

Business Law

Text & Exercises *6th Ed.*

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Chapter 14: Written Contracts

Learning Outcomes

LO1

- **Identify contracts that must be in writing under the statute of frauds.**

LO2

- **Describe what satisfies the writing requirement under the statute of frauds.**

Learning Outcomes

- LO3** • State the parole evidence rule.
- LO4** • List circumstances in which parole evidence is admissible.

Form

- **Form: The manner observed in creating a legal agreement, as opposed to the substance of the agreement.**

Statute of Frauds

- **April 12, 1677: English Parliament passed the Statute of Frauds.**
- **A state statute under which certain types of contracts must be in writing to be enforceable.**



Contracts that Must be in Writing

1. Contracts involving interest in land.
2. Contracts that cannot, by their own terms, be performed within one year from the day after the contract's formation.
3. Collateral contracts.





Contracts that Must be in Writing

4. Promises made in consideration of marriage.
5. Contracts for the sale of goods priced at \$500 or more (Uniform Commercial Code).



Contracts Involving Interests in Land

- **Must be in writing.**
- **Fixture: A thing that was once personal property but that has become attached to real property in such a way that it takes on the characteristics of real property and becomes part of that real property.**

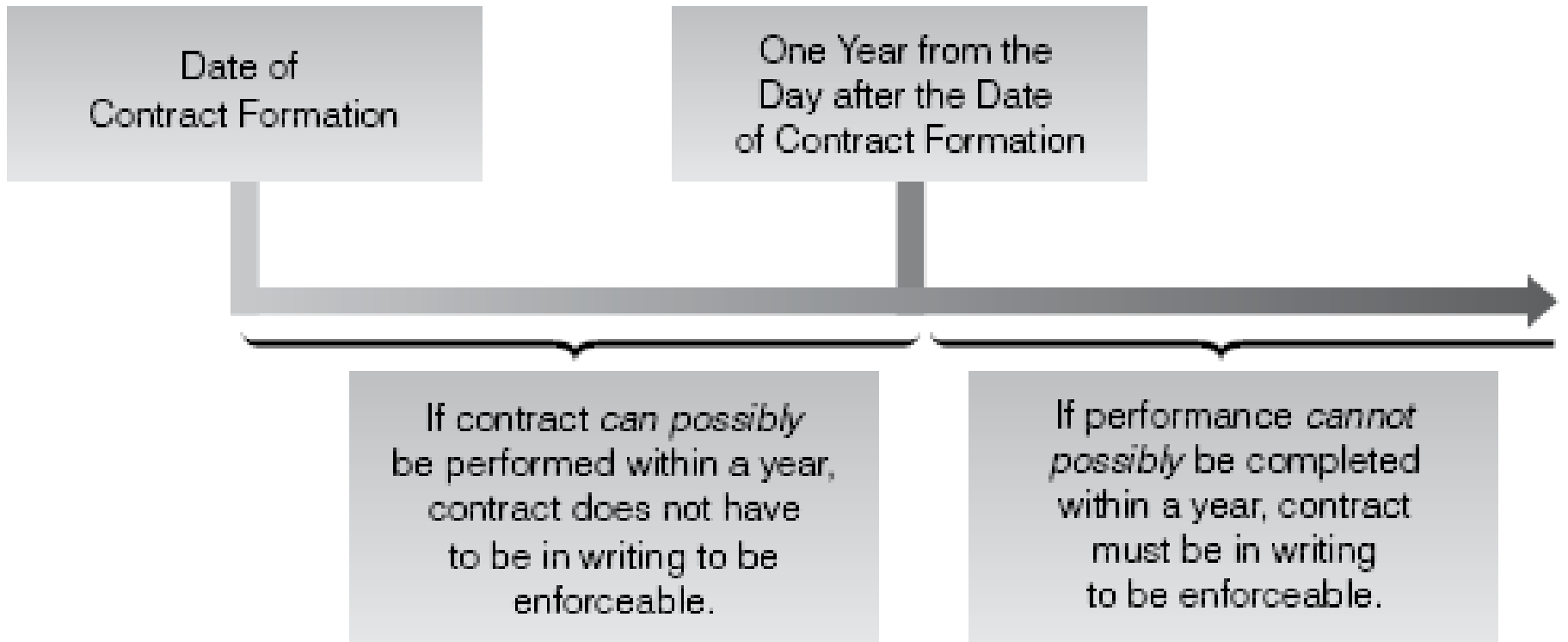


The One-Year Rule

- **Contracts that, by their own terms, cannot be performed within one year from the day after the contract is formed must be in writing.**
- **Contract performance must be objectively impossible.**



One-Year Rule



Collateral Promises

- **Collateral Promise: A secondary promise that is ancillary to a principal transaction or primary contractual relationship.**
- **Normally must be in writing to be enforceable.**
- **Primary vs. Secondary Obligations.**



Primary vs. Secondary Obligations

- **Primary: you agree to pay for something.**
- **Secondary: you agree to pay for something on the condition that the primary party fails to make the payment.**
 - Exception: the “Main Purpose” rule. Oral promise is not enforceable unless the main purpose is a personal benefit for the guarantor.

Promises Made in Consideration of Marriage

- **Prenuptial agreement: An agreement entered into in contemplation of marriage, specifying the rights and ownership of the parties' property.**

Contracts for the Sale of Goods

- **The Uniform Commercial Code (UCC) includes Statute of Frauds provisions that require written evidence or an electronic record of a contract.**
- **Only the quantity term need be stated to satisfy this requirement.**

Exceptions to the Statute of Frauds

- **Partial Performance.**
 - Court may grant specific performance if land.
 - Under UCC, oral contract is enforceable if seller accepts payment or buyer accepts goods.
- **Admissions.**
- **Promissory estoppel.**
- **Special exceptions under the UCC.**

Statute of Frauds: Sufficiency of the Writing

- **Statute of Frauds requirements:**
 - A written contract or memorandum signed by the party against whom enforcement is sought.
 - Any confirmation, invoice, sales slip, check, fax, e-mail, or combination of these documents.
 - Must contain the essential terms of the contract.

- **Prohibits the introduction at trial of evidence of the parties' prior negotiations or agreements or contemporaneous (occurring during the same period of time) oral agreements if that evidence contradicts or alters the terms of a written contract.**



Exceptions to the Rule

1. Subsequent modification of a contract.
2. Oral evidence can be introduced in all cases to show that the contract was voidable or void.
3. When the terms of a written contract are ambiguous.
4. When a written contract lacks essential terms.



Exceptions to the Rule

5. To explain or supplement a written contract by showing a prior dealing, course of performance, or usage of trade.
6. If the written contract is subject to an oral condition.
7. Obvious clerical or typographical errors.

The Parol Evidence Rule

WRITTEN CONTRACT



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graph TD; A[WRITTEN CONTRACT] --> B[FULLY INTEGRATED  
Intended to be a complete and final embodiment of the terms of the parties' agreement.]; A --> C[NOT FULLY INTEGRATED  
Omits an agreed-on term that is consistent with the parties' agreement.]; B --> D[PAROL EVIDENCE INADMISSIBLE  
For example, evidence of a prior negotiation that contradicts a term of the written contract would not be admitted.]; C --> E[PAROL EVIDENCE ADMISSIBLE  
For example, if the contract is incomplete and lacks one or more of the essential terms, parol evidence may be admitted.];
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Intended to be a complete and final embodiment of the terms of the parties' agreement.

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NOT FULLY INTEGRATED

Omits an agreed-on term that is consistent with the parties' agreement.

PAROL EVIDENCE ADMISSIBLE

For example, if the contract is incomplete and lacks one or more of the essential terms, parol evidence may be admitted.

Integrated Contract

- **Integrated Contract: A written contract that constitutes the final expression of the parties' agreement. If a contract is integrated, evidence extraneous to the contract that contradicts or alters the meaning of the contract in any way is inadmissible.**