



Gemini Pro 2.5 #12

On July 1 Buyer sent the following telegram to Seller: "Have customers for salt and need carload immediately. Will you supply carload at \$2.40 per cwt?" Seller received the telegram the same day. On July 12 Seller sent Buyer the following telegram, which Buyer received the same day: "Accept your offer carload of salt, immediate shipment, terms cash on delivery." On July 13 Buyer sent by Air Mail its standard form "Purchase Order" to Seller. On the face of the form Buyer had written that it accepted "Seller's offer of July 12" and had written "One carload and \$2.40 per cwt." in the appropriate spaces for quantity and price. Among numerous printed provisions on the reverse of the form was the following: "Unless otherwise stated on the face hereof, payment on all purchase orders shall not be due until 30 days following delivery." There was no statement on the face of the form regarding time of payment. Later on July 13 another party offered to sell Buyer a carload of salt for \$2.30 per cwt. Buyer immediately wired Seller: "Ignore purchase order mailed earlier today; your offer of July 12 rejected." This telegram was received by Seller on the same day (July 13). Seller received Buyer's purchase order in the mail the following day (July 14). Briefly analyze each of the items of correspondence in terms of its legal effect and indicate what the result will be in Seller's action against Buyer for breach of contract.

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Yes, a contract was formed, and the Buyer breached it. The Seller will succeed in an action against the Buyer.

The legal relationship between the Buyer and Seller was established through a series of communications, each having a distinct legal effect under the Uniform Commercial Code (UCC), which governs contracts for the sale of goods like salt.

Buyer's July 1 Telegram: The Invitation

Buyer's first telegram was **not an offer**. The language "Will you supply...?" constitutes an **inquiry** or an invitation to make an offer. It does not express a definite intent to be bound to a contract but rather opens negotiations by soliciting a proposal from the Seller. It lacks the clear, promissory language required to create a legal offer.

Seller's July 12 Telegram: The Offer

This telegram is the first legally binding **offer**. In response to the Buyer's inquiry, the Seller specified definite terms:

- **Quantity:** One carload
- **Subject:** Salt
- **Price:** \$2.40 per cwt
- **Payment:** Cash on delivery

By sending this, the Seller conferred upon the Buyer the power to form a contract by accepting these terms.

Buyer's July 13 Purchase Order: The Acceptance

This purchase order operated as a legally effective **acceptance** of the Seller's July 12 offer.

- **Mailbox Rule:** Under the "mailbox rule," an acceptance is effective upon **dispatch** (when it is mailed), not upon receipt. Therefore, a binding contract was formed on the morning of July 13 when the Buyer mailed the purchase order.
- **The "Battle of the Forms" (UCC § 2-207):** The purchase order contained a new payment term ("30 days following delivery") on its reverse side, which conflicted with the Seller's offer term ("cash on delivery"). When new terms are introduced in an acceptance between merchants, a contract is still formed. However, the new term only becomes part of the contract if it is not a **material alteration**. Changing the payment term from cash on delivery to 30-day credit is a significant shift in financial risk and is considered a **material alteration**. Therefore, the Buyer's new payment term is excluded, and the contract is formed based on the Seller's original term: **cash on delivery**.

Buyer's July 13 Rejection Telegram: The Ineffective Rejection

The Buyer's telegram attempting to reject the offer was legally **ineffective**.

A rejection is only effective upon **receipt**. While both the acceptance (mailing of the PO) and the rejection (receipt of the telegram) occurred on July 13, the acceptance was effective the moment the PO was placed in the mail. A contract was already formed. The subsequently received rejection cannot undo a contract that already exists.

Legally, this telegram constitutes an **anticipatory repudiation**—a clear statement that the Buyer will not perform its obligations under the contract that had just been formed.

Conclusion: Result of the Lawsuit

The Seller will win a lawsuit for breach of contract.

A valid contract was formed on July 13 when the Buyer dispatched its purchase order, accepting the Seller's offer. The terms of that contract are for one carload of salt at \$2.40 per cwt, with payment on a cash-on-delivery basis. The Buyer's telegram later that day acted as a repudiation of this valid contract, giving the Seller an immediate right to sue for damages.