The Rules of Contract Interpretation -- How to Say What You Mean and Mean What You Say
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Course Description - This one hour course will teach the basic principles of the rules of contract interpretation. Often parties draft contracts that are give rise to different interpretations, and there are specific rules to resolve the parties’ differing interpretations, based upon the context of the language used, the subject matter of the contract, the parties’ knowledge of existing conditions, the knowledge of the party who drafted the contract, and other considerations. This course will discuss these rules, giving actual and hypothetical examples demonstrating their application, including references to actual court decisions describing the principles discussed.

Learning Objectives

- To understand why parties’ interpretations of a contract may differ.
- To review the rules of contract interpretation and their purpose.
- To understand the application of the rules of contract interpretation in various situations.
- To assess the need for accurate and succinct contract drafting.

Note: This course is for educational purposes and discusses legal principles and concepts with references to court opinions. It is not to be construed or relied upon as legal advice. The views expressed in this course are solely those of the author in his capacity as a private citizen, and do not represent the views of any entity by which the owner is or has been employed.

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The Rules of Contract Interpretation -- How to Say What You Mean and Mean What You Say

I. The Need for Rules of Interpretation and the Basic Rules

In another course on Defective Specifications, we learned about specifications that are defective so that the contract is not able to perform the work to perform as the owner had planned. Other difficulties arise when following the specifications will result in the project being constructed properly, even though these specifications are vague or ambiguous and cause the contracting parties to have differing interpretations as to the meaning of the words used. Contracting parties should be aware that they may have differing assumptions concerning the meaning of words and phrases drafted into a contract. Words mean different things to different people. What may be clear to one may be ambiguous to another. There is therefore a need to draft contracts accurately and succinctly to avoid differing interpretations.

The legal process has developed rules of contract interpretation to settle conflicts which arise when parties to a contract differ on the meaning of contract language. These rules have their origin in English common law. They attempt to interpret contract language by applying plain meanings and reasonable definitions, based upon the ordinary usage of words. The rules also allow external sources, such as trade practice and parties’ actions, to be used in instances in which the plain meaning would not result in an equitable solution. The thrust of the rules is to view the contract as a whole and apply the parties’ original intent. However, burdens and penalties are placed on the drafters if they include ambiguous language in the contract. The non-
drafter may also have to live with the other party’s interpretation if the ambiguity was clear at the
time of signing but the non-drafter did not seek clarification.

It is important that a contractor be familiar with these rules before negotiating and signing
a contract. Otherwise, the contract may not clearly set forth the parties’ intent in the contract
documents, and the contractor may waive rights by failing to clarify important points in the
initial stages.

The following example illustrates how parties may differ as to the interpretation of a
contract clause. Assume that a contract contains the following clause:

Either party may request an adjustment of the contract price for any month in the
event of an increase or decrease by more than 25 percent in the scheduled number
of concrete pours. This adjustment shall consist of a fixed sum to be paid for the
number of pours in excess of the estimated monthly total plus 25% or a fixed sum
to be deducted for the number of pours below the estimated monthly total
less 25% computed as follows: Divide the total monthly bid price by the estimated
total number of pours per month in Schedule A, and multiply by 6.

The owner interprets the word “request” in the first sentence of the clause to mean “ask
for,” and believes that he has discretion as to whether the request will be granted. On the other
hand, the contractor interprets “request” to mean “demand,” and notes that the word “shall” in
the second sentence indicates that the owner must issue an adjustment. Because of the context,
the contractor’s interpretation appears to be the most reasonable.

The basic rules of contract interpretation are:

• Normal Meaning of Words Prevails.
• The Reasonable, Logical Interpretation Prevails.
• The Manifest Intent of the Drafter Prevails.
• You Are Bound by the Knowledge of the Other Party's Interpretation
• The Contract Is Interpreted as a Whole.
• Trade Custom and Usage May Be Used in Certain Instances to Interpret the Contract.
• Prior Negotiations or Agreements Cannot Be Relied upon to Vary, Add to or
Contradict the Terms of the Contract
• Actions Taken by the Parties Are Evidence of Their Intentions
• In the Event of Conflict, Certain Provisions of the Contract Take Priority over Others
If a Provision Is Ambiguous, a Party Is Obligated to Inquire about its Meaning
- Ambiguities in the Contract Will Be Interpreted Against its Drafter

We will discuss each of these rules with examples.

II. Normal Meaning of Words Prevail

As a general rule, words, symbols and marks will be given their normal meaning unless they come within one of the following narrow exceptions:

1) If the words have a technical meaning and are used in their technical sense in the contract, then the words will be given their technical meaning and not their normal meaning.

2) If the words were given a special meaning by the parties, then the words will be given their special meaning and not their normal meaning. One must look at the context in which the words are used in order to determine their normal meaning.

Words will be given their normal meaning even if it is different from the intention of one of the parties. For example, assume that a supplier contracts to furnish “sand” to a contractor. The supplier delivers sand which includes a large amount of dirt, stone and other materials. The contractor rejects the delivery, because “sand” normally means materials consisting of small grains and, therefore, the contractor’s material did not conform with the normal meaning of the term. In this dispute, the contractor would prevail, as he applied the normal meaning of the word.

The following is an example of a specification containing a technical term that was given its technical meaning. In the case ARC The Gas Welder Association. Inc. v. Green Fuel Economizer Company, 285 F.2d 863 (4th Cir. 1960), a dispute arose between a contractor and a subcontractor as the meaning of the technical term “Number 4 finish” with regard to smoothness of welds. The subcontract required the subcontract to polish welds. The specification read:

Polishing of the welds is a part of this contract. All services welded to be polished to a Number 4 finish with a maximum roughness finished tolerance allowable of 42 micro-inches.
The contractor testified that the technical meaning of the term “Number 4 finish” meant polishing to a smoothness which did not exceed 42 micro-inches, resulting in a surface without pits. Also, an independent expert verified this technical definition. The court held that the subcontractor incorrectly interpreted the requirement and he should not be allowed to polish the welds less than required by the contractor’s definition. The court stated

The parties used terms which had a definite meaning in the industry and may not now be heard to say that they did not use the terms as the industry understood them.

285 F.2d at 867-868.

It is common for one of the parties to the contract to argue that a word has a special meaning rather than its normal meaning. Assume that a contract contains the following requirement:

The surfaces should be painted light grey.

The painting contractor discussed with the owner before the contract was executed that he would use a specific manufacturer’s paint color known as light grey. When he used another manufacturer’s paint color designated as light grey, the owner asked him to repaint the surface using the manufacturer’s paint they had discussed before hand. This is an example of the parties using words with a special meaning, i.e., designating something more than color, but including a specific manufacturer. Should the parties have made the contract clearer by including the manufacturer’s name in the contract? Yes. However, in this case, the special meaning would still prevail and the owner should be entitled to the light grey paint from the manufacturer they had discussed.

In negotiating a contract, one should be careful about attaching special meanings to the terms, especially if the special meaning is significantly different from the word's normal meaning. Care should be taken to make the special meaning clear to avoid disputes.

III. The Reasonable, Logical Interpretation Prevails.

If possible, a contract will be given a reasonable and logical interpretation rather than an unreasonable and illogical one. A reasonable and logical meaning is one which would be given
by a reasonably intelligent person who is experienced in the field of contracting and who has knowledge of all the surrounding circumstances. It is sometimes possible to determine the meaning of a term simply on the basis of whether the interpretation is reasonable without resort to the other eleven rules of contract interpretation. An interpretation is unreasonable if it produces an inconsistent, illogical, strained, absurd, unjust or unworkable result.

For example, assume that a contract contains an escalation clause which provides that the owner will pay the contractor for metal at the market prices in effect “as of the date of delivery.” The contractor delivers the metal late, well beyond the time stipulated in the contract’s delivery schedule and now wants to be paid the higher market prices that were in effect on the date of delivery rather than the market prices that prevailed had the delivery been timely. In this situation, it would be unreasonable to give the contractor the higher prices because, in effect, it would allow the contractor to profit from his own inexcusable delay.

It should be noted that occasionally the differing interpretations of the contract language can both be reasonable. In this situation, Rule 12 (construction against the drafter) is applicable.

IV. The Manifest Intent of the Drafter Is Controlling

The words, phrases or symbols used by the drafter of the contract reflect the intention of the drafter. If the intentions of the drafter are not mentioned in the contract or somehow communicated to the other party, then they will not be considered in interpreting the meaning of the contract.

Assume that an owner accidentally omitted an important requirement of the contract or made an error in the specifications or drawings. In this situation, the contractor is not expected to discover minor errors, and any conflict arising as a result of the error would be resolved in favor of the contractor. The result is different if the error is blatant and the contractor knew or had reason to know of the error. In this situation, the dispute would be resolved in favor of the owner, even though it was the owner who committed the error.

This rule is not applied if it would result in an unreasonable interpretation. If, for example, the surrounding circumstances indicate that a provision was put in the contract by mistake and its inclusion is contrary to the intention of the parties, then this rule does not apply. Instead, the “Rule of Reasonableness” (Rule No. 2 above) will be applied and the provision in questions will be considered void.
It should be noted that the drafter does not have to include every minute detail or construction in the contract if the contractor has sufficiently clear notice of his contractual obligations. For example, assume that a contractor was obligated to run a water line to a drinking fountain. The line was not shown on the contract drawings but it was required by the specifications. Assume further that the notes on the drawings stated that “contractor is required to install all the required pipes and fittings, even if not shown on drawings.”

The contractor failed to include costs for all the pipes and fittings in its estimate. Now, the contractor claims that he is entitled to additional compensation. A contractor in this situation might argue that this constitutes a design failure for which the owner is obligated to pay the additional costs. In this situation, the contractor would not be able to claim the additional costs because the contract clearing expresses that all required pipe and fitting details would not be included in the drawings. Thus, the contractor is considered to have sufficient and clear notice that it was the intent of the contract that the details in dispute were a contractual obligation.

The case of Housing Investment Corporation v. Kenneth Carris, 389 S.2d 689 (Fla. 1980) illustrates the interpretation of a contract using the intent of the parties. A plumbing contract between a contractor and the owner required the owner to carry fire insurance. When a fire, allegedly caused by contractor's negligence, damaged the property, the insurance company paid the owner, and then tried to collect from the contractor for negligence. The Trial Court ruled in favor of contractor.

The Appeals Court held that the insurance company cannot collect from the contractor, because the contract clause requiring the owner to carry insurance shifted all of the risk to the insurance company. Even though the clause did not require the owner to name contractor as a co-insured on the policy, the contractor bargained for the insurance clause in order to be protected from the risk of liability. Since the owner already had the right to insure its property for its own benefit, the only purpose of such a clause was to benefit contractor. Because the owner was thus limited to the insurance proceeds, the insurance company can have no greater rights, even though the loss was caused by contractor's negligence.

V. You are Bound by the Knowledge of the Other Party's Interpretation

If a party knows of the other party's interpretation of the contract, that interpretation is controlling. A party who has knowledge of a differing interpretation has to perform in accordance with it unless he expresses disagreement with that interpretation. This rule is designed to ensure that the party cannot take advantage of this knowledge. For example, assume
that a contract for renovation of a structure provides that the owner is to furnish complete as-built drawings. However, before executing the contract, the contractor is told by the owner that the owner only has as-built drawings of certain areas of the structure and not the entire structure. The contract provision is not amended, which states that the owner will furnish complete as-built drawings. The contractor is still bound by his knowledge of the owner’s intent to only furnish as-built drawings of certain areas.

On the other hand, the owner also has obligations arising from its knowledge. Suppose that during pre-contract negotiations, the owner knows that the contractor has a conflicting interpretation with respect to a certain provision in the contract. In this situation, the owner is obligated to resolve the conflict before the contract is awarded to the contractor. Failure to do so would probably result in an interpretation favorable to the contractor. Suppose instead that knowledge of the owner's differing interpretation is acquired after the parties have entered into a contract. Further assume that both interpretations are reasonable. It would be advisable for the contractor under these circumstances to inform the owner immediately even though it is not entirely clear that failure to do so would be deemed unreasonable. If the contractor performs in accordance with his own interpretation, it is quite possible that the conflict could be resolved against him. Prompt notice to the other party could be critical in this situation.

It should be noted that in certain rare circumstances, a contractor will be charged with knowledge of an owner’s differing interpretation even though the contractor did not actually know of a conflicting interpretation. For example, assume that an owner and another contractor had the same provision in a prior contract between them that is found in the one between the owner and you. Suppose, further that you were a subcontractor on the prior contract with the other contractor. A dispute concerning that provision arose and it was resolved in a court proceeding. If you, as the contractor, are in this situation, you may be charged with knowledge of the court's interpretation and you may not be able to argue a differing interpretation of the provision.

VI. The Contract is Interpreted as a Whole

When interpreting a contract, reference should be made to all writings which are either written in the contract or which have been adopted by it. The non-drafter of the contract, usually the contractor, is obligated to read the contract in its entirety. This includes all of the contract terms. Failure to follow this rule can have serious and often expensive consequences. A dispute could arise, for example, if a contractor, when checking only the index of the specifications in preparing its bid, fails to include the additional cost of survey work required in a non-indexed
change. Because of this failure, the contractor incurs additional, unexpected costs. Yet, the contractor will be denied additional compensation because it was his duty to read the contract as a whole and to discover the discrepancy.

Problems in this typically arise when the contractor is unaware of and has consequently failed to consider the implications of interrelated provisions. A contractor should, for example, consider the relationship between the contract for construction of a building and the contract drawings. Typographical, grammatical and punctuation errors can be a source of dispute in this area as well, and this rule is often applied to resolve this type of dispute. Suppose, for instance, that the contract specifications referred to component parts of a certain structure in the present tense:

The track is made of eight-inch channel and is installed as shown on the drawings.

Ordinarily, the use of the present tense would indicate that the track was already in existence. Yet, assume that when the contract is read in its entirety, it becomes readily apparent that the contractor is obligated to furnish and install the track because other provisions in the contract outline the procedures as to how the track is to be furnished and installed.

Consider another example. A contract contains soil boring logs that indicate very soft clay in the area to be excavated. In the drawings, there is a note in a specific area where no soil borings were taken that states: Medium Silty clay. In preparing its bid, the contractor ignores the drawing note and relies upon the information in the soil boring logs, as this information is the result of actual soil samples. During excavation, the contractor encounters medium silty clay in various areas of the site, and incurs additional costs for which he seeks compensation from the owner. If the contractor had correctly interpreted the contract as a whole, giving meaning to all provisions, he would have anticipated finding the medium silty clay on site.

Thus, a contractor must carefully consider all provisions of a contract and reconcile their meanings.

VII. Trade Custom and Usage Are Used to Interpret a Contract

Trade custom and usage are helpful aids in interpretation in primarily two situations. In the first instance, they are often used when it is necessary to add a term to the contract. For example, assume that there is a contract for the remodeling and modification of several kitchens in differing housing units. The contract contains the following clause:
SCOPE OF WORK - All work which is manifestly necessary to carry out the intent of the drawings and specifications or which is customarily performed for such work shall be performed by the contractor.

An existing wall is removed by the contractor in each housing unit as part of the remodeling. In so doing, it left the ends of the kitchen cabinets that had previously abutted against the wall exposed and unfinished. Neither the contract drawings nor specifications specifically referred to any work to be done to the exposed open ends of the cabinets. The contractor closed the ends and now wants additional compensation for this work. However, the contractor will be unsuccessful in its claim even though there is no provision in the contract which specifically refers to this work. This is because it is the custom of the trade that when a cabinet abuts a finished wall and that wall is removed, that the end of the cabinet is closed and finished. In this situation, this would probably be considered to come within the scope of work clause.

In the second instance, trade custom or usage is often used to clarify ambiguous provisions. Suppose that a contract requires the painting of “all surfaces” in certain designated areas. The contractor paints the interior side of steel window sash and now claims additional compensation for this work on the basis that this items was not specifically included in the contract. In this situation, the contractor will not receive additional compensation because window sash is customarily painted.

This rule is not applied when there is an express term in the contract which conflicts with the trade custom or usage. This situation can arise if the contract provides stricter standards than those of industry standards. Thus, trade custom or usage do not take precedence over an express term in the contract. Trade custom or usage is commonly used to determine whether a provision is, in fact, plain and clear or whether the provision is susceptible of some other meaning which is not readily apparent from the contract itself. If the provision is clear, then trade custom or usage is irrelevant. That is true even if the trade custom or usage is in direct conflict with the contract provision. But if the provision is, in fact, ambiguous, then trade custom or usage becomes an important factor in determining the meaning of the provision.

The existence of a trade custom or usage must be proved before it is used to interpret a provision of the contract. Usage, for example, can be proved by reference to an industry code.

VIII. Prior Negotiations or Agreements Cannot Be Relied upon to Vary, Add to or
Contradict the Terms of the Contract

Prior negotiations or agreements cannot be relied upon to vary, add to or contradict the terms of the contract. This rule is applied when there is an existing written contract and its terms are clear and unambiguous. Only the terms included in the contract will be considered in determining its meaning; all prior negotiations and understandings will not be considered in interpreting the contract even if these prior understandings were in writing.

As example of this rule, consider the following contract provision:

This contract includes all work except toilet rooms on the first floor, new ceilings and pipe and duct closures in two wings of the building.

The contractor claims that because of prior oral and written understandings between it and the owner, that new ceilings were not to be installed in any part of the building. In this situation, the contractor is required to install new ceilings in certain parts of the building because the above provision of the contract is clear and unambiguous in excluding new ceilings in only two wings.

IX. Actions Taken by the Parties Are Evidence of Their Intentions

If the parties act in a certain way, then their actions will be given great weight in determining the meaning of an ambiguous provision. The parties’ actions will be considered in any one of these situations:

a) when other bidders have acted before entering into the contract.

b) when the parties or their representatives have acted during performance but before the controversy arises.

c) the contractor’s subcontractors have acted before the controversy arises.

As an example of situation (a) listed above, assume that the project specifications provide that “new vinyl plastic tile” which is acid-resistant be installed to replace other tile. There are four bidders for the contract bid. Three of the four bidders base their bid on vinyl-asbestos tile. The other bid is based on pure vinyl tile. The owner now contends that “new vinyl plastic tile” means pure vinyl tile. The owner will probably be unsuccessful even though the contract does
not specifically provide for vinyl-asbestos tile. This is because the vinyl-asbestos tile meets specification requirements and the other bidders acted on the assumption that this type of tile was to be furnished before the contract was entered into.

As an example of situation (b), assume that the contract provision provides for the production of a “Primary Pressure Standard Calibration System” which, by the way, is not a brand name item. The system’s specifications are described immediately below. It is only at the end of the specifications that a brand name appears. During the period of performance, the contractor attempts to modify its own stock model so as to comply with the specifications set forth in the contract. At no time during performance does the contractor argue that it is not bound by the specifications. During the course of performance, the owner continually insisted that the contractor meet the specifications. Under these circumstances, it is likely that this provision would be interpreted as requiring a brand name model.

Before this rule will be applied, two requirements must be met:

a) The actions must have been taken by a responsible representative of the owner or the contractor who has the express duty of making sure the contract is being properly performed. Actions taken by a mere employee of either party are not considered in determining the meaning of the disputed provision in the contract. Suppose, for example, that an employee in charge of finances pays for certain equipment. Payment does not indicate acceptance of this situation because one in charge of finances is not in a position to evaluate the equipment and the other technical details of contract performance.

b) The representative must have actually considered the problem and, after consideration, must have told the other party his decision.

It should be noted that this rule will not be applied when the provision is unambiguous. Therefore, if the actions of the parties are based on a clearly erroneous interpretation of a contract provision, then those actions will not be considered. For example, in the case of Adrian O. Mathis v. Daines, 639 P.2d 503 (Montana, 1982), after having worked together on several projects, a contractor engaged a subcontractor to do the wiring work on an office building. In the past, contracts between the parties had always been oral but, in order to eliminate the problem of “extras” that substantially exceeded the original bid, contractor insisted that the sub’s bid be in writing. In submitting its bid, the subcontractor included a provision which stated that extra work would only be performed “upon written orders.” The subcontractor ceased work prior to
completion of the project and contractor brought in another firm to finish the job. Despite having already been paid $18,000.00, the sub submitted a $14,000.00 final bill for additional work which, if paid, would have exceeded the original contract price by $11,000.00. When contractor refused to pay for the extra work, the subcontractor filed a mechanic's lien. The Trial Court ruled that the subcontractor was not entitled to payment for the extras and invalidated the lien.

On appeal, the subcontractor argued that the contract requiring all extras to be authorized in writing is void for vagueness. The Supreme Court observed that a contract may be explained by looking to the circumstances under which it was made. Here, the most important circumstance is the long history of dealings between the parties. Clearly, contractor wanted to avoid paying for extra work without some prior approval. Therefore, the subcontractor was owed no additional money for extra work and its lien was invalid.

X. In the Event of Conflict, Certain Provisions of the Contract Take Priority over Others

Many contracts contain a clause that gives an “order of preference,” stating which provisions prevail over other provisions in the event of conflict in the contract terms. If the contract does not already contain an order of preference, then the following general rules apply:

a) Specific provisions prevail over general provisions.

b) Typed provisions prevail over printed provisions.

c) Written provisions prevail over typed provisions.

Suppose, for example, that a contract contains a general provision that requires that the contractor submit a “complete set” of drawings for “manufacture.” Suppose further that another clause in the contract states that:

Engineering data shall not be furnished for the following unless specifically contracted for:

- Items covered by military drawings, industry association, standards, and commercial hardware, and non-reparable items when the items are not source coded.

A dispute arises concerning whether the contractor is required to furnish data concerning
parts which are "non-reparable" and "not source coded." The contractor wants additional compensation for furnishing this data. The contractor would probably be able to claim these costs. This is because the second (special) clause modifies the first one. The special clause eliminates the requirement for certain data unless "specifically contracted for," and the data on non-reparable parts was not "specifically contracted for."

Note also that under this rule a special typewritten clause or a provision inserted into a prepared printed form contract will prevail over inconsistent provisions in the printed form. It should be noted that this rule does not apply if there is a conflict between drawings and specifications unless the conflicting requirements are stated in both documents. Thus, the fact that an obligation is stated on the drawing, but omitted from the specification, does not necessarily relieve the contractor of his obligation.

XI. If a Provision Is Ambiguous, a Party Is Obligated to Inquire about its Meaning

In reviewing a contract before entering into it, if a party realizes that a provision is ambiguous, or subject to two interpretations, a party is obligated to inquire about its meaning. Before this rule will be applied, the ambiguity must be obvious. There is no duty to inquire about all ambiguities. Rather, a contractor has a duty to inquire and seek clarification about obvious or patent conflicts and/or ambiguities. Therefore, if the ambiguity is a latent one, i.e., one that is not obvious, a contractor is not under a duty to inquire.

For an example of the application of this rule, assume that a contract requires that heating boilers be placed on a 5" brick foundation. The drawings showed the boilers resting on a raised base. Since the drawings showed this, a contractor should inquire as to the material contemplated by the drawings because a raised base usually indicates that filler material is to be used. Failure to inquire may prevent the contractor from claiming the additional costs resulting from the use of filler material.

It will not always be clear whether the ambiguity will be considered obvious or whether the conflict will be considered drastic. Assume, for example, that the finish schedule of directions to paint certain surfaces omitted to mention surfaces that were described in the painting schedule. It is likely that this would be considered an obvious ambiguity which requires the contractor to seek clarification.

On the other hand, a contractor probably would not be required to perform tolerance checks in order to ascertain whether contract articles would function properly. Rather, any errors
in the contract articles would probably be considered subtle ambiguities.

XII. Ambiguities in the Contract Will Be Interpreted Against its Drafter

If none of the preceding rules resolves the ambiguity in the contract, then the ambiguity will be construed against the party who drafted the contact. It is not common for a contractor to prepare a drawing, specification or amendment to the contract. Since the owner is considered the “drafter” of any of the above, he may be liable for any ambiguity contained in these documents. This rule is not applicable if both the contractor and the owner fully participated in negotiating and/or interpreting the terms of contract.

XIII. Summary

We have seen that contracting parties may have differing assumptions concerning the meaning of words and phrases drafted into a contract and may therefore may not agree as to the interpretation of contract terms. There is therefore a need to draft contracts accurately and succinctly to avoid differing interpretations.

The rules of contract interpretation provide a framework to aid contracting parties and courts in resolving disputes that arise from differing contract interpretation. This course has given you an introduction to these rules of contract interpretation. Knowing these rules, you hopefully should be able to more carefully review contracts before you execute them.

XIV. Quiz

1. Words will be given their normal meanings
   a) all the time regardless of the parties’ intent.
   b) unless the parties have agreed otherwise to a special meaning or if the words have a technical meaning.
   c) even if the parties had a special meaning for the words used because the parties should always use normal meaning when drafting a contract.

2. If possible, a contract will be given
   a) an unreasonable interpretation if the court believes a party to the contract is not telling the truth.
b) a reasonable and logical interpretation rather than an unreasonable and illogical one.
c) two logical interpretations if the parties cannot agree.

3. The intent of the drafter controls
   a) only if the other party reads the contract before he signs it.
   b) if the court ultimately believes that the drafter was intelligent enough to draft the contract.
   c) as long as the drafter’s intent is clearly expressed in the contract.

4. A contract is interpreted as a whole
   a) when it is so poorly drafted it makes no sense at all.
   b) so that the owner can add extra requirements that are not in the contract.
   c) to give meaning to all of its provisions.

5. Trade usage
   a) is not used to interpret a contract if the contract language is clear.
   b) may add a term to a contract if it was omitted.
   c) is applied as described in both a) and b) above.

6. Actions of the contracting parties before a dispute arises
   a) must be ignored in interpreting the contract.
   b) is valid evidence of the parties’ interpretation of the contract.
   c) is usually described in a separate agreement as the parties perform.

7. A contract term is ambiguous
   a) if it is subject to two reasonable interpretations.
   b) if the parties differ in their interpretation of the contract term.
   c) if it is typed instead of handwritten.

8. Prior negotiations of the parties
   a) may always be used to interpret a contract.
   b) may not be used to interpret a contract if the contract is clear and unambiguous.
   c) are usually attached to the contract so the parties can refer to them during contract performance.
9. If a contract term drafted by the owner is obviously ambiguous
   a) the contractor should apply his own interpretation rather than question it.
   b) the owner will usually correct the contract before it is signed.
   c) the contractor is obligated to inquire as to the meaning of the term before he
      signs the contract.

10. Rules of contract interpretation
    a) help the parties and courts resolve disputes arising from differing contract
        interpretations.
    b) are contained in every contract so the parties can refer to them if needed.
    c) favor the party who did not draft the contract.