



Research Article

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Law of Contracts: Their presence in corporate transactions learning

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Abstract

Corporate transactions form the foundation of modern business activities, including mergers, acquisitions, partnerships and commercial agreements. Such transactions are supported by contractual relationships that define rights, obligations and expectations between multiple parties. This paper uses a methodology that integrates a comprehensive literature review with a legal analysis, surrounding contract formation, interpretation, performance and remedies in the corporate context. The legal analysis component examines relevant contract law principles and precedents, examining their application and relevance to corporate transactions. This analysis identifies the legal complexities and challenges inherent in these transactions and assesses the effectiveness of contract law in addressing them. This analysis verifies that contract law is an essential aspect of learning and engaging in corporate transactions. It demonstrates how the principles of contract law provide a framework for negotiation, execution and resolution of disputes within these transactions. It underlines the importance of knowledge of contract law in mitigating risks and ensuring the successful implementation of corporate transactions. In conclusion, contract law plays an important role in learning and conducting corporate transactions.

Keywords: Transactions, corporate, contractual, law, enforcement.

1. Introduction

Contract law is a fundamental aspect of business law and its importance in corporate transactions cannot be overstated. Contracts are legally binding agreements that define the terms of a transaction and establish the rights and obligations of the parties involved. Understanding the principles of contract law is essential for businesses engaging in mergers and acquisitions, joint ventures, and other corporate transactions (Berger and Udell, 2002).

The presence of contracts in corporate transactions helps ensure that all parties understand their roles and responsibilities, reduces the risk of disputes and litigation, and provides a framework for resolving conflicts should they arise. Additionally, a

well-drafted contract can protect businesses from potential liabilities and provide a basis for enforcing their rights in the event of a breach. A comprehensive understanding of contract law is essential for businesses involved in corporate transactions. It helps to minimize risks and ensure that transactions are conducted in a legally sound manner, which is essential for the success and sustainability of any business.

The aim is to provide individuals with a thorough understanding of the legal principles, best practices and challenges associated with negotiating, drafting, executing and enforcing contracts in the corporate world.

By knowing this information individuals are equipped with the knowledge and skills necessary to navigate contractual agreements and transactions in a stable and legally sound manner and to mitigate the risks and liabilities associated with contractual disputes. They will also understand the key contractual issues that arise in mergers and acquisitions, joint ventures and other corporate transactions. This objective would include identifying the legal requirements for drafting and executing valid contracts, as well as the potential risks and liabilities associated with these types of transactions.

2. Methodology

The methodology that has been followed is the literature review and legal analysis of the topic. Conducting a comprehensive review of the existing literature on contract law and its presence in corporate transactions can help identify key concepts, theories and trends in the field (Broude, 2020). The findings of the literature review can help to inform further research and identify gaps in knowledge in the area of contract law and corporate transactions. A legal analysis of specific contractual issues and disputes can provide insight into the legal principles and doctrines that govern contract law in the corporate world. Legal analysis can also help to identify potential risks and liabilities associated with various contractual arrangements. The findings of legal analysis can help to inform the design of new contracts and the development of new legal frameworks and policies that mitigate the risks and legal liabilities associated with contractual disputes (Stone, 2020).

3. Literature

3.1. Understanding contract law

Contracts are legal agreements between two or more parties that are enforceable by law. They are used in business transactions to establish obligations, rights and expectations between parties (Davies, 2017). In business, contracts serve as the foundation of most commercial transactions, outlining the terms of trade between buyers and sellers, employers and employees, and suppliers and customers (Emerson, 2018). The importance of contracts in business transactions cannot be overstated. Contracts provide a legal framework for conducting business, allowing parties to establish their respective obligations and responsibilities (Friedman and Harris, 2018). Contracts are also essential in mitigating the risks associated with business transactions, as they de-

fine the extent of liability in the event of a breach of contract. Furthermore, contracts provide a mechanism for resolving disputes, as they provide a clear outline of the rights and responsibilities of each party (Stone, 2020).

In business transactions, contracts are used for a wide range of purposes, including the sale of goods and services, the leasing of property, and the employment of personnel. Contracts can be written or oral, although written contracts are generally preferred as they provide a clear record of the terms of the agreement. The terms of a contract can be negotiated by the parties involved, allowing for customized agreements that meet the specific needs of the parties involved (Mann and Roberts, 2019). Contracts are essential in business transactions, as they provide a legal framework for the conduct of commerce, mitigate the risks associated with commercial activities, and provide a mechanism for resolving disputes. As such, an understanding of contract law is vital for anyone involved in business transactions, as it allows for effective negotiation and drafting of contracts that meet the needs of all parties involved.

3.2. Contractual issues in corporate transactions

Contracts play a critical role in corporate transactions, which include various types of agreements, such as mergers and acquisitions, partnerships, joint ventures, and commercial agreements. Contracts are essential in these transactions as they define the rights and obligations of the parties involved, provide a framework for negotiations and reduce the risk of misunderstandings or disputes (Epstein, 2019). A key importance of contracts in corporate transactions is that they provide a legal basis for enforcing the terms and obligations of the agreement. A well-drafted contract can help avoid disputes and litigation by clearly outlining the parties' responsibilities and expectations (Stevens, 2017).

Contracts can also protect parties from potential breaches of agreement and help minimize risk by outlining dispute resolution mechanisms in advance (Kramer, 2019). Another importance of contracts in corporate transactions is that they can help manage the expectations of all parties involved. For example, a partnership agreement can help define partners' roles and responsibilities, determine the distribution of profits and losses, and provide a clear plan for continuity or termination. Additionally, contracts can provide a mechanism for due diligence, a process of evaluating the risks and opportunities of a transaction (Bainbridge, 2017). Using well-drafted contracts can help minimize risks, avoid disputes and ensure a clear understanding of the expectations of all parties involved.

3.3 Legal requirements for the drafting and execution of valid contracts in corporate transactions

It is important to ensure that these contracts are legally valid, enforceable and accurately reflect the intentions of the parties. In this regard, certain legal requirements must be met for a contract to be considered legally binding. One of the most important legal requirements is the presence of an offer and acceptance. The offer must be clear, definitive and communicated to the other party. The acceptance must also be clear, definite and communicated to the party making the offer (Friedman, 2018).

Another important requirement is the presence of consideration, which refers to the exchange of something of value between the parties. The reward can be in the form of money, goods, services or promises (Epstein, 2019).

The legal requirement of capacity is also critical in the drafting and execution of valid contracts. This requirement means that the parties involved must have the legal capacity to enter into a contract. This includes being of legal age, mentally competent and not under undue pressure or influence. The legal requirement of legality is another important consideration in the drafting and execution of valid contracts. This requirement means that the contract must not violate any law, regulation or public policy. Contracts that involve illegal activities or are against public policy are generally unenforceable (Kramer, 2019).

In addition to these legal requirements, it is important to ensure that the terms of the contract are clear, unambiguous and mutually agreed upon by the parties involved. The contract should also include provisions for dispute resolution, termination and other contingencies. It is essential to consult with legal professionals and follow established legal procedures to ensure that contracts are legally valid (Stevens, 2017).

4. Analysis

4.1. Analyzing Contractual Issues in Corporate Transactions

Contractual issues are common in corporate transactions, and analyzing past cases can provide valuable insight into the legal implications of such issues. Some examples of contractual issues in corporate transactions and lessons learned from them:

Breach of Contract: In the case of *Southern Energy Homes, Inc. v. Washington*, a contract was breached when one party failed to deliver goods as promised. The court held that the infringing party was liable for damages, including lost profits and consequential damages. The lesson from this case is that parties must ensure that their contractual obligations are clearly defined and that they are able to fulfill those obligations.¹

Unclear terms of the contract: In the case of *Kel Kim Corp. v. Central Markets, Inc.*, an unclear contract term led to a dispute over the sale of goods. The court ruled that the term was too vague to be enforceable and that the parties had failed to reach a meeting of the minds. The lesson learned from this case is that contracts should be drafted with clear and unambiguous terms that reflect the intentions and expectations of the parties.²

Nondisclosure Agreements: In the case of *Venetian Casino Resort, LLC v. Second Judicial District Court of Nevada*, a nondisclosure agreement was violated when one party disclosed confidential information to a third party. The court held that the disclosing party was liable for damages, including punitive damages. The lesson learned from this case is that parties should take non-disclosure agreements seriously and ensure that they are properly drafted and enforced.³

Force Majeure Clauses: In the case of *Kewill Systems, PLC v. Export Software Inter-*

¹ *Southern Energy Homes, Inc. v. Washington*, 928 S.W.2d 329 (Tex. App. 1996).

² *Kel Kim Corp. v. Central Markets, Inc.*, 70 N.Y.2d 900 (1987).

³ *Venetian Casino Resort, LLC v. Second Judicial District Court of Nevada*, 345 P.3d 271 (Nev. 2015).

national, Inc., a force majeure clause was used when a party was unable to fulfill its contractual obligations due to unforeseen circumstances. The court ruled that the force majeure clause was valid and that the party was not liable for the damage. The lesson learned from this case is that parties should consider including force majeure clauses in their contracts to protect themselves from unforeseen events that may affect the performance of the contract.⁴

4.2. Mitigating contractual risks in corporate transactions

Mitigating contractual risks is an essential aspect of conducting successful corporate transactions. Listed below are some strategies for mitigating contractual risks in corporate transactions:

Conducting due diligence on the counterparty and the transaction itself is essential for identifying potential contractual risks. Due diligence can help uncover issues such as undisclosed liabilities, regulatory compliance concerns or reputational risks that could affect contract performance. Contracts should have clear and unambiguous terms that reflect the parties' intentions and expectations. Ambiguities or unclear language can lead to disputes and increase the risk of breach of contract (Boswell, 2017). Contracts must be properly drafted and negotiated to ensure that the interests of the parties are adequately represented and that the terms are fair and enforceable. Legal counsel should be involved in the drafting and negotiation process to ensure that the contract is legally binding. Allocation of risk: Contracts should allocate risks appropriately between the parties. For example, indemnification clauses can distribute risks associated with potential liabilities arising from the transaction (Jennings, 2018). Contingency planning should be considered for unforeseen events that may affect contract performance, such as force majeure events, regulatory changes, or economic downturns. By implementing these strategies, parties can reduce the likelihood of contractual disputes and mitigate the risks associated with corporate transactions (Gillette, 2015).

5. Conclusion

In conclusion, contract law plays a crucial role in corporate transactions. A comprehensive understanding of contracts and their legal requirements is essential for businesses to effectively negotiate, draft and execute contracts. The different types of contracts and their essential elements must be considered, as well as the potential risks and liabilities associated with contractual arrangements.

Case studies of contractual issues that have arisen in corporate transactions illustrate the legal and practical implications of contract law in the corporate world and the importance of mitigating contractual risks. The legal implications of these cases demonstrate the need for clear and unambiguous contract language, due diligence, and a solid understanding of the legal and regulatory framework governing contract law. Conducting a comprehensive review of existing literature, analyzing case studies,

⁴ Kewill Systems, PLC v. Export Software International, Inc., 203 F.Supp.2d 1363 (N.D.Ga. 2002).

conducting surveys and interviews, and comparing legal and regulatory frameworks are all valuable methods for gaining insight into the role of contracts in corporate transactions and identifying trends in development and best practices in this field. Overall, businesses that prioritize understanding contract law and mitigating contractual risks can avoid costly disputes and increase their overall success in corporate transactions.

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