

A car dealership had an inventory of 200 cars near the end of the year. The inventory manager decided to reduce the price on these cars to make room for the next year's models. He purchased an advertisement in a local newspaper that stated: "Sale! Our entire inventory of 200 cars will be liquidated immediately. Every car will be sold for no more than \$20,000. First come, first served!"

The owner of the dealership decided that the sale was unnecessary, so he placed a poster in the front window that stated: "Sale canceled. All cars priced as marked." Only a small minority of the inventory cars were marked with a price of \$20,000 or less.

A father read the newspaper advertisement and decided to purchase a car for his teenage son. The father drove to the dealership but did not see the poster cancelling the sale. When the father inquired about the advertisement, the dealership refused to honor the sale. The father bought a car in the dealership's inventory for \$25,000.

Several weeks later, the father regretted paying more than \$20,000 for the car.

If the father sues the dealership for breach of contract, how much is he likely to recover?

- A. Nothing, because the dealership revoked its general offer by placing the poster in the window.
- B. Nothing, because the dealership's advertisement was merely an invitation to negotiate.
- C. Nothing, because the father could have chosen one of the inventory cars marked with a price of \$20,000 or less.
- D. \$5,000, because the dealership's revocation was not publicized as heavily as its general offer.

Explanation:

Advertisements are generally considered **invitations to negotiate** rather than offers to form contracts. However, an advertisement can be a **general offer**—ie, an offer made to a large number of people—if the advertisement:

specifies the **subject matter, quantity, and price** and places a **reasonable limit** on **who may accept** the offer.

Here, the car dealership purchased a newspaper advertisement stating that 200 cars (quantity and subject matter) would be sold for no more than \$20,000 each (price). Since the ad also placed a reasonable limit on who could accept ("First come, first served"), it was a general offer—not merely an invitation to negotiate **(Choice B)**.

A general offer **can be revoked** prior to acceptance if the revocation is **publicized at least as heavily** as the offer. If not, the attempted revocation is ineffective and the offer remains open except as to any offeree who actually learns of the revocation. Here, the general offer was never revoked since placing a poster in the dealership's window was less public than the newspaper ad **(Choice A)**. And since the father did not see the poster cancelling the sale, he is likely to recover compensatory damages of \$5,000 (\$25,000 - \$20,000).

(Choice C) Although the father could have chosen one of the cars marked at \$20,000 or less, the dealership offered to sell its *entire* inventory of 200 cars for no more than \$20,000 each.

Educational objective:

An advertisement is a general offer, not a mere invitation to negotiate, if it (1) specifies the subject matter, quantity, and price and (2) places a reasonable limit on who may accept the offer. A revocation of a general offer is only effective if it is publicized at least as heavily as the offer.

References

Restatement (Second) of Contracts § 46 (Am. Law Inst. 1981) (revocation of general offer).