

## **CASE BRIEF**

**Parties:** Hadley and Baxendale

**Facts:** Hadley and Baxendale made a contract that Baxendale would transport broken shaft of the Hadley's mill. The broken mill shaft was not operable. Baxendale was supposed to take the shaft to an engineer in Greenwich who should make a duplicate of that shaft. He was told to transport the shaft immediately, so that the mill could work again soon. Baxendale promised to take it to the engineer next day, but he failed to do that because of his negligence. The result of his inactivity was that the mill remained shut down for another 5 days. Hadley paid for transport by himself (It cost him around 2 pounds.)

**Legal issue:**

The issue in this case is whether the defendant should be liable for damages about which he was not aware that will arise in the case of breaching the contract.

**Procedural history:**

In the first instance, the court held that Hadley should be awarded 25 pounds. The usual rule is that the claimant is entitled to the amount of money that he would received if there hadn't been the breach of the contract. Therefore, Hadley would have been awarded damages for the lost profit from 5 extra days when the mill wasn't working.

In the view of the Court of Appeals, Baxendale did not know that because of the shaft the mill was shut down. Hadley hasn't told to Baxendale that there were special circumstances. The court held that Baxendale was only liable for losses that he could have foreseen. The Court of Appeals remanded the case for a new trial.

**Reasoning of the court:**

The court pointed out that the consequential damages should be awarded when there's clarity that the guilty party knew or could foresee the consequences of breaching the contract. It requires evidence of the circumstances under which the parties made the contract.