

Text Message Creates a Contract

Description

St. John's Holdings, LLC v. Two Electronics, LLC, Case No. 16 MISC 000090 (RBF) (Massachusetts Land Court, April 14, 2016).

This is a departure from our usual review of recent cases involving the insurance industry. The case that is highlighted concerns a real estate transaction and is reported here because it underscores the cautions of our main article – that informal means of communication (texts, emails, instant messaging, social media exchanges) may create legal obligations and be found to have legal significance in a myriad of circumstances.

St. John's Holdings, LLC (Buyer) was in negotiations for the purchase of a building from Two Electronics, LLC (Seller) in which the parties' agents carried out their extensive dealings through electronic communications including email, text and phone. At some point in the discussions, Seller believed it was free to engage in negotiations with others and pursued a sale to another entity. But Buyer believed it had accepted the terms of Seller's offer as expressed through a text message that Seller's agent had sent to Buyer's broker. The message indicated that to close the deal Buyer need only sign as letter of intent and deliver a deposit check. Buyer did both of these things. When Buyer later learned that Seller had entered a sales agreement with a third party, it brought this action alleging breach of contract and seeking a declaratory judgment and specific performance.

The Essex County Land Court of the Massachusetts Trial Court found that the Seller's agent's text was a "writing" and, "reading the context of the exchanges between the parties [], contains sufficient terms to state a binding contract...." Not only did the multiple writings relating to the negotiations, read together, contain all the material terms of the contract, the court found that "the way in which the parties handled the transaction was sufficient for them to appreciate that the text message would memorialize the contractual offer and acceptance."

The same factors applied by the court to conclude the Seller's agent's text had legal significance are embodied in Rhode Island's Uniform Electronic Transactions Act. This decision also confirms that courts increasingly are bringing the law into line with the way business routinely is conducted in today's world, and is a cautionary tale for those who enjoy the conveniences and advantages of doing business via email and text.

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