

An unsigned contract can still be legally binding

Issue: Some courts consider agreements, signed or unsigned, to be valid, binding contracts.

Risk: A manager's verbal promise could lock your company into legal agreements it must follow.

Action: Train managers to say, "Let me see that in writing" before agreeing to anything.

Be careful what you agree to. Whether or not you ever sign a contract, you, and the organization, can be held accountable for fulfilling the terms of the agreement.

That doesn't seem to make sense in an age when everyone wants you to sign a written agreement in triplicate. But the fact is, very few contracts require the parties to reduce their agreement to writing.

Example: The Tennessee Court of Appeals held a restaurant to the terms of a three-year employment agreement with a chef, even though neither party ever signed the contract. The court said the restaurant breached an oral contract with Schnider by firing him in violation of the contract, which both parties were following even though they didn't sign it. (Schnider v. Carlisle Corp., No. W2000-01695-COA-R3-CV, Tenn. Ct. App.)

What makes a 'valid' contract?

In most courts' eyes, a valid contract, signed or not, must meet only these requirements:

- The parties must agree on the terms. For example, if you agree over the phone to a computer-maintenance service offer, you're bound by it.
- The parties must agree to exchange something. In the example above, the service is exchanged for a set price.
- The agreement's subject matter must be legal. For example, if the computer repair service used parts bought over the black market, no contract would exist.

Most states require that certain contracts must be in writing. These include contracts related to:

- Sales of tangible goods priced at \$500 or more.
- Leasing of goods with payments totaling \$1,000 or more.
- Sales or leasing of real estate.
- Promises to pay the debts of another person (thus the term "co-signer").
- Agreements that can't be completed within one year, such as a two-year employment contract.

Although the law says you must put those types of contracts in writing, courts interpret the requirement loosely.

For example, a receipt showing the price of a sofa is enough "writing" to meet the requirement.