**What is a Breach of Contract?**

A valid contract is a legally binding agreement formed by two or more parties. The main purpose of a contract is to provide guidance to the contracting parties by outlining the terms and conditions of their previously negotiated promises and to ensure that they are on track to fulfill them. The terms and conditions of the contract become legally enforceable once the parties sign the final draft.

The phrase “[breach of contract](https://www.legalmatch.com/law-library/article/breach-of-contract.html)” refers to a legal cause of action in contract law that occurs when a party to an existing valid contract violates one of its terms or conditions.

For instance, if a party fails to fulfill a promise, interferes with another party’s ability to perform a promise, or repudiates a promise contained in the contract, then their actions may lead to a breach of contract claim. Thus, a non-breaching party may seek damages by filing a breach of contract lawsuit against the breaching party in court.

In general, there are several ways to breach a contract. Some common types of breach of contract actions include:

**Anticipatory breach:** An anticipatory breach is when a breaching party informs a non-breaching party, either implicitly or explicitly, that they will not be completing performance of the contract or fulfilling their legal obligations under the terms of a contract. If this happens, the non-breaching party can file a lawsuit against them for breach of contract.

**Minor or partial breach:**A minor breach is when a party performs a substantial portion of the contract, but fails to satisfy a minor condition. Unlike a material or total breach, a minor breach does not significantly alter the terms of a contract. For instance, an incorrect price or similar error may result in a minor breach.

**Material or total breach:** A material or total breach occurs when a breach is so substantial that it not only renders contract performance impossible, but also is significant enough that it gives the non-breaching party grounds to sue.

For example, suppose a buyer contracts with a seller to purchase their home, completes the necessary paperwork, and pays the seller in full. If the seller then decides not to sell their home or refuses to give up the deed or the keys to the buyer, the buyer can sue the seller for material breach of contract.

In addition, some other ways that a contract can be breached include when a contract is fraudulent, is formed illegally, contains subject matter that is unconscionable, and/or when there is a mutual or unilateral mistake about a material fact in the contract. The parties may also specify certain conditions that will trigger a breach of contract action.

Finally, the question of whether a contract has been breached may also depend on various state contract law provisions and the type of contract that was formed (e.g., lease agreement, government contract, sales contract, etc.).

**What are the Types of Damages Awarded in Breach of Contract Cases?**

While a plaintiff in a breach of contract case must specify the damages they are seeking in their complaint, it is ultimately up to the court to decide what type of damages (if any) that a plaintiff should receive.

One particular factor that a court will typically take into account above all others is whether a breach was substantial in nature or only a partial one. The answer to this question can help a court to determine the kind and amount of damages a plaintiff should recover.

In general, the most common remedy for a breach of contract case is a monetary damages award. A simple [monetary damages definition](https://www.legalmatch.com/law-library/article/ultimate-guide-to-remedies-for-breach-of-contract.html) is as follows:

Monetary damages, also known as legal damages, is the amount of money awarded to the injured and prevailing party in a lawsuit. These damages are normally paid by the party who caused the injuries and can be imposed as a penalty, restitution, or both.

Additionally, the term monetary damages applies to a broad range of legal remedies. Some types of damages and legal remedies beneath this larger category include:

**Compensatory damages:**Compensatory damages are the most popular form of remedy requested in breach of contract cases. Compensatory damages are meant to reimburse a non-breaching party for financial losses suffered as a result of a contract breach. They are used to make the non-breaching party whole again and can include costs for loss of future earnings, costs of hiring new parties to complete the contract, and so forth.

**Restitution:**A court may order the offending party to pay a plaintiff restitution. The purpose of restitution is to restore an injured party to the position they were in before a contract was formed. Since restitution is only used to return the injured party to their initial status, additional damages, such as those for loss of earnings or profits, will not be included in this amount.

**Liquidated damages:**Some contracts contain provisions called a liquidated damages clause. Basically, at the contract signing, the parties will establish a pre-set amount of damages (i.e., liquidated damages). This pre-set amount is meant to reflect an estimate of the actual damages a party should receive in the event of a contract breach. These typically appear in contracts where the subject matter may make it harder to predict the amount of actual damages.

**Nominal damages:**Nominal damages are meant to be more of a symbol than any real type of compensation. These are awarded when no true harm was done as a result of the breach of contract. Since they represent more of a symbolic victory and/or matter of contract principles, nominal damages can be as low as a dollar.

**Quantum meruit:**Quantum meruit is a Latin phrase that can essentially be translated as “what one has earned.” It is a legal action in contract law to recover the reasonable value of services performed by one party for another. In other words, a breaching party will be liable to pay for any services completed before a contract was breached.

**Remedies in equity:**Remedies in equity refer to a different form of legal remedies, which have nothing to do with monetary awards. These types of legal remedies will be discussed in further detail in the section below.

**Punitive damages:**A court may issue punitive damages when there is an incentive to punish and deter the offending party from re-committing such outrageous and offensive actions in the future. In order to award punitive damages, the defendant must have acted in a morally reprehensible way. Accordingly, these damages are rarely awarded in contract cases and if they are, many states have placed limits on their amounts.

**Are there Other Contract Remedies Available?**

As discussed above, a plaintiff to a contract case may also be able to recover some non-monetary remedies. These are known as equitable forms of relief. Aside from the standard money damages, some other legal remedies and types of legal damages in a breach of contract case include:

Injunctions;

Various court orders;

[Specific performance](https://www.legalmatch.com/law-library/article/specific-performance-lawyers.html);

Rescission of contract;

Equitable estoppel;

Termination of contract;

Rectification or reformation; and/or

Account of profits.