

Business Ethics

A Chicken Farmer Gets Plucked

Sometimes the Statute of Frauds, which was designed to prevent fraud, is used by a party to try to renege on an oral sales contract. Consider the following case.

Perdue Farms, Inc. (Perdue), sells dressed poultry under the brand name "Perdue Roasters." On October 30, 1975, Motts, Inc., of Mississippi (Motts) entered into an oral contract with Perdue to purchase 1,500 boxes of roasters from Perdue at \$0.50 per pound. Motts was to pick up the roasters at Perdue's Maryland plant. Motts entered into a contract to resell the roasters to Dairyland, Inc. Motts sent a letter to Perdue confirming their oral agreement. Perdue received the confirmation and did not object to it. When Motts's truck arrived at Perdue's Maryland plant to pick up the roasters, Perdue informed Motts's drivers that the roasters would not be loaded unless complete payment was made before delivery. Under previous contracts between the parties, payment was due seven days after delivery. Perdue informed Motts that the roasters would not be sold to Motts on credit. Perdue then sold the roasters directly to Dairyland, Inc.

Motts sued Perdue to recover damages for breach of the sales contract. Perdue denied liability, arguing that the contract had to be in writing because it was over \$500. Motts argued that the situation fell under the written confirmation rule exception to the UCC Statute of Frauds.

The district court agreed with Motts. UCC 2-201 (2) binds merchants to oral sales contracts if one sends the other a confirmation letter that is not objected to within 10 days after its receipt. Both parties in this case were merchants, and Perdue did not object to Motts's confirmation letter within the 10-day period. The court denied Perdue the Statute of Frauds as a defense, thereby making Motts's confirmation letter enforceable against Perdue. [*Perdue Farms, Inc. v. Motts, Inc., of Mississippi*, 25 UCC Rep. Serv. 9 (1978)]

1. Did Perdue act morally in refusing to perform the sales contract?
2. Is it ever ethical to raise the Statute of Frauds in defense to get out of an oral contract?

Issue 1: does UCC or common law apply?

Issue 2: is Statute of Frauds satisfied?
(i.e., is oral contract enforceable?)

Issue 3: if so, what are terms of contract?
(e.g., what are terms of payment?)

Issue 4: is extra or "additional term" re: "cash on delivery" part of contract?

Issue 5: what are damages?