Upon entering a bank to open an account, a customer read a poster on the bank's wall that said, "New Customers! $25 FOR 5 MINUTES. If you stand in line for more than five minutes, we will pay you $25! We like happy customers!" The customer stood in line and started timing his wait. Just as five minutes was about to pass, the bank manager tore the poster down and announced, "The $25 stand-in-line promotion is over." The customer waited in line for 10 more minutes before being served.

Does the customer have a claim against the bank for $25?

A. No, because the bank withdrew its offer before the customer completed the requested performance.

B. No, because the bank's statement was a nonbinding gift promise.

C. Yes, because the bank could not revoke its offer once the customer had commenced performance.

D. Yes, because the customer's presence in line served as notice to the bank that he had accepted.

Explanation:

Bilateral v. Unilateral contracts

	Offer	Effect of beginning performance
Unilateral	Invites acceptance by performance of act	Creates option contract that prevents offeror from revoking offer Offeree is *not* bound to complete performance
Bilateral	Invites acceptance by return promise	Serves as acceptance of offer Offeree is bound to complete performance

An **offer** to form a unilateral contract arises when one party (ie, offeror) invites another party (ie, offeree) to accept an offer only by performing a specified act. The offer becomes irrevocable once the offeree **begins performance**, thereby creating an **option contract**—ie, a separate agreement under which the offer will remain open and irrevocable for a period of time. The offer is **accepted** once the offeree **completes the requested performance**, and a binding unilateral contract is formed.*

Here, the bank's poster offered to pay $25 to any new customer who stood in line for more than five minutes. The new customer read the poster and began performance by standing in line, so the manager could not subsequently withdraw the offer by tearing the poster down and announcing that the promotion was over **(Choice A)**. A binding contract was then formed when the customer completed performance by waiting in line for the specified time. As a result, the customer has a claim against the bank for breaching that contract by failing to pay him $25.

*If the offeree begins but fails to complete the requested performance (ie, partial performance), there is no contract because only complete performance constitutes an acceptance of the offer. As a result, the offeror cannot assert a breach-of-contract claim against the offeree in that scenario.

(Choice B) The bank's statement was not a gift promise because the $25 was offered in exchange for a legal detriment—ie, standing in line for more than five minutes when the customer had no legal obligation to do so.

(Choice D) The customer's presence in line merely created an option contract since a unilateral contract can only be accepted by *completing* the requested performance. But had the bank offered to form a bilateral contract, the customer's presence in line (ie, beginning of performance) would have served as notice of his acceptance.

Educational objective:

To form a unilateral contract, an offeror must invite the offeree to accept an offer by performing a specified act. An irrevocable option contract is created once the offeree begins performance. A binding unilateral contract will then be formed if the offeree accepts the offer by fully performing the specified act.

References

Restatement (Second) of Contracts § 45 (Am. Law Inst. 1981) (explaining that an option contract is formed when an offeree begins performance after an offer to form a unilateral contract).