

# Module 7: Sales

# 7.1 Meaning of Terms

- Uniform Commercial Code, Article 2
- Buyer
- Seller
- Merchants
- Goods
- Sale

# 7.2 Formation of UCC Contracts

- Offers
  - Option Contracts: written offer from merchant cannot be revoked for time specified or reasonable time
- Acceptance
  - No mirror image rule
  - If buyer takes goods and does not reject them as non-conforming within a reasonable time
  - Perfect tender rule: no substantial performance
    - Installment contracts require opportunity for seller to cure

## 7.2 Formation of UCC Contracts

- Seller's Right to Cure
  - If buyer rejects goods as non-conforming, seller can try to cure deficiency if before delivery date by providing conforming goods
  - If after delivery date cure only possible if seller reasonably believes buyer would accept goods with price adjustment

## 7.2 Formation of UCC Contracts

- Buyer's Ability to Revoke Acceptance
  - Goods are non-conforming, affecting value and
  - Non-conformity was difficult to discover initially or cure was not made
  - Notice of revocation must be within reasonable time after discovery and condition of goods must not be altered

## 7.2 Formation of UCC Contracts

- If buyer's acceptance contains *additional* terms
  - Treated as a proposal unless both parties are merchants
  - If merchants, then proposal becomes part of the contract so long as change is immaterial, unless original offer limited acceptance to its terms or seller rejects proposal
- If buyer's acceptance contains *new* terms
  - Some courts treat it as a proposal
  - Some courts disregard new terms
  - Some courts apply knockout rule

## 7.2 Formation of UCC Contracts

- Modification
  - UCC contracts can be modified in good faith without consideration
- Statute of Frauds
  - Even though contracts for sale of goods over \$500 must be in writing, UCC enforces oral agreements if goods have been delivered and accepted

## 7.3 Warranties

- Express warranties
- Implied warranty of merchantability
- Implied warranty of fitness for a particular purpose



## 7.4 Remedies

- Buyer's damages
  - Expectation damages
  - Right to cover by purchasing substitute goods
  - Right to reduction in price for non-conforming goods
  - Right to reduction in price for breach of warranty

## 7.4 Remedies

- Seller's Withhold Right
- Seller's Damages from Wrongful Rejection
  - Seller can re-sell and recover difference in price plus incidental costs (or market price if re-sell fails)