

Case problem #1 - Contracts

FACTS

Atencio is confined to his bed. He calls a friend who lives across the street and offers to sell her his watch next week for \$100. If his friend wishes to accept, she is to put a red piece of paper in her front window. The next morning, she places a red piece of paper in her front window. Has a bilateral or unilateral contract been formed? Explain, and quote the rules learned in your textbook.

Read about bilateral v. unilateral contracts

Issue - Formation of Contract - At what time - different with a unilateral vs. bilateral contract

RULE

Bilateral - promise for promise - contract formed upon exchange of promises

Unilateral - promise for act - contract formed when act is completed

APPLY

looks like putting the piece of red paper in the window might be an act and thus promise for act an unilateral, but is Atencio promising to pay good money for "putting the red paper in the window" - IS THAT THE ACT he wants. Answer - NO. he wants a promise to buy his watch "next week" for "\$100", so that is the form of the acceptance that he wants to create the contract, promise for a promise (Bilateral contract), with specific type of acceptance - offer plus acceptance = agreement, and contract (plus need consideration - see chp. 12 to come)

