1973

Contracts (1973)

William & Mary Law School
1. Ajax Construction Company is engaged in the road construction business. In the late Spring of 1969, Ajax was awarded a contract for a road construction job in the vicinity of Willyville, State of Zenith. The Morris Corp. is a sand and gravel company which also engages in the business of crushing rock to various sizes for use in road construction. Upon learning of the contract for road construction awarded to Ajax, Mr. J.W. Morris, President of Morris, Inc., contacted E. C. Marshall, General Manager of Ajax. A discussion ensued concerning the possibility of Morris furnishing the crushed rock needed by Ajax in performing its road construction contract near Willyville.

Mr. Marshall asked Mr. Morris to furnish Ajax a quotation on the crushed rock needed by Ajax to perform the road construction contract. Two days after Mr. Marshall's request to Mr. Morris, the following telegram was delivered to Ajax's corporate office:

"Ajax Const. Co.
Borven Road
Willyville, Zenith
Attn: E. C. Marshall

Pursuant to our meeting two days ago, we are able to quote as follows on Willyville road contract: $1.40 per yard for 24,000 yards of 4 inch minus base rock, and $1.80 a yard for 3500 yards 2 1/2 inch minus rocks. Total cost of rock crushing for contract is $39,900.

Morris Corporation
by J.W. Morris

Upon receipt of the above telegram, Marshall called Mr. Morris and told him (Morris) that he wanted to discuss the telegram with I.E. Wright, President of Ajax. Three days later, Marshall called Morris again and said "You will have the job. I will send you a contract directly."

On June 3, 1969 Ajax sent the following letter to the Morris Corporation:

"The Morris Corporation
Box 632
Echo, Zenith
Attn: J.W. Morris

Gentlemen:

We enclose herewith three copies of the contract for the road crushing job. The original and copy should be signed by you and returned to this office. We will then sign the original and return it to you. The third copy should be retained for your files.

Sincerely,
E C Marshall
Ajax Corporation
by E. C. Marshall

The contract referred to in the above letter reads as follows:
CONTRACT
Willyville Project
#F 028-3

Morris Corporation to crush following amount of rock in strict accordance with the Zenith Department of Highways specifications:

1) 24,000 yards of 4 inch minus base rock at $1.40 per yard.

2) 3,500 yards of 2 1/2 inch minus rock at $1.80 per yard.

Total contract price: $39,900
Payments to be made quarterly beginning July 15, 1969 and by cash. (July 15, 1969 - $10,000; October 15, 1969, $10,000; January 15, 1970, $10,000; April 15, 1970 $9,900.)

Ajax Construction Corporation, Inc. by ____________________

Morris Corporation, Inc. by ____________________

The original and copies of the above contract were signed by Mr. Morris, for the Morris Corporation, on June 6, 1969. He then sent the original and one copy back to the Ajax Corporation. The contracts were never signed by the Ajax Corporation or any of its representatives.

After signing the contract on June 6, 1969, Mr. Morris hired a crew of three laborers and an equipment operator to begin work on July 15, 1969 (the date Ajax was to begin building the Willyville road under the terms of its contract with the Zenith Department of Highways) The Morris Corporation also spent $1,500 to have its rock crushing machine modified to handle the small 2 1/2 inch minus rock called for in the contract. This modification was complete on July 5, 1969.

On July 6, 1969, Mr. Morris talked with Mr. Marshall about the possibility of moving his rock crushing machine to the construction site a few days before construction was to begin in order to save time. Mr. Marshall said he would check with his foreman to see if this could be arranged, but Mr. Morris never heard anything further about the matter. Not hearing anything more, Mr. Morris assumed that his equipment could not be moved to the construction site before July 15, 1969. On that day, Mr. Morris, his equipment and his work crew arrived at the site ready to begin crushing rock. When Mr. Morris so informed Mr. Marshall, who was also at the construction site, Marshall said: "We never signed any contract with you. We don't have any contract. We hired another company about June 20, 1969 to do the work cheaper than you could do it."

The next day, July 16, 1969, the Morris Corporation filed suit against the Ajax Corporation for breach of contract. The plaintiff's complaint alleged that the defendant, Ajax, was in substantial breach of an existing contract and prayed for specific performance of the contract according to its terms. In the alternative, the plaintiff requested damages in the following amounts:

1) $7,000 lost profit on the contract

2) $3,000 to pay the contract wages of the workmen hired by the plaintiff to perform its contract with Ajax

3) $1,500 to compensate the plaintiff for the cost of modifying its rock crushing machine to produce rocks of a size conformable to the contract

Ajax filed answer denying that any legally binding contractual obligation ever existed between the Morris Corporation and itself.
You are the judge sitting in the case of Morris, Inc. v Ajax Corp., Inc. Write an opinion deciding the issues raised by the case. You should also specify what relief, if any, is due the Morris Corporation. Be sure to include reasons for your conclusions. You may want to know that Zenith is the only jurisdiction in the United States that has no Statute of Frauds.

15 POINTS

The Parton Corporation is a newly organized business enterprise located in Brimfield, State of Wayland. The Parton Corporation manufactures shoe strings and eyelets for tennis shoes. Herbert Reddin, a sweat shirt tycoon, is a major stockholder in Parton, Inc. He owns 60,000 shares of the company's outstanding capital stock. It was Reddin's original intention to continue purchasing Parton stock until he obtained working control of the corporation. He then hoped to effect a merger between his sweat shirt company, Ace Inc., and the Parton Corporation. Unfortunately, fate intervened. Mr. Reddin's wife has just secured a divorce on grounds of egregious infidelity. The court has awarded Mrs. Reddin $3,000.00 per month in alimony with payments by Mr. Reddin to begin next month. Mr. Reddin needs liquid assets quickly if he is to begin making his alimony payments. He has concluded that he must sell his stock in the Parton Corporation.

On January 6, 1971, Reddin wrote the following letter to his stockbroker, Arnold Veritz.

Mr. Arnold Veritz
Vulcon Building
Brimfield, Wayland

Dear Arnold:

As you know I own 60,000 shares of common stock in the Parton Corporation. I find that I must sell this stock immediately. I am willing to give you the right to sell 10,000 shares of my Parton stock at a commission of 2% of the selling price of each share sold. If, before February 1, 1971, you sell the entire 10,000 shares that I have authorized you to sell by this letter, I will give you the exclusive right to sell the remaining 50,000 shares on the same commission basis (2% of the selling price of each share).

Sincerely,

Herbert Reddin

By January 18, 1971, Veritz had sold 8,000 of the authorized 10,000 shares of Parton Corporation stock. He had sold 2,000 shares at $10.00, 3,000 shares at $5.00 and 3,000 shares at $20.00. His commissions on the 8,000 shares totaled $19,000.

On January 19, 1971, Reddin told Veritz that he had changed his mind about the deal and would not authorize Veritz to sell another share of Parton Corporation. It seems that Mr. & Mrs. Reddin had decided to remarry. Mr. Reddin no longer needed the cash proceeds to the stock sale to pay alimony. Veritz protested, but Reddin refused to change his mind.

Veritz's lawyer filed suit in the Brimfield Circuit Court seeking a decree ordering specific performance of the agreement between Reddin and Veritz. In the alternative, he prayed for "appropriate damages at law." Reddin's lawyer filed an answer denying that Reddin owed Veritz anything except the $19,000 in commissions on sales by Veritz made before January 19, 1971.

Is Veritz entitled to relief as requested. If so, what sort of remedy should the court decree?
John Denton is a cotton farmer in the State of Hiram. Roger Barham is a cotton gin operator and cotton broker in Dale City, Hiram. At the beginning of the cotton growing season of 1970, John Denton was in serious financial difficulty. He lacked the money to buy cotton seed, hire workers, pay for irrigation rights and do the many things that must be done in order to plant, cultivate and harvest a cotton crop.

On March 20, 1970, Denton happened to stop by Roger Barham's cotton gin. Since both men were interested in cotton and little else, they naturally talked a great deal about the coming growing season. Denton mentioned, almost in despair, that he lacked the money to put his crop in that year. Barham said that he was sorry to hear that. Nothing more was said about Denton's plight until he began to walk outside to his pickup truck. Barham yelled after him to come back, saying that perhaps he might have a solution to Denton's problem.

When Denton returned to Barham's office at the rear of the cotton gin, Barham made the following proposal: "I have a little spare pocket money, John; it was a good season for me last year. Why don't I stake you to enough money to get your crop in? Maybe we could arrange it so that I would get part of your crop in payment if you have a good year. Why don't you come back here on Tuesday. In the meantime I'll get "Lawyer" Dauntless to draw us up a little agreement."

Denton was happy to have the chance to plant a cotton crop that year. Accordingly, he returned to Barham's office the following Tuesday. At that time both Barham and Denton signed the following agreement:

"This agreement made this 22nd day of March 1970, by and between John Denton, party of the first part and Roger Barham, party of the second part at Dale City, State of Hiram.

Whereas the party of the first part is without funds to purchase necessary supplies and hire needed labor to plant a cotton crop on his farm in Preble County, State of Hiram for the 1970 growing season, the party of the second part hereby advances to the party of the first part $5,000 in cash, receipt of which is hereby acknowledged. The party of the first part agrees to use the said $5,000 to purchase the supplies and labor necessary to plant, cultivate and harvest a cotton crop on his farm in 1970.

The party of the second part also agrees to pay the $20.00 monthly irrigation fee owed by the party of the first part on a contract with the Dale City Water Company for each of the six months following the execution of this agreement.

In consideration of the foregoing, the party of the first part promises to transfer, free and clear, title to so much of his cotton crop as the party of the first part and the party of the second part may mutually agree to be fair and equitable at the end of the season.

It is also agreed by and between both parties that since damages for the breach of any provision of this agreement would be extremely difficult of determination, that neither party to this agreement will be liable for breach of any provision herein in an amount in excess of $5,000.

John Denton
Roger Barham

After signing the above agreement both parties went to the Dale City Bank where Barham drew a $5,000 check in favor of Roger Denton. Denton used the check to purchase necessary equipment and labor to plant and cultivate his cotton. Two months after the contract was signed, Denton received a bill from the Dale City Water Company in the amount of $40.00. The statement enclosed said the bill was for irrigation water supplied to Denton during the past two months. Denton immediately phoned Barham to ask why he had not paid the water bill for the last two months as provided in the contract.
Barham apologized, saying that the bill had slipped his mind and that he would pay it.

Thirty days after that first telephone call, Denton received another bill from the Dale City Water Company for $60.00 which was marked Final Notice. Denton intended to call Barham again, but put the bill aside because he had to repair a cultivating machine that had broken down in one of the fields. Two days after receipt of the bill marked Final Notice, Denton had still not paid it. The water company turned off Denton's supply of irrigation water. Denton then called the water company seeking to get his water supply restored. The company manager said he would like to help, but because of his failure to pay, Denton's name was put at the bottom of the list of those seeking water for irrigation.

The 1970 growing season was the driest in Preble County since 1943. Denton's entire cotton crop died for lack of water. On August 29, 1970, Denton filed suit in the Preble County Circuit Court against Roger Barham for breach of contract. Denton alleged damages in the amount of $17,500 representing his lost profits on the expected sale of his cotton crop.

You are a newly admitted member of the Hiram Bar; you have just set up practice in Dale City. Roger Barham has heard that recent law graduates know more law than older, established attorneys. Accordingly, he has come to you rather than "Lawyer" Dauntless. He wants to know what his legal obligations are under the agreement with Denton, and what, if anything, he owes Denton. How would you answer his questions? Be sure to give reasons for your conclusions.

20 POINTS

A notice posted on the bulletin board in the engineering department of Eastinghouse Corporation, on electrical appliance manufacturer, read as follows:

"With a view toward increasing production and reducing costs, thereby promoting employment, the Eastinghouse Corporation announces the inauguration of a new suggestion program. Cash awards ranging from a minimum of $5.00 to a maximum of $15,000 will be paid for each suggestion accepted, by the local Suggestion Committee. Suggestions must be submitted on the prescribed form which may be obtained from your supervisor."

J. C. Herman
President

Wilbur Bartlett is a long time employee of Eastinghouse and an electrical engineer. He has developed a theory that a particular type of circuit breaker manufactured by Eastinghouse can be manufactured successfully from fabricated heavy gauge steel rather than the cast aluminum which is presently used. Fabricated steel is significantly less expensive than cast aluminum.

Bartlett is of the opinion that acceptance of his idea would save Eastinghouse substantial sums of money. Accordingly, he requests and receives from his supervisor, an official suggestion form described in the notice on the departmental bulletin board. The suggestion form contained a space for writing in the particular suggestion, a signature line for the person submitting the suggestion as well as the following language:

"In submitting this suggestion, I agree that the decision of the local Suggestion Committee is final. I also agree that the Suggestion Committee is to have the sole right to determine my eligibility for an award and its amount, if any"

NOTE
IF ADOPTED
Minimum Award - $5.00
Maximum Award - $15,000

Signature
Bartlett completed the suggestion card, signed it and submitted it to the local suggestion committee. Two weeks after submission of the suggestion, he was notified by the committee that his suggestion had not been accepted because the changeover to steel would be too expensive.

Two months after Bartlett's suggestion was rejected, Eastinghouse began fabricating its circuit breakers from heavy steel rather than cast aluminum. It is estimated that Eastinghouse had a net savings of approximately $50,000 by using the steel circuit breakers rather than the aluminum variety during the first six months after conversion.

Wilbur Bartlett believes that he has a cause of action against the company. He comes to you as his family lawyer to determine what his legal rights are in this situation. What are his legal rights, if any, against Eastinghouse?