



Business/Marketing Virtual Learning

10-12 grade Business Law

April 29, 2020



Lesson: [April 29, 2020]

Objective/Learning Target:

Recognize the types of mistakes that can make a contract voidable or void.

Let's Get Started

Review This Video:

[Unilateral and Mutual Mistakes](#)



Types of Contractual Mistakes

- 1) **Unilateral mistake** - occurs when only one party holds an incorrect belief about the facts or law related to a contract. Generally, this does not affect the validity of the contract. A mistake from failure to read a contract before signing is the most prevalent example of a unilateral mistake of fact. Such a mistake still leaves the contract valid and enforceable. The same is true of a misunderstanding from a hurried or careless reading. Similarly, signing a contract written in technical terminology that you don't understand will bind you even if you are mistaken about some of the contract's content.
- 2) **Mutual mistake** - (also called a bilateral mistake) both parties have an incorrect belief about an important fact or the applicable law. Important facts that influence the parties' decisions about a contract are called **material facts**. If a mutual mistake of fact as to the identity of the subject matter of a contract occurs, the contract is **void** (without legal effect).

Types of Contractual Mistakes

An example of mutual mistake: Suppose both a buyer and seller think that a property is 41 acres in size and they contract for the sale based on this belief. Later they learn that it is only 28 acres. This is a mutual mistake of fact as to the identity of the subject matter. Their agreement is not binding. However, if the mutual mistake of fact was as to the value of the subject matter, the contract would still be valid.

When the mutual mistake is about the applicable law, the contract is still **valid**. For example, if both parties to a sale of raw land mistakenly believe that local zoning laws permit construction of duplexes on the lot, the contract would be valid though there was a mutual mistake and the duplexes could not be constructed. This is because all persons are presumed to know the law. Similarly, unilateral mistakes of law generally have no effect upon the validity of the contract for the same reason.

Case Study of a Mutual Mistake

Falkhausen owned two Spitzmobile classic luxury cars. Both cars were the famous Nordic Blue color, but one was the rare 1927 model and the other, the far more common 1928 model. Firenzi had seen Falkhausen driving the 1927 and fell in love with it. A week later, thinking Falkhausen only owned one such car, she made him a low offer for his “Nordic Blue Spitzmobile.” Falkhausen, judging from the size of the offer, thought Firenzi was wanting to buy the far less expensive 1928 model and accepted the offer. Because of the mutual mistake of fact as to the identity of the subject matter, the contract will not be given any legal effect by a court except to enforce a rescission, if necessary.

ACTIVITY #18 support your answers in Journals

- 1) Jimmy Gem saved \$40,000 to buy the new car of his dreams. At the dealership, the sales staff convinced him to purchase option after option until his \$40,000 was totally exhausted. When he went to register the vehicle, he found that the state expected him to pay an 8% sales tax on the purchase price. Jimmy Gem thought the \$3,600 in sales tax had been included in the \$40,000 paid at the dealership, just as it is with purchases at other retail stores.
Is the contract voidable by Bugliosi because of his mistake?

- 2) Give your own example of a Unilateral Mistake.
- 3) Give your own example of a Mutual Mistake.
- 4) Which type of contractual mistake can make a contract void?