Course Format

This course will use a combination of classroom experience and independent learning to challenge students to learn about the legal system and to acquire both knowledge and skills to address major legal issues facing the personnel within a business organization.

Learning Resources

The assigned text for this class is "Essentials of Business Law," Fifth Edition, 2015, Jeffrey F. Beatty and Susan S. Samuelson, Thomson West Publishing. Please note that the text may be purchased in an electronic form, in its entirety or on a per chapter basis through the publisher's website. You are expected to have read all assigned material **before** the class scheduled for its discussion. Reading assignments may be altered or added to at the discretion of the instructor as the class progresses.

Attendance/Class Preparation

Class attendance and participation is a required element of this class. Attendance will be taken. It is expected that you will make all reasonable efforts to attend each of the classes. You are expected to arrive on time, and remain through the conclusion of each class. Non-attendance, unless appropriate drop/add or withdrawal forms have been processed, will result in a grade of "F" for the course. Financial obligations will remain as well. Merely informing the instructor of the intention to withdraw does not constitute official withdrawal. The instructor reserves the right at her discretion to award additional extra credit points for exceptional class participation.

Student Evaluation Methods

Quizzes	40%
"You Be The Judge" Assignments	40%
Work Group Case Presentations	20%

1. Quizzes (40 points): The four quizzes (each 10%) will be closed book and consists of 20 multiple-choice questions and/or true and false, testing the reading material assigned for that week. Quizzes will only be rescheduled with the express prior approval of the instructor, and can only be made up in advance of the assigned date and time. The approval of the instructor is not guaranteed and will only be provided if the explanation given is adequate and credible. A determination as to the adequacy and/or credibility of the explanation rests with the instructor's sole discretion.

2. "You Be The Judge" Assignments (40 points): You will be assigned four (4) "You Be The Judge" problems from the text to prepare. Each "You Be The Judge" problem (10 points each) is to be answered carefully using the textbook, outside sources where warranted, and individual creativity. You will prepare a written memorandum for each case that is not to exceed three pages in length. A hard copy of your memorandum is to be presented to the instructor at the beginning of the class. No assignment will be accepted after the date and time that it is due or accepted through an alternate delivery method to the one described above without the express prior approval of the instructor. Assignments that are accepted late or through an alternative delivery method will have points deducted., unless waived by the professor due to extenuating circumstances.

Each assignment will be graded based upon the correctness of your legal analysis, the depth and comprehensiveness of your research, and the quality of your critical thought. Assume that you are writing for someone that has no background in the law, and be sure to thoroughly explain the legal principles involved. A basic format for your memorandum should address the following points:

A. Facts: Summarize the important facts of the case. If possible explain the lower court decisions that led up to the current issue.

B. Issue: Identify the question(s) of law you are deciding, and include relevant facts to distinguish the case you are deciding.

C. Rule: Set forth and describe the relevant rule(s) of law that you will be using to form the basis of your decision. While the law you rely on should be readily available from the text, you are free to use outside source material. Be sure to identify the law, such as a case or statute, and/or explain the legal concept from the text readings.

D. Application: Apply the facts of the case to the law you are relying on. This section constitutes your legal reasoning, supporting the outcome you choose. Be sure to include the facts you thought to be persuasive, why the law favors these facts, and explain why you are rejecting the alternative argument.

E. Conclusion: This is your recommended answer to the issue(s) presented. The answer should be evident based upon your reasoning set forth in the "Application" section. Offer suggested remedies as appropriate.

In drafting your memorandum, remember that legal reasoning is a stylized form of logical thinking. Typically any significant statement of fact or opinion that is not common knowledge to the average person, especially those advanced as truth, must be documented with a citation. Articles and books must include author(s), name(s), title, publication date, and page(s) being cited. Legal cases must include the case name, the name of the reporter where published, the reporter volume and page number, and the year of publication. Sources found on the Internet must include article title, author, publication date, the URL, and page or location within the document.

3. Work Group Case Presentations (20 points): On the first week of class, you will be assigned by the instructor to a study group of two to three students. It will be your study group's job to explain to the class specific case from the assigned reading, and as reflected in the course schedule. Each group will make four presentations (5 points each)over course of the semester. Group presentations are listed.

CHAPTER 9

INTRODUCTION TO CONTRACTS

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Chris always knew that he would propose to his girlfriend Alissa at Chez Luc, a ritzy, reservations-only restaurant. When it came time to pop the question, Chris went on Chez Luc's website to reserve a special table. But the website would not grant him a seating time unless he agreed not to use his cell phone at the restaurant. Chris clicked on "I agree" and was issued a booking at his waterfront table of choice.

After Alissa's exuberant "yes" during the appetizer, the newly-engaged couple could not contain their excitement. With their iPhones, Chris and Alissa took pictures of themselves, which they immediately posted on Facebook. They each called their parents from the table to share the good news ... only to be stopped in their tracks by the angry *maître d'*, who asked the couple to leave the dining room for breaching their contract with the restaurant.

The website would not grant him a seating time unless he agreed not to use his cell phone at the restaurant.

Let's apply these principles to the opening scenario.

Is the "contract" between Chris and Chez Luc legally binding? Can Chez Luc kick out—or even *sue*—Chris for using his cell phone? In deciding this issue, a judge would consider whether the parties intentionally made an agreement, which included a valid offer and acceptance. The restaurant's website set forth its terms, to which Chris agreed by clicking "I agree"—so there is no question there. A judge would then carefully examine whether the parties exchanged something of value that proved that they both meant to be bound by this agreement. And there was. The restaurant gave up a coveted reservation time in exchange for Chris's promise to stay away from his phone. A judge would also verify that the parties were adults of sound mind and that the subject matter of the contract was legal. Assuming Chris was of legal age (and we certainly hope he was, since he was getting engaged), the agreement was valid and enforceable. Whether kicking out a newly-engaged couple is good business practice for a restaurant ... now, that's a different story!

9-1c All Shapes and Sizes

Some contracts—like those in the opener—are small. But contracts can also be large. Lockheed Martin and Boeing spent years of work and millions of dollars competing for a U.S. Defense Department aircraft contract. Why the fierce effort? The deal was potentially good for 25 years and *$200 billion*. Lockheed won. The company earned the right to build the next generation of fighter jets—3,000 planes, with different varieties of the aircraft to be used by each of the American defense services and some allied forces as well.

Many contracts involve public issues. The Lockheed agreement concerns government agencies deciding how to spend taxpayer money for national defense. Other contracts concern intensely private matters. Mary Beth Whitehead signed a contract with William and Elizabeth Stern, of New Jersey. For a fee of $10,000, Whitehead agreed to act as a surrogate mother, and then deliver the baby to the Sterns for adoption after she carried it to term. But when little Melissa was born, Whitehead changed her mind and fled to Florida with the baby. The Sterns sued for breach of contract. Surrogacy contracts now lead to hundreds of births per year. Are the contracts immoral? Should they be illegal? Are there limits to what one person may pay another to do? The New Jersey Supreme Court, the first to rule on the issue, declared the contract illegal and void. The court nonetheless awarded Melissa to the Sterns, saying that it was in the child's best interest to live with them. Inevitably, legislators disagree about this emotional issue. Some states have passed statutes permitting surrogacy, while others prohibit it.

At times, we even enter contracts without knowing it. Suppose you try to book a flight using your frequent-flyer miles, but the airline tells you the terms of the frequent-flyer program have changed and you must earn more mileage. According to the Supreme Court, you may well have an enforceable agreement based on the terms the airline quoted when you earned the miles.[1]

9-1d Contracts Defined

Contract
A legally enforceable agreement.

We have seen that a **contract** is a promise that the law will enforce. As we look more closely at the elements of contract law, we will encounter some intricate issues. This is partly because we live in a complex society, which conducts its business in a wide variety of ways. Remember, though, that we are usually interested in answering three basic questions, all relating to promises:

- Is it certain that the defendant promised to do something?
- If she did promise, is it fair to make her honor her word?
- If she did not promise, are there unusual reasons to hold her liable anyway?

[1] *American Airlines, Inc. v. Wolens*, 513 U.S. 219, 115 S. Ct. 817, 1995 U.S. LEXIS 690 (1995).

9-1e Development of Contract Law

Courts have not always assumed that promises are legally significant. In the twelfth and thirteenth centuries, promises were not binding unless a person made them *in writing and affixed a seal* to the document. This was seldom done, and therefore most promises were unenforceable.

The common law changed very slowly, but by the fifteenth century, courts began to allow some suits based on a broken promise. There were still major limitations. Suppose a merchant hired a carpenter to build a new shop, and the carpenter failed to start the job on time. Now courts would permit the suit, but only if the merchant had paid some money to the carpenter. If the merchant made a 10 percent down payment, the contract would be enforceable. But if the merchant merely *promised* to pay when the building was done, and the carpenter never began work, the merchant could recover nothing.

In 1602, English courts began to enforce mutual *promises;* that is, deals in which neither party gave anything to the other but both promised to do something in the future. Thus, if a farmer promised to deliver a certain quantity of wheat to a merchant and the merchant agreed on the price, both parties were now bound by their promise, even though there had been no down payment. This was a huge step forward in the development of contract law, but many issues remained. Consider the following employment case from 1792, which raises issues of public policy that still challenge courts today.

DAVIS V. MASON

Court of King's Bench
Michaelmas Term, 33d George III, p. 118 (1792)

CASE SUMMARY

Facts: Mason was a surgeon/apothecary in the English town of Thetford. Davis wished to apprentice himself to Mason. The two agreed that Davis would work for Mason and learn his profession. They further agreed that if Davis left Mason's practice, he would not set up a competing establishment within 10 miles of Thetford at any time within 14 years. Davis promised to pay £200 if he violated the agreement not to compete.

Davis began working for Mason in July 1789. In August 1791, Mason dismissed Davis, claiming misconduct, though Davis denied it. Davis then established his own practice within 10 miles of Thetford. Mason sued for the £200.

Davis admitted promising to pay the money. But he claimed that the agreement should be declared illegal and unenforceable. He argued that 14 years was unreasonably long to restrict him from the town of Thetford, and that 10 miles was too great a distance. (Ten miles in those days might take the better part of a day to travel.) He added an additional policy argument, saying that it was harmful to the public health to restrict a doctor from practicing his profession: If the people needed his service, they should have it. Finally, he said that his "consideration" was too great for this deal. In other words, it was unfair that he should pay £200, because he did not receive anything of that value from Mason.

Issue: ***Was the contract too unreasonable to enforce?***

Decision: No. The parties made a reasonable agreement. Judgment for the plaintiff.

Reasoning: Both Mason and Davis made promises, and each expected to benefit from the agreement. Davis stood to learn a trade, and Mason secured protection from competition in the future. Davis alleges that the contract was unreasonable, but how long is too long? How far is too far? This line is difficult to draw, and I will not even try. The people of Thetford will suffer no harm because other doctors have the right to practice medicine there without restriction.

Davis must pay the £200.

Noncompetition agreement
A contract in which one party agrees not to compete with another.

The contract between Davis and Mason is called a **noncompetition agreement**. Today they are more common than ever, and frequently litigated. The policy issues that Davis raised have never gone away. You may well be asked to sign a noncompetition agreement sometime in your professional life. We look at the issue in detail in Chapter 11, on consideration. That outcome was typical of contract cases for the next 100 years. Courts took a *laissez-faire* approach, declaring that parties had *freedom to contract* and would have to live with the consequences. Lord Kenyon saw Davis and Mason as equals, entering a bargain that made basic sense, and he had no intention of rewriting it. After 500 years of evolution, courts had come to regard promises as almost sacred. The law had gone from ignoring most promises to enforcing nearly all.

By the early twentieth century, bargaining power in business deals had changed dramatically. Farms and small businesses were yielding place to huge corporations in a trend that accelerated throughout the century. In the twenty-first century, multinational corporations span many continents, wielding larger budgets and more power than many of the nations in which they do business. When such a corporation contracts with a small company or an individual consumer, the latter may have little or no leverage. Courts increasingly looked at the basic fairness of contracts. Noncompetition agreements are no longer automatically enforced. Courts may alter them or ignore them entirely because the parties have such unequal power and because the public may have an interest in letting the employee go on to compete. Davis's argument—that the public is entitled to as many doctors as it needs—is frequently more successful in court today than it was in the days of Lord Kenyon.

Legislatures and the courts limit the effect of promises in other ways. Suppose you purchase a lawn mower with an attached tag, warning you that the manufacturer is not responsible in the event of any malfunction or injury. You are required to sign a form acknowledging that the manufacturer has no liability of any kind. That agreement is clear enough—but a court will not enforce it. The law holds that the manufacturer *has* warranted the product to be good for normal purposes, regardless of any language included in the sales agreement. If the blade flies off and injures a child, the manufacturer is liable. This is socially responsible, even though it interferes with a private agreement.

The law has not come full circle back to the early days of the common law. Courts still enforce the great majority of contracts. But the possibility that a court will ignore an agreement means that any contract is a little less certain than it would have been a century ago.

9-2 Types of Contracts

Before undertaking a study of contracts, you need to familiarize yourself with some important vocabulary. This section will present five sets of terms.

9-2a Bilateral and Unilateral Contracts

Bilateral contract
A promise made in exchange for another promise.

In a **bilateral contract**, both parties make a promise. A producer says to Gloria, "I'll pay you $2 million to star in my new romantic comedy, which we are shooting three months from now in Santa Fe." Gloria says, "It's a deal." That is a bilateral contract. Each party has made a promise to do something. The producer is now bound to pay Gloria $2 million, and Gloria is obligated to show up on time and act in the movie. The vast majority of contracts are bilateral contracts. They can be for services, such as this acting contract; they can be for the sale of goods, such as 1,000 tons of steel, or for almost any other purpose. When the bargain is a promise for a promise, it is a bilateral agreement.

In a unilateral contract, one party makes a promise that the other party can accept only by *actually doing* something. These contracts are less common. Suppose the movie producer tacks a sign to a community bulletin board. It has a picture of a dog with a phone number,

and it reads, "I'll pay $100 to anyone who returns my lost dog." If Leo sees the sign, finds the producer, and merely promises to find the dog, he has not created a contract. Because of the terms on the sign, Leo must actually find and return the dog to stake a claim to the $100.

9-2b Executory and Executed Contracts

A contract is **executory** when it has been made, but one or more parties has not yet fulfilled its obligations. Recall Gloria, who agrees to act in the producer's film beginning in three months. The moment Gloria and the producer strike their bargain, they have an executory bilateral express contract.

Executory contract
An agreement in which one or more parties has not yet fulfilled its obligations.

A contract is **executed** when all parties have fulfilled their obligations. When Gloria finishes acting in the movie and the producer pays her final fee, their contract will be fully executed.

Executed contract
An agreement in which all parties have fulfilled their obligations.

EXAM Strategy

Question: Abby has long coveted Nicola's designer handbag because she saw one of them in a movie. Finally, Nicola offers to sell her friend the bag for $350 in cash. "I don't have the money right now," Abby replies, "but I'll have it a week from Friday. Is it a deal?" Nicola agrees to sell the bag. Use two terms to describe the contract.

Strategy: In a bilateral contract, both parties make a promise, but in a unilateral agreement, only one side does so. An executory contract is one with unfulfilled obligations, while an executed agreement is one with nothing left to be done.

Result: Nicola promised to sell the bag for $350 cash, and Abby agreed to pay. Because both parties made a promise, this a bilateral agreement. The deal is not yet completed, meaning that they have an executory contract.

9-2c Valid, Unenforceable, Voidable, and Void Agreements

A **valid contract** is one that satisfies all of the law's requirements. It has no problems in any of the seven areas listed at the beginning of this chapter, and a court will enforce it. The contract between Gloria and the producer is a valid contract, and if the producer fails to pay Gloria, she will win a lawsuit to collect the unpaid fee.

Valid contract
An agreement that satisfies all of the law's requirements and is enforceable in court.

An **unenforceable agreement** occurs when the parties intend to form a valid bargain, but a court declares that some rule of law prevents enforcing it. Suppose Gloria and the producer orally agree that she will star in his movie, which he will start filming in 18 months. The law, as we will see in Chapter 14, requires that this contract be in writing because it cannot be completed within one year. If the producer signs up another actress two months later, Gloria has no claim against him.

Unenforceable agreement
An agreement that a court will not enforce.

A **voidable contract** occurs when the law permits one party to terminate the agreement. This happens, for example, when an agreement has been signed under duress, or when the other party has committed fraud. Assume that in negotiations, the producer lies to Gloria about an important fact, which leads her to accept the contract. The producer tells her that Steven Spielberg has signed on to be the film's director. As we will learn in Chapter 13, this fraudulent agreement is voidable at Gloria's option. If Gloria later decides that another director is acceptable, she may choose to stay in the contract. But if she decides that she wants to cancel the agreement and sue, she can do that as well.

Voidable contract
An agreement that may be terminated by one of the parties.

A **void agreement** is one that neither party can enforce, usually because the purpose of the deal is illegal or because one of the parties had no legal authority to make a contract.

Void agreement
A contract that neither party can enforce, because the bargain is illegal or one of the parties had no legal authority to make it.

The following case illustrates the difference between voidable and void agreements.

We make promises and agreements all the time—from the casual "*I will call you later*" to the more formal employment contracts. Some agreements are in writing; some are not. Some we can negotiate; some we cannot. One of the aims of contract law is to sort those agreements that are "worthy" of legal enforcement from those that are not. How do we know if an agreement is "worthy"? The answer might surprise you. Most people assume that contracts must always be long, unintelligible documents written by lawyers, or that they are necessarily hefty agreements of great financial significance.

In reality, contract law is based on the notion that you are the best judge of your own welfare. This means that you have the freedom to enter into relationships and agree to the rules that will govern them. However, this freedom is not limitless: The law imposes certain formalities. Your agreements must meet seven requirements, which we will analyze in detail in upcoming chapters.

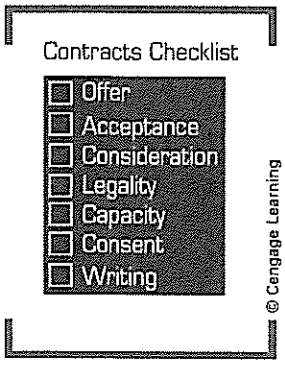
Contract law is a story of freedom and power, rules and relationships—with drama to spare. It is important to study this story to avoid your own contract drama. Let's start with an introduction to contracts.

9-1 Contracts

9-1a Elements of a Contract

A contract is merely a legally enforceable agreement. People regularly make promises, but only some of them are enforceable. For a contract to be enforceable, seven key characteristics *must* be present. We will study this "checklist" at length in the next several chapters.

- **Offer.** All contracts begin when a person or a company proposes a deal. It might involve buying something, selling something, doing a job, or anything else. But only proposals made in certain ways amount to a legally recognized offer.
- **Acceptance.** Once a party receives an offer, he must respond to it in a certain way. We will examine the requirements of both offers and acceptances in the next chapter.
- **Consideration.** There has to be bargaining that leads to an *exchange* between the parties. Contracts cannot be a one-way street; both sides must receive some measureable benefit.
- **Legality.** The contract must be for a lawful purpose. Courts will not enforce agreements to sell cocaine, for example.
- **Capacity.** The parties must be adults of sound mind.
- **Consent.** Certain kinds of trickery and force can prevent the formation of a contract.
- **Writing.** While verbal agreements often amount to contracts, some types of contracts must be in writing to be enforceable.



9-1b Other Important Issues

Once we have examined the essential parts of contracts, the unit will turn to other important issues:

- **Third-Party Interests.** If Jerome and Tara have a contract, and if the deal falls apart, can Kevin sue to enforce the agreement? It depends.
- **Performance and Discharge.** If a party fully accomplishes what the contract requires, his duties are discharged. But what if his obligations are performed poorly, or not at all?
- **Remedies.** A court will award money or other relief to a party injured by a breach of contract.

MR. W FIREWORKS, INC. V. OZUNA

2009 Tex. App. LEXIS 8237
Court of Appeals of Texas, Fourth District, San Antonio, 2009

CASE SUMMARY

Facts: Mr. W sold fireworks. Under Texas law, retailers could only sell fireworks to the public during the two weeks immediately before the Fourth of July and during the two weeks immediately before New Year's Day. And so, fireworks sellers like Mr. W tended to lease property.

Mr. W leased a portion of Ozuna's land. The lease contract contained two key terms:

"In the event the sale of fireworks on the aforementioned property is or shall become unlawful during the period of this lease and the term granted, this lease shall become void.

"Lessor(s) agree not to sell or lease any part of said property including any adjoining, adjacent, or contiguous property to any person(s) or corporation for the purpose of selling fireworks in competition to the Lessee during the term of this lease, *and for a period of ten years after lease is terminated.*" [Emphasis added.]

A longstanding San Antonio city ordinance banned the sale of fireworks inside city limits, and also within 5,000 feet of city limits. Like all growing cities, San Antonio sometimes annexed new land, and its city limits changed. One annexation caused the Ozuna property to fall within 5,000 feet of the new city limit, and it became illegal to sell fireworks from the property. Mr. W stopped selling fireworks and paying rent on Ozuna's land.

Two years later, San Antonio's border shifted again. This time, the city *disannexed* some property and *shrank*. The new city limits placed Ozuna's property just beyond the 5,000-foot no-fireworks zone. Ozuna then leased a part of his land to Alamo Fireworks, a competitor of Mr. W.

Then the real fireworks began. Mr. W sued for breach of contract, arguing that Ozuna had no right to lease to a competitor for a period of 10 years. The trial court granted Ozuna's motion for summary judgment. Mr. W appealed.

Issue: ***Did Ozuna breach his contract with Mr. W by leasing his land to a competitor?***

Decision: No, the entire contract was void and therefore no provisions were enforceable.

Reasoning: Contracts that require an illegal act are void, which means that neither party can enforce any provision. It is as if the contract never existed. Thus, Ozuna argued that when the law made the sale of fireworks illegal, the lease became *void* and the entire agreement was unenforceable.

In contrast, Mr. W wanted to enforce the provision that prevented Ozuna from renting the land to competitors but not the one that required him to pay rent. Mr. W's could not have it both ways. He could not choose to keep the benefits of the contract while rejecting its obligations. When selling fireworks became illegal, the entire lease was extinguished, which released Ozuna from the noncompete restriction.

9-2d Express and Implied Contracts

Express contract
An agreement with all the important terms explicitly stated.

In an **express contract**, the two parties explicitly state all the important terms of their agreement. The vast majority of contracts are express contracts. The contract between the producer and Gloria is an express contract because the parties explicitly state what Gloria will do, where and when she will do it, and how much she will be paid. Some express contracts are oral, as that one was, and some are written. They might be bilateral express contracts, as Gloria's was, or unilateral express contracts, as Leo's was. Obviously, it is wise to make express contracts, and to put them in writing. We emphasize, however, that many oral contracts are fully enforceable.

Implied contract
A contract may be formed when words or conduct suggest that the parties intended a binding agreement.

In an **implied contract**, the words and conduct of the parties indicate that they intended an agreement. Suppose every Friday, for two months, the producer asks Lance to mow his lawn, and loyal Lance does so each weekend. Then, for three more weekends, Lance simply shows up without the producer asking, and the producer continues to pay for the work done. But on the 12th weekend, when Lance rings the doorbell to collect, the producer suddenly says, "I never asked you to mow it. Scram." The producer is correct

that there was no express contract because the parties had not spoken for several weeks. But a court will probably rule that the conduct of the parties has *implied* a contract. Not only did Lance mow the lawn every weekend, but the producer even paid on three weekends when they had not spoken. It was reasonable for Lance to assume that he had a weekly deal to mow and be paid.

Today, the hottest disputes about implied contracts continue to arise in the employment setting. Many corporate employees have at-will relationships with their companies. This means that the employees are free to quit at any time and the company has the right to fire them, for virtually any reason. But often a company provides its workers with personnel manuals that lay out certain rights. Does a handbook create a contract guaranteeing those rights? What is your opinion?

You Be the Judge

DeMasse v. ITT Corporation

194 Ariz. 500, 984 P.2d 1138
Supreme Court of Arizona, 1999

Facts: Roger DeMasse and five others were employees-at-will at ITT Corporation, where they started working at various times between 1960 and 1979. Each was paid an hourly wage.

ITT issued an employee handbook, which it revised four times over two decades.

The first four editions of the handbook stated that within each job classification, any layoffs would be made in reverse order of seniority. The fifth handbook made two important changes. First, the document stated that "nothing contained herein shall be construed as a guarantee of continued employment. ITT does not guarantee continued employment to employees and retains the right to terminate or lay off employees."

Second, the handbook stated that "ITT reserves the right to amend, modify, or cancel this handbook, as well as any or all of the various policies [or rules] outlined in it." Four years later, ITT notified its hourly employees that layoff guidelines for hourly employees would be based not on seniority, but on ability and performance. About 10 days later, the six employees were laid off, though less-senior employees kept their jobs. The six employees sued.

You Be The Judge: ***Did ITT have the right to unilaterally change the layoff policy?***

Argument for the workers: It is true that all of the plaintiffs were originally employees-at-will, subject to termination at the company's whim. However, things changed when the company issued the first handbook. ITT chose to include a promise that layoffs would be based on seniority. Long-term workers and new employees all understood the promise and relied on it. The company put it there to attract and retain good workers. The policy worked. Responsible employees understood that the longer they remained at ITT, the safer their job was. Company and employees worked together for many years with a common understanding, and that is a textbook definition of an implied contract.

Once a contract is formed, whether express or implied, it is binding on both sides. That is the whole point of a contract. If one side could simply change the terms of an agreement on its own, what value would any contract have? The company's legal argument is a perfect symbol of its arrogance: It believes that because these workers are mere hourly workers, they have no rights, even under contract law. The company is mistaken. Implied contracts are binding, and ITT should not make promises it does not intend to keep.

Argument for ITT: Once an at-will employee, always one. ITT had the right to fire any of its employees at any time—just as the workers had the right to quit whenever they wished. That never changed, and in case any workers forgot it, the company reiterated the point in its most recent handbook. If the plaintiffs thought layoffs would happen in any particular order, that is their error, not ours.

All workers were bound by the terms of whichever handbook was then in place. For many years, the company had made a seniority-layoff promise. Had we fired a senior worker during that period, he or she would have had a legitimate complaint—and that is why we did not do it. Instead, we gave everyone four years' notice that things would change. Any workers unhappy with the new policies should have left to find more congenial work.

Why should an employee be allowed to say, "I prefer to rely on the old, outdated handbooks, not the new one"? The plaintiffs' position would mean that no company is ever free to change its general work policies and rules. Since when does an at-will employee have the right to dictate company policy? That would be disastrous for the whole economy—but fortunately it is not the law.