

A store owner mailed a signed order to a warehouse that read: "Please ship us 10,000 widgets at your current price." The warehouse manager received the order on January 7 and that same day mailed to the store owner a properly stamped, addressed, and signed letter stating that the order was accepted at the warehouse's current price of \$10 per widget. On January 8, before receipt of the manager's letter, the store owner telephoned the manager and said, "I hereby revoke my order." The manager protested to no avail. The store owner received the manager's letter on January 9. Because of the store owner's January 8 telephone message, the warehouse never shipped the goods.

Under the relevant and prevailing rules, is there a contract between the store owner and the warehouse as of January 10?

- A. No, because the order was an offer that could be accepted only by shipping the goods, and the offer was effectively revoked before shipment.
- B. No, because the store owner never effectively agreed to the \$10 price term.
- C. Yes, because the order was an offer that the warehouse effectively accepted before the store owner attempted to revoke it.
- D. Yes, because the order was, for a reasonable time, an irrevocable offer.

Explanation:

Contract negotiations by mail*

Offeror's actions	Offer	Effective upon receipt
	Revocation of offer	
Offeree's actions	Acceptance (mailbox rule)	Effective upon dispatch Exceptions—effective upon receipt if: improperly stamped/addressed acceptance by mail unreasonable rejection mailed before acceptance (first received is effective) acceptance of option contract offer states acceptance effective only upon receipt
	Rejection/counteroffer	Effective upon receipt

*Applicable under common law & UCC.

Contracts for the **sale of goods** are governed by Article 2 of the Uniform Commercial Code (UCC). Under the **UCC**, contract formation requires mutual assent (ie, offer and acceptance). Once an offer has been made, a contract will be formed if the offeree **accepts the offer** before it is revoked. Under the **mailbox rule**, acceptance by mail is:

permitted if mail is a **reasonable method** of communicating acceptance—eg, when the offer was communicated by mail *and*

effective upon dispatch—ie, when the acceptance is properly addressed and placed with the postal service with paid postage.

Here, the warehouse manager received the store owner's order for 10,000 widgets on January 7. Since that offer was communicated by mail, the warehouse manager could reasonably accept by mail *or* by shipping the goods (**Choice A**). Therefore, the warehouse manager effectively accepted the offer when he mailed a properly stamped and addressed acceptance letter on January 7—before the store owner tried to revoke the offer on January 8.

(Choice B) A sale-of-goods contract can be formed even if the price is to be set by just one of the parties. Therefore, the store owner *did* effectively agree to the \$10 price when he ordered widgets at the manufacturer's "current price."

(Choice D) Certain types of offers are **irrevocable**, including firm offers—ie, a merchant's written and signed assurance that an offer will be held open for a specified period of time (not seen here).

Educational objective:

Acceptance by mail is (1) permitted if mail is a reasonable method of communicating acceptance (eg, if the offer was communicated by mail) and (2) effective upon dispatch (ie, when the acceptance is properly addressed and placed with the postal service with paid postage).

References

17A Am. Jur. 2d Contracts § 98 (Am. Law Inst. 2019) (mailbox rule).

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