In a telephone conversation, a jewelry maker offered to buy 100 ounces of gold from a precious metals company if delivery could be made within 10 days. The jewelry maker did not specify a price, but the market price for 100 ounces of gold at the time of the conversation was approximately $65,000. Without otherwise responding, the company delivered the gold six days later.

In the meantime, the project for which the jewelry maker planned to use the gold was canceled. The jewelry maker therefore refused to accept delivery of the gold or to pay the $65,000 demanded by the company.

Is there an enforceable contract between the jewelry maker and the company?

A. No, because the parties did not agree on a price term.

B. No, because the parties did not put their agreement in writing.

C. Yes, because the absence of a price term does not defeat the formation of a valid contract for the sale of goods where the parties otherwise intended to form a contract.

D. Yes, because the company relied on an implied promise to pay when it delivered the gold.

Explanation:

The **UCC statute of frauds** applies to contracts for the **sale of goods of $500 or more** (eg, gold valued at $65,000—as seen here) and renders such contracts unenforceable unless they are in a writing that:

- provides a reasonable basis to believe a contract was formed
- states the quantity of goods to be sold* *and*
- is signed with an identifying mark by the party against whom enforcement is sought.

However, this statute does *not* apply when (1) the goods are **specially manufactured**, (2) the party against whom enforcement is sought **admits to the contract**, or (3) some amount of **payment or goods** was **received and accepted**.

Here, there is no indication that the gold was specially manufactured for the jewelry maker or that the jewelry maker admitted to a contract with the company. And though the company delivered the gold to the jewelry maker, the jewelry maker refused to accept delivery. Therefore, the contract is not excepted from the statute of frauds. And since the parties did not put their agreement into writing, it is unenforceable.

*The contract is only enforceable up to the written quantity.

(Choices A & C) A contract for the sale of goods is enforceable even if the price term is missing or incorrectly stated. But even though the absence of a price term does not affect the enforceability of the contract between the jewelry maker and the company, the contract is still unenforceable because the parties failed to put it in writing.

(Choice D) Under the doctrine of promissory estoppel, the company's reliance on an implied promise to pay would provide an alternative basis for recovery only if such reliance was reasonable and caused the company *substantial* detriment (eg, turning down substantial business to fulfill the jewelry maker's request—not seen here).

Educational objective:

Contracts for the sale of goods of $500 or more are not subject to the statute of frauds if (1) the goods are specially manufactured, (2) the party against whom enforcement is sought admits to the contract, or (3) some amount of goods or payment was received and accepted.

References

- UCC § 2-201 (statute of frauds formal requirements).

UCC statute of frauds exceptions

Specifically manufactured goods

Party admits to contract

Payment or goods accepted