

The owner of a house leased it to a tenant for a one-year term. A provision in the lease stated that the owner had the right to place "For Rent" signs on the premises during the last 90 days of the lease term if the lease was not renewed. The lease also required the tenant to permit prospective lessees to enter and examine the premises during the 90-day period but did not address the owner's right to enter the premises for purposes of showing the house to prospective lessees.

The tenant decided not to renew the lease, and at the beginning of the 90-day period, the owner told the tenant that she was going to show the house to a prospective lessee. The tenant refused to allow the owner to enter the house but said that the prospective lessee could enter.

Which of the following best supports the owner's right to enter the house?

- A. The principle of reasonable expectations.
- B. The duty of good faith.
- C. The duty to use best efforts.
- D. The objective theory of contracts.

Incorrect

Correct answer B

Collecting Statistics

01 min, 12 secsTime Spent

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### **Explanation:**

Contracting parties are typically bound only by the explicit terms of the contract. However, an **implied duty of good faith and fair dealing** is imposed on each party in the performance and enforcement of any contract. Good faith means **honesty in fact** and the **observance of reasonable commercial standards** of fair dealing.

Here, the lease explicitly requires the tenant to permit prospective lessees to enter and examine the house during the last 90 days of the lease term but fails to address the owner's right to enter with the prospective tenants. However, the implied duty of good faith best supports the owner's right to enter in such situations. That is because reasonable commercial standards of fair dealing would permit an owner to accompany prospective lessees to answer their questions and monitor their activities in the house.

**(Choice A)** According to the principle of reasonable expectations, parties should not be bound by terms that they would not expect to find in a contract unless those terms were called to their attention. But since there is no term in the lease that allows the owner to enter the home with a prospective lessee, this principle is irrelevant here.

**(Choice C)** The duty to use best efforts requires all parties to use their best efforts to carry out the intent of the contract to prevent it from being illusory when the scope of a party's performance is omitted or unclear. But this duty does not apply here since the lease does not explicitly allow the owner to enter the house.

**(Choice D)** The objective theory of contracts requires a party to be bound by a contract term even if that party is not subjectively aware of it. However, this theory is inapplicable here as there is no lease term explicitly permitting the owner to enter the home to show it to prospective lessees.

### **Educational objective:**

An implied duty of good faith and fair dealing is imposed on each party in the performance and enforcement of any contract. Good faith means honesty in fact and the observance of reasonable commercial standards of fair dealing.

### **References**

Restatement (Second) of Contracts § 205 (Am. Law Inst. 1981) (imposing a duty of good faith and fair dealing in all contracts).

Unif. Commercial Code § 1-304 (imposing a duty of good faith in all contracts for the sale of goods).

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