

Katrin and Leo

Katrin

Katrin is the owner of a popular restaurant called the Blue Moon Café which is located in the center of Tomsk. The restaurant has been open for the past three years and has established a reputation for excellent quality food at reasonable prices. Although the restaurant is usually full, the profit margin is not very good. Recently, Katrin decided to convert the back room of the restaurant into a martini bar. Katrin thought that she could significantly increase her profits if she offered a lounge setting for before and after dinner drinks. She bought nice tables and chairs for the bar and installed a beautiful custom designed granite counter for the bar. She picked moon shaped lights to hang over the bar and set up a small stage area so that she could have a space for jazz musicians to play.

Katrin wanted to build on the good reputation of the Blue Moon Café and decided to have a grand opening where she would serve only top quality vodka. She spent a lot of money promoting and advertising the grand opening and hired a band to play at the martini bar for the first night – August 1 [Originally in 2003 - This is a case from old files; names changed for confidentiality] The Blue Moon Martini Bar was all ready and the only things Katrin had to do were stock the bar with top quality vodka and buy the glassware for the bar.

A few weeks before the grand opening, Katrin was talking to her friend about these last details when Leo, the guy who supplies the meat for the restaurant, overheard the conversation and stated that he could get her a good deal on the vodka and the glassware. Katrin knew and trusted Leo so she decided to have him supply these last items. Katrin had given a lot of thought to how much vodka she could afford for the opening and what amount she would need so that she did not run out. She had decided to buy 10 cases of Star Vodka which she considered to be the very best Vodka made in Russia. She also figured that she would need 300 nice quality martini glasses for the bar. She asked Leo to send a proposal with a quote for the Star Vodka and the glassware.

The proposal came in the mail a few days later and Katrin glanced at it while she was busy getting the restaurant ready for the day. The proposal was a handwritten note which stated:

*10 cases Vodka - \$1,500.00
300 Vodka glasses – \$500.00*

*Payment due within 30 days of delivery. Delivery on or before August 1, 2003.
Sign below if you agree to these terms and conditions.*

Katrin signed the proposal and rushed it back to Leo. She checked in with him one week prior to the grand opening and he said that everything was all set and that he would deliver the vodka and glasses on the afternoon of the Grand Opening.

On the afternoon of August 1, 2003 Katrin was in great spirits. She had heard that many people in Tomsk were talking about the new Blue Moon Martini Bar and she expected a large crowd. Katrin decided that she would serve as the bartender that night. She was still anxiously awaiting Leo's delivery when the first patrons came in. Katrin had no vodka so she served them wine which she had for the restaurant. More and more people came into the bar and all she could serve them was wine. They complimented her on the beautiful decorations in the bar but she could hear some people whispering that it was no martini bar. A few people walked out laughing.

Finally, Leo's deliveryman showed up with the supplies. When Katrin opened the boxes she discovered that there were only 9 cases and there was an assortment of brands ranging from poor quality to very good quality vodka but none of it was Star Vodka. When Katrin opened the boxes of glassware she found 300 wine glasses of which approximately 10 were broken. Katrin was very upset but tried to make the most of it. She set up a display of all of the different types of vodka on the bar and offered the patrons free drinks of their choice of vodka with their choice of olives, or juice used in the new type of martinis. Katrin heard a few people complain about the use of wine glasses in a martini bar but after she started giving out free drinks people seemed to have a good time. The bar was full of people until midnight when Katrin closed down because she was tired and also out of vodka.

Katrin decided that Leo was a fool who had tried to ruin her grand opening. She couldn't understand why he had done this to her. He had always been reliable with the meat delivery and Katrin thought that he had supplied the best meat in the area. Katrin was upset because she thought that she wasted a lot of money advertising for the grand opening which was a flop. The next day she sent Leo a note telling him that he had ruined her grand opening and her reputation. She said that because she had to give the vodka away she had no intention of paying for it. She also told him that only a fool would think that you can serve a vodka martini in a wine glass and that he should pick up all of the glasses before she smashed the rest of them.

Leo

Leo is a hardworking guy who has slowly built a business for himself as a supplier of goods. Leo prides himself on his ability to find various goods and products for a wide range of businesses. He supplies material for everything from cement for construction projects to high quality meats for restaurants. For items such as meat, Leo has a steady reliable source which consistently supplies him with fresh high quality meat. For other items, Leo often gets good deals for himself which he passes on to his customers by buying railroad salvage items which are slightly damaged or defective goods or mixed variety supplies.

Leo has been supplying meat to the Blue Moon café on a weekly basis for the past two years. His cousin Natasha is friends with the owner and made the contact for him. Most of the time Leo sends his deliveryman but sometimes Leo arranges to make the

delivery himself and then meet up with Natasha for dinner at the Blue Moon Café. Leo has had the chance to meet Katrin, the owner of the Blue Moon Café, and likes her and her restaurant. A few weeks ago Leo was having dinner at the Blue Moon Café when Katrin explained to him that she was planning to open a martini bar at the Blue Moon Café. She was very excited and said that she wanted to have the first and best martini bar in Tomsk. Leo told Katrin that he had never heard of a martini bar. She explained that a martini bar is a bar which serves different types of vodka drinks in specially shaped glasses and sometimes the bars had jazz players. Leo told Katrin that he knew that he could get good prices on several different brands of vodka from his contacts. He offered to get Katrin a good deal on as many cases of vodka as she needed for the opening. He told her that he likes all types of vodka but he knows high quality vodka when he sees it. Katrin said that her favorite vodka was Star vodka and that she liked the idea of having Star vodka at the Blue Moon.

Leo was concerned that he didn't have much time to try to get the supplies. He usually needed at least a month to line up a good deal and to find the right supplies. He could tell that Katrin was excited about her new venture and he decided that he would try to help her. He also had heard from his cousin Natasha that Katrin was not making much money with the Blue Moon Café so he decided that he would try to get her a good price. As he finished up his dinner he agreed to get Katrin a quote for the vodka as soon as possible. As he was leaving Katrin asked him if he could get some nice glasses for the martini bar as well. Leo asked how many she needed and Katrin told him that she needed 300 glasses.

Leo spent the next two days calling several of his contacts looking for cases of vodka and vodka glasses. None of his suppliers could get 10 cases on such short notice but Leo was able to get a very good deal on six cases of top quality vodka from one source and was able to round up three cases worth of a variety of brands from the railroad salvage supplier. Leo figured out his costs at \$700.00 for the six cases of top quality vodka and \$300 for the 3 cases of mixed variety vodka. Leo knew that he was getting an excellent deal so he decided to pass some of this good deal along to Katrin. He decided to charge her \$1500 for the vodka. Leo reasoned that if he passed on a good deal to Katrin then she would continue to use him as the supplier for the martini bar in addition to being the supplier of the meat for the Blue Moon Café. .

The railroad salvage guy also told Leo that he had some fine quality glasses which were perfect for a nice restaurant. He said that he would let Leo have them for \$500. Leo didn't really know what was a good price for the glasses and asked whether he could return them if they were not satisfactory. The supplier agreed. Leo decided the glasses were really a one-time side item and he didn't know what was a fair price so he decided to just pass them along to Katrin at his cost of \$500. He was more focused on the vodka deal.

Leo quickly drafted up a proposal and sent it off to Katrin. As soon as he got it back he ordered the vodka and the glasses. Leo was very busy on the day of the grand opening of the Blue Moon Martini Bar but he made sure that his delivery guy dropped off

the vodka and glasses as soon as he finished his usual delivery route. Leo heard from friends that opening night was a lot of fun. Two days later Leo received a letter from Katrin saying that she had no intention of paying for the vodka and that she wanted to smash the rest of the glasses.

Leo was upset. He had worked very hard to put the deal together on such short notice and he had spent \$1,000 of his own money for the vodka. He knew that he could return the glasses but he wanted to at least be paid for his out of pocket expenses. He tried to call Katrin but she would not take his calls. Leo became more upset and filed a claim with the Arbitrazh Court for \$2,100. He figured that Katrin should pay \$2,000 for the vodka and the glasses plus \$100.00 for a delivery fee. Leo decided to request filing fees as well.

Legal issues/details - These issues matter in court:

Is there a legally binding contract?
Is the contract too vague?
Was there a meeting of the minds?
Contract not dated/ terms uncertain
What quantity?
What quality?
Price?
Suitability of the products
Defective goods
Timing/delivery date
Did Katrin accept the goods?

Emotional/People Issues/details - These issues matter in mediation:

Respect
Reputation
Consistency
Ongoing business relationship
Pride
Miscommunication
Financial ability to pay
Fairness
Loss of future business
Natasha is a mutual friend