CONTRACTS QUESTION

A woman whose hobby was making pottery wanted to improve her pottery skills both for her own enjoyment and to enable her to create some pottery items that she could sell. Accordingly, she entered into negotiations with an experienced professional potter about the possibility of an apprenticeship at his pottery studio.

The negotiations went well, and after some discussion, the woman and the professional potter orally agreed to the following on May 1:

- The woman would be the potter's apprentice for three months beginning May 15. During the apprenticeship, the potter would provide education and guidance about the artistry and business of pottery. The woman would pay the potter $4,000 for the right to serve as the potter's apprentice, payable on the first day of the apprenticeship.

- The potter would supply the woman with equipment and tools that she would use during the apprenticeship and would be entitled to take with her at the conclusion of the apprenticeship. On or before May 8, the woman would pay the potter $5,000 for the equipment and tools.

- The woman would be provided with a private room in the potter's studio in which to stay during the apprenticeship.

On May 2, the woman and the potter signed a document titled "Memorandum of Agreement." It contained the terms orally agreed to the day before, except that it did not refer to the woman's living in a private room in the potter's studio. The last sentence of the document stated, "This is our complete agreement."

On May 8, the woman went to the potter's studio and paid him the $5,000 called for in the agreement for the equipment and tools. While she was there, the potter said that he had decided that the $4,000 price was too high for the right to serve as his apprentice and proposed lowering it to $3,500. The woman happily agreed, and they shook hands on this new arrangement.

On May 15, the woman arrived at the potter's studio to begin the apprenticeship and move into the room she would occupy during that time. The potter refused to let her move in, however, and said that their deal did not require him to provide lodging for the woman. When the woman protested that they had agreed to the lodging arrangement, the potter took the signed Memorandum of Agreement out of his pocket and pointed out to her that it contained no reference to the woman's living in his studio. He then said, "If it's not in here, it's not part of the deal."

The woman then said, "At least you were reasonable in agreeing to change the price for the apprenticeship to $3,500. Saving that extra five hundred dollars means a lot to me." In response, the potter pointed to the Memorandum of Agreement again and said to the woman, "That's not what this says. This says that you'll pay me $4,000 today. Even if I agreed to lower the price, I didn't get anything for that, so why should I be bound by it?"

The woman is quite angry about this turn of events and is considering suing the potter.

1. If the woman sues the potter about the disputes relating to the apprenticeship, will those disputes be governed by the common law of contracts or by Article 2 of the Uniform Commercial Code? Explain.

2. Assuming that the common law of contracts governs, is the oral agreement concerning the woman's lodging binding on the parties? Explain.

3. Assuming that the common law of contracts governs, is the oral agreement lowering the price for the apprenticeship binding on the parties? Explain.

Question Presented

A hobby potter and a professional potter orally agreed on May 1 that she would be his apprentice for three months for $4,000 (education and guidance).

← *SERVICES aspect (the apprenticeship)*

He would also supply equipment and tools she could keep, for $5,000, and give her a private room to stay in during the apprenticeship.

← *GOODS aspect ($5,000 equipment) + an oral lodging term*

On May 2 they signed a Memorandum of Agreement with those terms except the lodging, ending: This is our complete agreement.

← *merger clause → completely integrated?*

The prior oral deal had included a private room; it was left out of the signed memo.

← *PRIOR oral term → parol evidence rule*

On May 8 the potter proposed lowering the apprenticeship price to $3,500; she agreed and they shook hands. Later he refused, saying I didn't get anything for that, so why am I bound?

← *LATER oral modification → consideration?*

At the May 15 move-in the potter refused lodging (not in the memo) and refused the $3,500 price. The woman is considering suing.

← *→ governing law? lodging? price?*

Governing Law: Predominant Purpose of a Hybrid Contract

Issue. Whether the common law or UCC Article 2 governs this mixed goods-and-services contract.

Goods, services, or a hybrid?

Rule. Sales of goods are governed by UCC Article 2; most other contracts by the common law. For a mixed (hybrid) contract involving both goods and services, courts apply the predominant-purpose test, applying a single body of law to the whole contract based on which aspect predominates (looking to the contract language, the nature of the transaction, and the relative value of the goods versus the services).

Hybrid → predominant-purpose test (language, nature, value); one law governs the whole.

Analysis. Here, the deal has both a goods aspect (the $5,000 equipment and tools she keeps) and a services aspect (the apprenticeship training). The arguments cut both ways: by dollar value the $5,000 goods portion exceeds the $4,000 or $3,500 services portion, favoring the UCC, but the woman's central purpose was to learn pottery through the apprenticeship, favoring the common law. A court applies whichever predominates to the entire contract.

$5,000 goods vs. a training purpose: genuinely arguable either way.

Conclusion. Therefore, governing law turns on the predominant purpose; if the training predominates, the common law governs the parol-evidence and modification issues below.

Predominant purpose controls; likely common law if the training predominates.

The Lodging Term: Parol Evidence Rule

Issue. Whether the prior oral agreement for a private room is part of the contract despite its omission from the signed memorandum.

Is the oral room term in the contract?

Rule. Under the parol evidence rule, a prior oral agreement is discharged by a later integrated writing. A completely integrated writing (a complete and exclusive statement of the terms) discharges prior agreements within its scope; a partially integrated writing discharges prior agreements only to the extent they are inconsistent with it. A merger clause is strong but not conclusive evidence of complete integration.

PER: complete integration discharges prior terms in scope; partial only if inconsistent. Merger clause = strong, not conclusive.

Analysis. Here, the lodging term was agreed orally before the signed memo, so the parol evidence rule applies. The clause "This is our complete agreement" strongly suggests complete integration, and the lodging term is within the writing's scope (it concerns the apprenticeship arrangements), so if the memo is completely integrated the lodging term is discharged. But a writing cannot prove its own completeness; if a court finds only partial integration, the lodging term survives because it is not inconsistent with the written terms.

'Complete agreement' + term within scope → discharged if fully integrated; survives if only partial.

Conclusion. Therefore, whether the woman gets the room depends on integration: discharged if the memo is completely integrated, enforceable if it is only partially integrated.

Turns on complete vs. partial integration.

The Price Reduction: Modification & Consideration

Issue. Whether the later oral agreement lowering the apprenticeship price to $3,500 is binding.

Is the $3,500 price binding?

Rule. The parol evidence rule does not apply to agreements made after the writing, so it does not bar a later change. But at common law a modification must be supported by consideration, and a promise to accept less for the same performance, with nothing given in return, lacks consideration.

PER doesn't reach later agreements; but a common-law modification needs consideration.

Analysis. Here, the price reduction was agreed after the signed memo, so the parol evidence rule is no obstacle. The problem is consideration: the potter agreed to accept $500 less but got nothing new in return, so under the common law his promise to lower the price is not supported by consideration and is unenforceable. (Under the UCC, no consideration would be needed, which is why the governing-law question matters.)

Later deal, so PER N/A; potter got nothing for the $500 cut → no consideration.

Conclusion. Therefore, under the common law the potter is not bound to the $3,500 price; the modification fails for lack of consideration.

Not binding at common law (it would bind under the UCC).

Step-by-Step: Hybrid Contracts, Parol Evidence & Modification

Fix the governing law, then treat prior terms and later terms differently: the parol evidence rule reaches only the former.

1. **Mixed goods and services?**
   → Apply the **predominant-purpose** test and pick ONE body of law for the whole contract. **governing law arguable**

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2. **A prior or contemporaneous oral term omitted from the writing? → parol evidence rule.**
   → Completely integrated (merger clause: strong, not conclusive): the prior term in scope is **DISCHARGED**.
   → Partially integrated: the prior term **SURVIVES** unless inconsistent. **lodging**

↓

3. **A later oral term (after the writing)? → the parol evidence rule does NOT apply.**
   → Common law: the modification needs consideration; giving up rights for nothing is **UNENFORCEABLE**. **price cut → not binding**
   → UCC: no consideration needed (good faith).