

A farmer who wanted to sell her land received a letter from a developer that stated, "I will pay you \$1,100 an acre for your land." The farmer's letter of reply stated, "I accept your offer." Unbeknownst to the farmer, the developer had intended to offer only \$1,000 per acre but had mistakenly typed "\$1,100." As both parties knew, comparable land in the vicinity had been selling at prices between \$1,000 and \$1,200 per acre.

Which of the following states the probable legal consequences of the correspondence between the parties?

- A. There is a contract formed at a price of \$1,000 per acre.
- B. There is a contract formed at a price of \$1,100 per acre.
- C. There is no contract, because the parties attached materially different meanings to the price term.
- D. There is no enforceable contract, because the developer is entitled to rescission due to a mutual mistake as to a basic assumption of the contract.

### Explanation:

A **valid contract** is generally formed when a mutual agreement is supported by adequate consideration, such as when the developer offered to pay \$1,100 an acre for the farmer's land and the farmer accepted. Although the developer intended to offer only \$1,000, his **unilateral mistake** is *not* grounds to avoid the contract **unless**:

- the mistake would make **enforcement** of the contract **unconscionable** (eg, due to a substantial difference between contract price and actual value) *or*
- the **nonmistaken party** (ie, the farmer) **caused**, or **knew or had reason to know** of, the mistake.

Here, the developer's mistake would not make enforcement of the contract unconscionable since the developer stands to lose just \$100 per acre. The farmer did not cause the mistake and had no reason to know of it since comparable land in the vicinity had been selling at prices between \$1,000 and \$1,200 per acre. As a result, a valid contract was formed at a price of \$1,100 per acre **(Choice A)**.

**(Choice C)** A **misunderstanding** occurs when the parties attach different meanings to the same material term (eg, price). Here, the mistakenly typed "\$1,100" did *not* create a misunderstanding since "\$1,100" has just one meaning. But if it had, the misunderstanding would have prevented the formation of a contract.

**(Choice D)** There was no *mutual* mistake here since only the developer (not the farmer) was mistaken as to the contract price.

### Educational objective:

Unilateral mistake is not grounds to avoid a contract unless (1) the mistake would make enforcement of the contract unconscionable or (2) the nonmistaken party caused, or knew or had reason to know of, the mistake.

### References

- Restatement (Second) of Contracts § 153 (Am. Law Inst. 1981) (when unilateral mistake makes a contract voidable).

Copyright © 2013 by the National Conference of Bar Examiners. All rights reserved.

Copyright © UWorld. All rights reserved.

