

A buyer expressed interest in purchasing an industrial air-conditioning system manufactured by the seller. The parties agreed orally on a price of \$100,000 for the system, but continued to negotiate over several points. When all matters regarding the air-conditioning system were finally settled, the parties signed a written agreement. It provided that the price for the system, which would be delivered on June 1, would be \$110,000. The written agreement, a lengthy form contract, did not contain a merger clause.

The seller delivered the system on June 1, but the buyer refused to pay more than \$100,000, citing the earlier oral agreement as to price.

The seller sued the buyer for the additional \$10,000 under the written agreement.

Is the court likely to admit the evidence of the orally agreed price of \$100,000?

- A. No, because the buyer assumed the risk of any mistake as to price.
- B. No, because the oral price term would contradict an express term in the written agreement.
- C. Yes, because the oral price term is relevant to whether the writing should be reformed.
- D. Yes, because the written agreement did not contain a merger clause.

Explanation:

Integration

Type	Definition	Effect
Complete integration	Writing that sets forth parties' final agreement about <i>all</i> terms	<ul style="list-style-type: none">• Excludes parol evidence within scope of agreement• Parol evidence <i>inadmissible</i> to supplement (ie, add to) or contradict contract
Partial integration	Writing that sets forth parties' final agreement about <i>some</i> terms	<ul style="list-style-type: none">• Excludes parol evidence inconsistent with agreement• Parol evidence <i>admissible</i> to supplement (not contradict) contract

Under the **UCC parol evidence rule**, evidence of any prior agreement (or contemporaneous oral agreement) cannot be used to **contradict the terms** of an **integrated writing**. A writing is integrated if the **parties intended** for it to be a **final expression** of their agreement about **some or all of the terms**.

Here, the parties intended for the written contract to be the final expression of their agreement since they entered into the contract only after they had settled "all matters" regarding the purchase of the air-conditioning system. As a result, the court is unlikely to admit evidence of the \$100,000 oral price term because it *contradicts* the \$110,000 price term expressed in the written contract.

(Choice A) Evidence used to establish a defense to formation or enforceability of a contract (eg, mistake) is **excepted** from the parol evidence rule. Here, there is no evidence of mistake (eg, that the \$110,000 price term in the written contract was due to a clerical error). But if there were, evidence of the mistake would be *admissible*.

(Choice C) Evidence used to establish a ground for granting a remedy (eg, **reformation**) is also excepted from the parol evidence rule. Mistake and misrepresentation are grounds for granting reformation, but the oral price term is evidence of neither.

(Choice D) A merger clause is strong but not definitive evidence that a contract is completely integrated. But here, it does not matter whether the contract was completely or partially integrated; in either case, the parties cannot use parol evidence to contradict the written terms.

Educational objective:

The UCC parol evidence rule bars evidence of any prior agreement (or contemporaneous oral agreement) that contradicts the terms of an integrated writing.

UCC = Uniform Commercial Code

References

- U.C.C. § 2-202 (Am. Law Inst. & Unif. Law Comm'n 2020) (parol evidence rule).
- Restatement (Second) of Contracts § 214 (Am. Law Inst. 1981) (exceptions to parol evidence rule).

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