

Echols v. Pelullo

377 F.3d 272 (3rd Cir. 2004)

Authored by Mia Fiedler

Plaintiff Antwun Echols, a professional boxer, brought an action against the defendant, Arthur Pelullo, the president and owner of Banner Promotions, Inc. ("Banner"), in the United States District Court for the Eastern District of Pennsylvania, alleging that an agreement between the two parties was enforceable due to indefiniteness, breach of the covenant of good faith and fair dealing, fraud, and violation of the Muhammad Ali Boxing Reform Act. Echols had signed a Promotional Agreement ("Agreement") with Banner, receiving a signing bonus and granting at least four years of sole and exclusive rights to secure Echols' professional boxing bouts, contingent upon certain conditions. The Agreement provided a compensation structure for Echols as well as a clause stating that if Echols lost any fight during the course of the Agreement, Banner would have the right to rescind the Agreement or change the compensation from a structured agreement to one that would be negotiated for each stint. Echols alleged that Banner offered compensation for what he believed was less than market compensation and when attempts at a counteroffer were made, the offer by Banner was rescinded. He also alleged that Banner misrepresented the amount of a certain fee, representing that the fee was lower than it actually was so that Banner could keep the difference. The district court found that the Agreement was unenforceable for indefiniteness, as the contract contained no price terms.

A court will generally not enforce a contract that is indefinite in any of its material or essential provisions. Conversely, a court will enforce a contract containing indefinite provisions if they are not material or essential to the contract. The appellate court cited the Restatement of Contracts § 33(2) which states that contract terms are reasonably certain if they provide a basis for determining the existence of breach and given an appropriate remedy ("Restatement test").

The Third Circuit Court of Appeals held that the district court was overly simplistic in its holding and though price or compensation is generally construed as an essential term in a contract, it was not so in this case. The court held that the contract was not for compensation, but rather to establish a relationship between the two parties. As such, the compensation was not an essential term to the contract. In applying the Restatement test, the court found that Banner would breach the Agreement if it failed to pay the signing bonus or provide at least three bona fide offers for boxing matches. Similarly, Echols would have breached the contract had he dealt with any other entity outside of Banner. Compensation was not an essential term as it did not provide any basis for determining the existence of a breach of contract and did not give an appropriate remedy.

Ultimately, the court held that the district court erred when it determined that the Agreement was unenforceable for indefiniteness for failure to specify minimum compensation for Echols' participation in fights secured by Banner.