

CONTRACTS

Class 10



STATUTE OF FRAUDS

- **General rule:** Oral contracts are enforceable unless they're within the Statute of Frauds.
- Two types of Statute of Frauds scenarios:
 1. **Common Law** (services, land or intellectual property cases)
 2. **UCC** (contracts for the sale of goods)



WHAT IS WITHIN THE STATUTE OF FRAUDS?

- **Common Law Statute of Frauds**

1. Contract to **guarantee** the debt of another
2. Contract to pay the debts of a decedent from one's own funds
3. Contract that is incapable of being performed within one year from the time of the agreement.

- **Contrast:**

- Employment contract for 5 years: Within the SOF
- Lifetime employment contract: NOT within the SOF

4. Promises in **consideration of marriage**
5. Contracts for the transfer of an interest in **real estate for more than one year**

- **UCC Statute of Frauds**

6. Contracts for the sale of goods for \$500 or more



QUIZ TIME!



THE STATUTE OF FRAUDS – SATISFACTION BY WRITING

- There must be a writing that is signed by the party against whom the contract is being enforced.
- What must the writing contain?
 - In **common law cases**, all material terms.
 - In **UCC cases**, only the existence of an agreement and quantity is needed.



THE STATUTE OF FRAUDS – SATISFACTION BY PERFORMANCE

- **Full performance** is enough to satisfy the SOF.
- **Part Performance:**
 - Never sufficient in a services contract case.
 - Part performance in a real estate contract; requires:
 - Possession + either payment or improvements to the real estate.
 - **UCC Cases:**
 - Part performance (receiving and accepting the goods) makes the contract enforceable, but only to the extent of the part performance
 - The creation of unique goods that cannot easily be re-sold to another buyer can satisfy the SOF.



THE STATUTE OF FRAUDS – EXCEPTIONS AND OTHER ISSUES

- The SOF is a **defense** that must be raised by the party looking to avoid the contract (it will not be raised by a judge herself in a contract enforcement action).
- The SOF is a **rule of evidence**; the contract is not void, illegal or barred; it just cannot be proven in court by oral evidence.
- If the party against whom the contract is being enforced admits to the existence of the contract, the **SOF does not bar the enforcement of the contract.**
- If a person tricks another party into making an oral agreement in violation of the SOF, **that party will be estopped from raising the SOF as a defense.**
- **Promissory estoppel** can, in some jurisdictions, be used to avoid the SOF.

