

Topic 3: The Process of Sales Contract Formation

In-class Problems

Problem Set 301

- Look at: 2-104(a), 2-205
- **Background:** Mitsutatchi Motors, U.S.A. of Toledo, Ohio is a major motorized equipment manufacturer and a leading seller of forklifts. Vayatom U.S.A. of Lexington, Kentucky uses forklifts constantly in its business and has a dedicated executive in charge of purchasing them and making sure they are properly operated and maintained.

Problem 301-A1

Mitsutatchi Motors sent Vayatom a firm offer for between 10 and 100 forklifts (model no. FGFL-800XL) at \$28,000 each. The offer was signed, and it said on its face it was irrevocable and would expire in 60 days. Can Vayatom accept the offer and enforce it as a contract?

Problem 301-A2

Mitsutatchi Motors sent Vayatom a firm offer for between 10 and 100 forklifts (model no. FGFL-800XL) at \$28,000 each. The offer was signed, and it said on its face it was irrevocable and would not expire for three years. Can Vayatom accept the offer and enforce it as a contract?

Problem 301-B

Mitsutatchi Motors and Vayatom did a deal, evidenced by a signed writing, where, for a \$3,000 fee, Mitsutatchi would hold open an irrevocable offer for three years for between 10 and 100 forklifts (model no. FGFL-800XL) at \$28,000 each. Can Vayatom accept the offer after one year and enforce it as a contract?

Problem Set 302

- Look at: 2-206, 2-207
- **Background:** Blastodyne is a major demolition firm. Octan Chemicals is a leading manufacturer of explosives and other industrial chemical compounds. Both companies are headquartered in and operate almost entirely within the United States.

Problem 302-A1

Blastodyne sent a purchase order for 200 kg of TNT to Octan Chemicals. The purchase order provided that any dispute under the contract was to be litigated in the courts of New Jersey under the provisions of New Jersey law, and the purchase order specified that the TNT be warranted as defect-free for two years. Octan sent an order acknowledgment to Blastodyne for 200 kg of TNT with language specifying that the material would be supplied with no warranties of any kind. The order acknowledgement said nothing about dispute resolution.

Is there a contract? If so, what are its terms with regard to warranties and dispute resolution?

Problem 302-A2

Blastodyne sent a purchase order for 200 kg of TNT to Octan Chemicals. The purchase order provided that any dispute under the contract was to be litigated in the courts of New Jersey under the provisions of New Jersey law and specifying that the TNT be warranted as defect-free for two years. Octan sent an order acknowledgment to Blastodyne for 400 kg of inert clay with language specifying that the material

would be supplied with no warranties of any kind. The order acknowledgement said nothing about dispute resolution.

Is there a contract? If so, what are its terms with regard to warranties and dispute resolution?

Problem 302-A3

Blastodyne sent a purchase order for 200 kg of TNT to Octan Chemicals. The purchase order provided that any dispute under the contract was to be litigated in the courts of New Jersey under the provisions of New Jersey law and specifying that the TNT be warranted as defect-free for two years. Octan shipped 200 kg of TNT without sending an order acknowledgment. After discovering they had neglected to send an order acknowledgment, Octan sent Blastodyne an order acknowledgment stating that the material was supplied with no warranties of any kind.

Is there a contract? If so, what are its terms with regard to warranties and dispute resolution?

Problem Set 303

- Look at: 2-206, 2-207
- **Background:** *Hrenka-Hübner USA is small-arms manufacturer in the United States. It uses steel as a principal component in the products that it makes and sells. Monongahela Steel is a steel manufacturer in the United States.*

Problem 302-A1

Hrenka-Hübner sent a purchase order for 1 metric ton of domestically sourced steel to Monongahela Steel. The purchase order included standard terms and conditions providing that consequential damages would be available for seller's breach. Monongahela Steel sent back an order acknowledgement with standard terms and conditions providing that the steel would be domestically sourced, that consequential damages were excluded, that Hrenka-Hübner would pay by wire transfer within 30 days, and that all disputes would be settled by binding arbitration conducted by the World Federation of Arbitration. The steel is shipped and paid for.

Is there a contract? If so, what are its terms with regard to available damages, payment, and dispute resolution?

Problem 302-A2

Hrenka-Hübner sent a purchase order for 1 metric ton of domestically sourced steel to Monongahela Steel. The purchase order included standard terms and conditions providing that consequential damages would be available for seller's breach. Monongahela Steel sent back an order acknowledgement with standard terms and conditions providing that the steel would be domestically sourced, that consequential damages were excluded, that Hrenka-Hübner would pay by wire transfer within 30 days, and that all disputes would be settled by binding arbitration conducted by the World Federation of Arbitration. The steel is shipped and paid for. Both the purchase order and the order acknowledgement contain language saying they are expressly made conditional on the assent of the other party to all terms.

Is there a contract? If so, what are its terms with regard to available damages, payment, and dispute resolution?