

CHAPTER

8

Genuine Agreement

Legal Terms

In the answer column, write the word or phrase that best completes each of the following statements.

Answer

- | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 1. Another name for mutual mistake is _____. | 1. _____ |
| 2. Unfair and improper persuasive pressure exerted by one in a position of trust on another is called _____. | 2. _____ |
| 3. Fraud consists of false statements about a(n) _____ fact. | 3. _____ |
| 4. Overcoming the will of another by the use of force or by threat of force or bodily harm is called _____. | 4. _____ |
| 5. The party injured by a defective agreement may avoid or _____ it. | 5. _____ |
| 6. A mistake made by only one of the parties to a contract is a(n) _____. | 6. _____ |
| 7. A deliberate attempt to deceive a party to a contract about some material fact involved in the contract to induce that party to enter the contract is called _____. | 7. _____ |
| 8. An innocent statement of a supposed fact that turns out to be false is known as _____. | 8. _____ |
| 9. Another name for nondisclosure is _____. | 9. _____ |
| 10. A threat of a business nature to cause another, without real consent, to enter a contract is called _____. | 10. _____ |

Key Points in Your Reading

Indicate whether each of the following statements is true or false by circling T or F.

Answer

- | | |
|-----------------------------------------------------------------------------------------------------------------------|------------|
| 1. The only agreements that can be called defective are those that involve mistakes. | 1. T F |
| 2. If people sign written agreements without reading them, they are not bound. | 2. T F |
| 3. A mistake as to the identity of a party may cause a contract to be voidable. | 3. T F |
| 4. When both parties are mistaken about some important fact, neither party may void the contract. | 4. T F |
| 5. People who cannot read English will not be bound to the terms of a contract written in English. | 5. T F |
| 6. A person who makes an innocent misrepresentation of fact while entering into a contract is bound by that contract. | 6. T F |
| 7. In order to bring suit for fraud, the party who was wronged need not suffer damages. | 7. T F |
| 8. Agreements made under duress are either void or voidable. | 8. T F |
| 9. Undue influence usually involves a threat. | 9. T F |
| 10. If a person pays no attention to a misrepresentation, he or she cannot win a lawsuit for fraud. | 10. T F |

You're the Judge

For each of the following cases, circle Yes or No to indicate your decision. Then, in your own words, state the legal principle or legal reason that applies to the facts in the case.

Answer

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 1. Betty Dodge contracted to sell her CD player to Janet Austin. Unknown to either of them, the CD player had been destroyed in a storehouse fire the night before. Are they bound by the contract? | 1. Yes No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|

Legal principle: _____

2. In selling a desk, Jim Gilmore represented it as being made of mahogany. The buyer, Bill Coultas, checked the desk before buying it and discovered that it was made of pine. He bought it anyway. May Coultas later avoid the contract on the grounds of fraud?

2. Yes No

Legal principle: _____

3. Judy D'Angelo, thinking that Roy Peterson's watch was worth about \$150, agreed to buy it from him for \$75. Peterson had said nothing about the value of the watch. D'Angelo later learned that it was worth only \$50. Can D'Angelo get out of the contract?

3. Yes No

Legal principle: _____

4. Claudette Germais was forced at gunpoint to sign a paper promising to pay Arthur Coles \$1,000 one year from that date. Coles sold the paper to a bank for \$900. A year later, the bank demanded that Germais pay it \$1,000. Must she do so?

4. Yes No

Legal principle: _____

5. Juan Santiago bought a used car from Peter Mancuso after Mancuso told him that he had completely rebuilt the engine about three months earlier. Soon after buying the car, Santiago learned that the engine had never been rebuilt and was in poor condition. Can Santiago get his money back from Mancuso?

5. Yes No

Legal principle: _____

Legal Application

Denise Metz was in the market for a new personal computer. She went to CompuMart where she saw a computer which she thought was perfect for her. She discussed the computer's features and software programs with store manager Allan Lovely. When Metz asked if the wordprocessing software came with a spelling checker, Lovely said it did, although he knew that it did not. The absence of the spelling checker meant that the value of the computer and software was \$100 less than advertised. When Metz asked Lovely what he thought of the computer and software, he said if he had a daughter that's what he would buy for her. In fact, he had never even thought about it and would have said the same thing no matter what Metz had been looking at. In 200 to 300 words, explain to Ms. Metz which of Lovely's statements would constitute fraud, and which would not. Point out reasons for your choice.