



Transactional Torts

Torts
Eric E. Johnson
ericejohnson.com



Konomark
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Transactional Torts

- Intentional Economic Interference
 - Intentional Interference with Prospective Economic Advantage
 - Intentional Interference with Contract
- Fraud
- Negligent Misrepresentation
- Innocent Misrepresentation
- plus more we won't be covering, e.g.,
 - Breach of Fiduciary Duty
 - Breach of the Covenant of Good Faith and Fair Dealing

Intentional Economic Interference

The Elements:

1. Valid contract or economic expectancy between plaintiff and third party (not defendant!)
2. Defendant's knowledge of contract or expectancy
3. Intent to interfere
4. Actually caused interference
5. Damages (to plaintiff, not third party)

NOTE: Wide ranging, nebulously defined "justifications" are the key defense.

Intentional Economic Interference – Defenses

Here are some "privilege" or "justification" defenses, which may go by various names or may lack names:

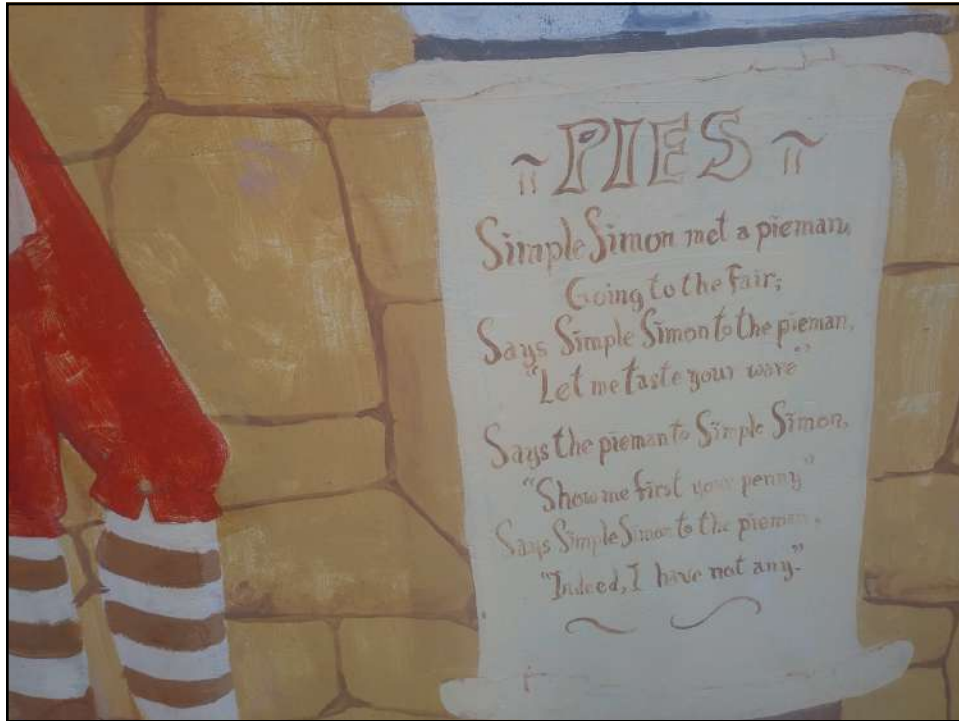
- Bona-fide, honest business or legal advice
 - Helps if the advice is asked for
 - Helps if the advice is in the context of some relationship, such as attorney/client, consultant/client
- Competition
 - Bona fide competition is the foundation of our economy, so it's generally privileged.
 - Or at least as long as it's "fair." But what does that mean? There's plenty of room to argue in litigation.
- Privilege in situations where there is a coinciding interest
 - Such as a parent corporation telling a subsidiary to breach a contract

Fraud

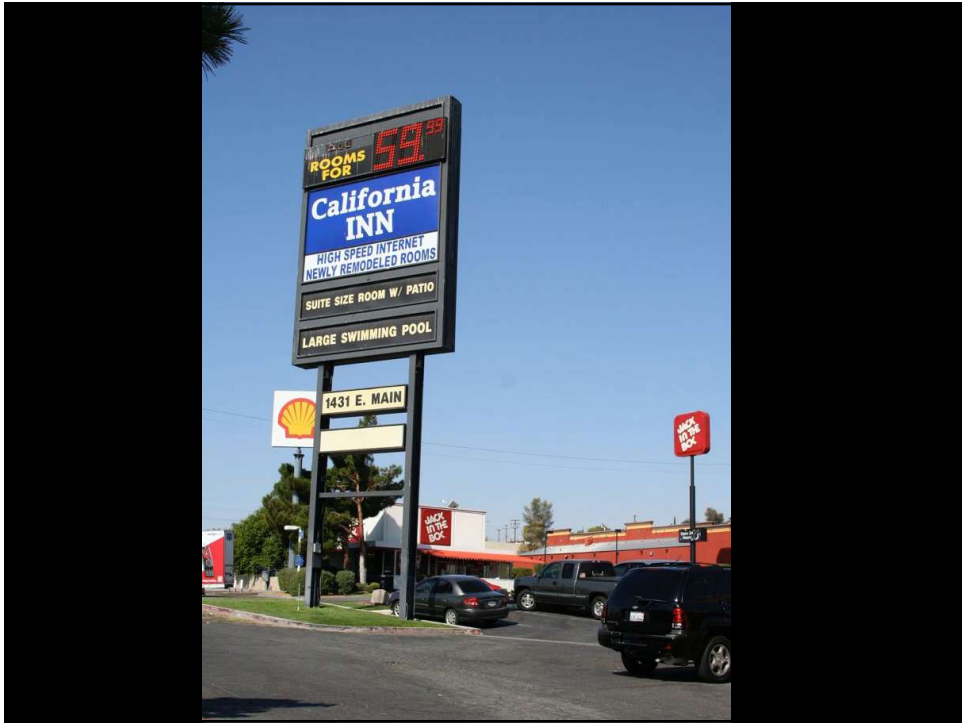
The Elements:

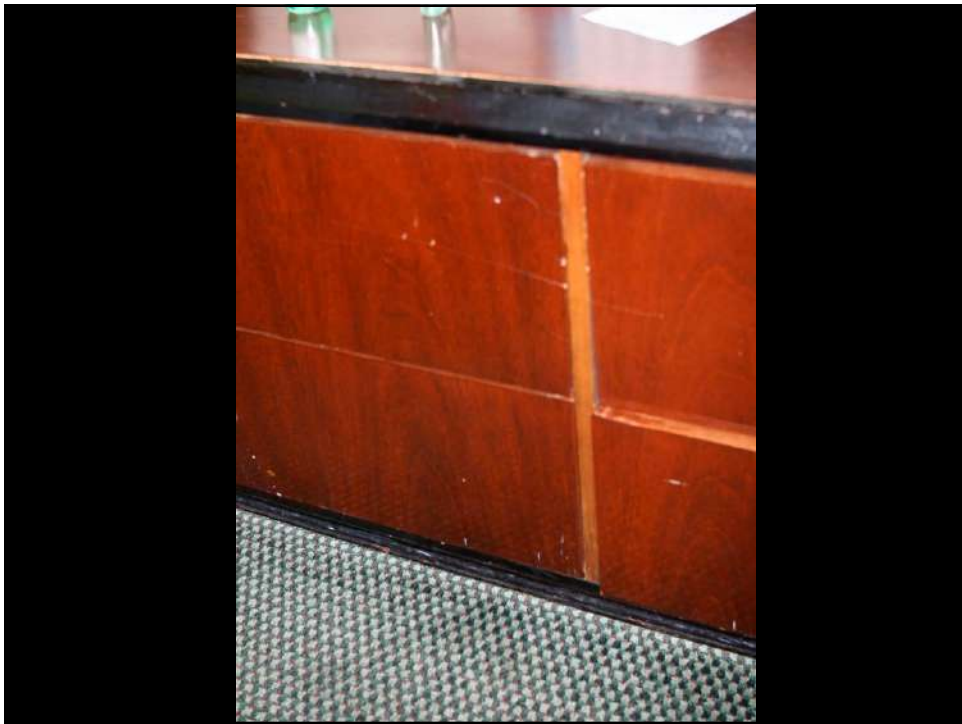
1. Material misrepresentation by defendant
2. Scienter
 - (at least recklessness; it's a lie)
3. Intent to induce reliance
4. Reliance
 - a. Actual reliance (causation)
(victim must be actually deceived)
 - b. Justifiable reliance
(must be reasonable in falling for it)
5. Damages (detriment)





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Fraud

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Review ...

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Fraud – Pleading Requirement

- Fraud must be pled with particularity.
- This is a matter of substantive tort doctrine, and it is independent of Twiqbal requirements.
 - (Twiqbal = Twombly and Iqbal from your Civil Procedure course.)
- This points up a problem for fraud plaintiffs: You need information about how you were suckered to bring a fraud claim. But the very nature of fraud is an intentional concealment of information from the plaintiff.
- This is part of the reason why fraud is a difficult claim to bring and win.

Negligent Misrepresentation

- Broader than fraud in that it does not require intent.
- But narrower than fraud in that it is only available in a limited range of situations.
- Investment-gone-wrong is a common scenario.

Negligent Misrepresentation

- Be sure to distinguish negligent misrepresentation from negligence claims based on erroneous statements of fact.
 - Negligence claims work for tangible injury to person/property (dent or bruise).
 - Ex: Ladder hypo in casebook.
 - Negligent misrepresentation works where the injury is purely economic.
 - Negligence generally does not work where the injury is purely economic because of the “economic loss rule.”

Innocent Misrepresentation

- Recognized by some courts in very limited situations.
- One such situation might be termites in a house where the seller innocently represented that there were no termites.
- A note for some context:
 - These cases may lack doctrinal clarity. Why invent a new tort when this could be considered a warranty claim? It's not clear.