Sale of Goods (CISG), which establishes a standardised legal framework for global sales agreements. The CISG's rules have been incorporated into EU legislation and apply to cross-border sales agreements between EU members.

Cross-Border Conflicts: European law also covers cross-border conflicts brought on by business dealings. Rules for jurisdiction, recognition, and execution of judgements in civil and commercial issues, including contractual disputes, are established by the Brussels I Regulation (recast). Furthermore, the Rome I Regulation establishes consistent guidelines for establishing which law would apply to commercial disputes in cross-border contexts. It also regulates the choice of law in contractual duties.

European contract law seeks to advance legal clarity, harmonise contract requirements, safeguard consumers, and ease cross-EU commerce. In order to provide a uniform and predictable legal environment for contractual interactions across the European Union, it establishes a framework of legal principles and rules that member states are required to abide by.

III. CONCLUSION

In conclusion, there are many different sources of contract law, which together provide the legal framework that determines how contracts are created, understood, and enforced in different countries. Depending on the location where the contract is created and the legal system within, these sources may change. Finally, the sources of contract law provide a thorough legal framework that directs parties in establishing and upholding contracts. Together, these sources which may include a blend of common law, laws, treaties, and custom aim to advance the predictability, equity, and stability of contractual agreements. For people and organisations to navigate contract law successfully and guarantee conformity with the appropriate legal standards in their jurisdiction, an understanding of these sources is essential.

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