

Contracts
Continental Laboratories v. Scott Paper Co
759 F. Supp. 538, aff'd, 938 F.2d 184 (8th Cir. 1991) (1990)

Keyword Subject

Breach of Contract

Facts

The defendant (Scott Paper Co) were looking to enter a contract with plaintiff (Continental Laboratories) in which plaintiff would provide hotel amenity products for defendant. After extensive verbal negotiations, the parties reached an agreement on terms. Plaintiff took this to be a binding verbal agreement, while defendant contended that any contract would need to be written before it would be finalized. Therefore, when plaintiff pulled out of the deal before the written contract was finalized, defendant sued them for breach of contract.

Procedural History

Trial Court: In favor of defendant

Appeal: In favor of defendant

Issue

Is a verbal agreement binding if one party believes that it will not be binding until it is written and signed and acts accordingly?

Holding: No; Affirmed

Principle

If one of the parties understands the agreement to not be finalized until it is written and signed, then a basic verbal agreement is not binding.

Reasoning

In ascertaining whether the parties intended to be bound prior to execution of a written document, the court should consider the following factors: 1. whether the contract is of a class usually found to be in writing; 2. whether it is of a type needing a formal writing for its full expression; 3. whether it has few or many details; 4. whether the amount is large or small; 5. whether the contract is common or unusual; 6. whether all details have been agreed upon or some remain unresolved; and 7. whether negotiations show a writing was discussed or contemplated

Separate Opinions

Notes