



Business/Marketing Virtual Learning

10-12 grade Business Law

May 20, 2020



Lesson: [May 20, 2020]

Objective/Learning Target:

Legal Purpose and Proper Form

Explain why the Statute of Frauds is necessary.

Identify the main instances when the Statute of Frauds requires a writing.

Let's Get Started

Watch These Videos:

- 1) [The Statute of Frauds](#)
- 2) [Statute of Frauds Requirement of Writing](#)



Why Have a Statute of Frauds?

Statute of Frauds are types of contracts that the law requires to be placed in writing to be enforceable in court. Although oral contracts are generally valid and binding, because they are subject to fraudulent claims. For example, under such a statute in every state, contracts to transfer an interest in real property (land, buildings, and things permanently attached to them) must be evidenced by a writing and signed by the party against whom enforcement is sought. Note that most agreements, oral or written, are carried out without resort to the courts for enforcement. Nonetheless, it is always a good idea to put an important contract in writing whether it is required by the Statute of Frauds or not.

A contract is said to be within the Statute of Frauds if it is required to be in writing. It is without the Statute of Frauds if it is not required to be in writing. Contracts within the Statute of Frauds include:

1. contracts to buy and sell goods for a price of \$500 or more
2. contracts to buy and sell real property or any interest in real property
3. contracts that require more than one year to complete
4. promises to stand good for the debts of another or of an estate
5. promises to give something of value in return for a promise of marriage

Why Have a Statute of Frauds?

If a contract is within the Statute of Frauds, but there is neither a writing nor a signature, how courts will treat the parties depends on the extent of contractual performance.

- 1) If the contract is executed, the courts leave the parties where they are. Neither party can reverse the contract.
- 2) However, an executory contract within the Statute of Frauds is unenforceable. This means neither party can utilize the courts to compel the desired contractual performance from the other. However, the courts will enforce restitution.

Any consideration exchanged can be recovered by suing based on **quasi-contract**. A quasi-contract is not really a contract but instead a fiction created by the law to allow the enforcement of a contractual remedy where justice alone warrants such a remedy. It is meant to prevent unjust enrichment by enforcing restitution or some other obligation against one or another of the parties to the case.

Requirements of the Writing

Generally a writing need not utilize any special form to satisfy the Statute of Frauds as long as the writing contains certain key elements. However, even within a state there usually are two sets of such requirements for a writing:

- 1) Requirements contained in each state's version of the Uniform Commercial Code and is typically applied only to sales of goods.
- 2) Requirements applied to all other contracts and is contained in a state's Statute of Frauds.

Special Rules for Signatures

Note that, under the Statute of Frauds requirements, only the parties whose signatures actually appear on the contract may be sued for enforcement. The signature may be written, stamped, engraved, or printed. It may consist of any mark that is intended as a signature or authentication of the writing. Under the UCC, however, this rule is changed for those who regularly deal in the type of goods being sold in the contract. For such parties a contract proposal in writing signed by one party and sent to the other is enforceable against the other party unless the other party objects to the terms within 10 days of receipt.

Requirements of the Writing

UCC Requirements

Because the UCC is essentially the same in each state, it establishes a uniform content standard. Under the UCC, the writing must indicate only:

- a) the quantity of goods
- b) that a contract has been created between the parties

Statute of Frauds Requirements

Such statutes vary widely from state to state in their requirements. The least demanding Statutes of Frauds merely require that the writing indicate the existence of a contract. The most demanding standard used by states is that the writing must contain all the essential terms that would be required to create a valid offer. In general, this includes:

1. names of the parties
2. a description of the subject matter
3. Price
4. Quantity
5. Signature
6. other essential terms

“Other essential terms” can include time or method of delivery, terms of payment, methods of financing, date for transfer of possession and so on, depending on the nature of the transaction. Most states require contracts for the sale of real estate to provide a legal description (as opposed to a street address) of the realty.

ACTIVITY #33

- 1) Name the six essential elements in a writing required by the most demanding Statutes of Frauds standards.
- 2) How do the Statute of Frauds requirements for signatures differ from the UCC requirements?
- 3) Haka, a lawyer who had just been awarded a seven-figure contingency fee by winning a class-action suit, decided to take a well-deserved vacation in Florida. While there he saw a condominium in a gated community called Coconaut Mooring that he wanted to buy for his parents. Knowing that his fee might disappear if the case he had won was overturned on appeal, he called Simon, the owner of Coconaut Mooring, and invited him to play a round of golf at Haka's expense. While putting on the tenth hole, Haka orally contracted with Simon to buy the condo. Later, when the class-action case was conclusively overturned on appeal, Haka called Simon and backed out of the oral contract.
 - a) Is Haka's contract with Simon enforceable?

ACTIVITY #33

- 4) A salesperson tries to persuade you to buy an electronic musical instrument. The price is \$499, plus carrying charges of \$72. The salesperson says, “You’ll soon be the life of the party. If not, just return it and get your money back.” You sign an installment payment contract, which says nothing about a return privilege.
 - a) Can you hold the seller to the promise to accept a return?

- 5) Under the UCC and between parties who normally deal in the goods identified in the contract, a party who receives a written and signed contract proposal from another has ___?___ days to object to the terms or be bound to them.