

A collector owned a large number of rare baseball cards. Each card was sealed and placed in a protective binder. Each binder was labeled by league, team, and decade. The collector met with a man who was interested in purchasing some of the cards. After reviewing all of the binders, the man offered to purchase the cards of "every player who had ever played for [his favorite team]." The collector accepted the offer.

The man wired the purchase price to the collector and subsequently received all of the collector's binders that had been labeled with the name of the man's favorite team. However, the man had intended for his purchase to include cards from any other teams for which his favorite team's players had ever played.

In an action by the man against the collector for specific performance, which of the following, if proved, would best support the man's claim?

- A. Both parties knew that there was a misunderstanding.
- B. Neither party knew that there was a misunderstanding.
- C. The collector knew that there was a misunderstanding, but the man did not.
- D. The man knew that there was a misunderstanding, but the collector did not.

Explanation:

A **misunderstanding** arises when the parties to a contract assign different meanings to the same term. When the misunderstanding involves a material term, whether a valid contract was formed depends on who **knew or had reason to know** that there was a misunderstanding:*

- **neither party OR both parties** – in which case **no contract** was formed because there was no meeting of the minds
- **one party** – in which case a **valid contract** was formed, and the **unknowing party's meaning** of the term **controls**

Here, the man offered to purchase the cards of "every player who had ever played for [his favorite team]." He understood this to include cards from other teams while the collector did not, so the parties assigned different meanings to the same material term. If the *collector* knew (or had reason to know) that there was a misunderstanding but the man did not, then a valid contract formed according to the *man's* understanding of the term. Therefore, this fact would best support the man's claim for specific performance.

*In determining what a party knew or had reason to know, the objective test typically used in contract law does not apply. Instead, it is each party's actual knowledge or reason to know of the misunderstanding that governs—not what a reasonable person would have known.

(Choices A & B) No contract was formed if both parties OR neither party knew that there was a misunderstanding, so these circumstances would not support the man's claim for specific performance.

(Choice D) Fairness governs the effect of misunderstandings on contract formation. Here, if the man knew about the misunderstanding but the collector did not, it would be unfair to force the collector to give the man the cards from the other teams.

Educational objective:

A misunderstanding involving a material term prevents contract formation when *neither* party OR *both* parties knew or had reason to know about the misunderstanding. However, if only *one* party knew or had reason to know, then a valid contract is formed using the unknowing party's meaning of the term.

References

- Restatement (Second) of Contracts § 20 (Am. Law Inst. 1981) (effect of misunderstanding).

Misunderstanding a material term

Party A Knowledge of misunderstanding	+	Party B Knowledge of misunderstanding	=	No contract
Party A No knowledge of misunderstanding	+	Party B No knowledge of misunderstanding	=	No contract
Party A Knowledge of misunderstanding	+	Party B No knowledge of misunderstanding*	=	Contract

* Unknowing party's meaning controls

©UWorld