

An aircraft broker sought to purchase on behalf of its client a private jet from a fleet owned by a corporation. In a telephone conversation between the broker and the corporation's finance manager, the broker offered \$9 million for the jet. The manager agreed on the condition that the broker give the corporation a \$250,000 deposit toward the jet's purchase price and a copy of the broker's agreement with the client. The broker complied with the manager's request.

Subsequently, the broker and the corporation exchanged written drafts of a contract memorializing their agreement. None of the drafts were signed by the parties. Two months later, the corporation notified the broker that the jet was not for sale and disputed the existence of an enforceable contract.

Is there an enforceable contract between the broker and the corporation?

- A. No, because partial payment of the jet's purchase price did not take the contract out of the statute of frauds.
- B. No, because the broker never signed a writing evidencing a contract with the corporation.
- C. Yes, because the agreement was memorialized in the written drafts of the contract exchanged by the parties.
- D. Yes, because the broker paid \$250,000 for the jet and the corporation accepted that payment.

Explanation:

The **UCC statute of frauds** applies to contracts for the sale of goods for \$500 or more (eg, private jet sold for \$9 million). These contracts generally must be in writing and signed by the party against whom enforcement is sought to be enforceable. However, **one exception** applies when some amount of payment was made and accepted.* The effect of a **partial payment** turns on whether the contract is for:

- **separable goods** – in which case, the contract is **enforceable up to** the quantity of **goods paid for in full** *or*
- an **indivisible good** – in which case, the **entire contract is enforceable**.

Here, the broker–corporation contract violated the statute of frauds because none of the written drafts exchanged by the parties were signed (**Choice C**). However, the broker paid \$250,000 (partial payment) toward the jet (indivisible good) and the corporation presumably accepted that payment. Therefore, the contract is excepted from the statute of frauds and is enforceable in its entirety (**Choice A**).

*The exception also applies when some amount of goods have been received and accepted.

(Choice B) The fact that the broker never signed a writing evidencing a contract with the corporation is irrelevant. That is because the corporation is the party against whom enforcement is sought and the one whose signature was therefore needed to satisfy the statute of frauds.

Educational objective:

A contract is excepted from the UCC statute of frauds when some amount of payment was made and accepted. A partial payment for separable goods renders the contract enforceable only up to the quantity paid for in full, while a partial payment for an indivisible good renders the entire contract enforceable.

UCC = Uniform Commercial Code.

References

- U.C.C. § 2-201 (Am. Law Inst. & Unif. Law Comm'n 2020) (statute of frauds formal requirements).

UCC statute of frauds exceptions



Specifically manufactured goods



Party admits to contract



Payment or goods accepted