
RULES OF CONTRACT INTERPRETATION

The primary objective in interpreting a contract is to ascertain and give effect to the intention of the parties. In construing a written agreement, one looks first to the terms and conditions expressed in the agreement. Words are given their plain meanings, unless the agreement itself ascribes some special meaning to such terms. Courts often resort to dictionary definitions of everyday words in construing contracts. On the other hand, if the agreement contains terms with specific legal or technical meanings, then the parties will be deemed to have known, understood and intended such meanings.

If the intention of the parties is not clear from the written agreement itself, then oral discussions and negotiations between the parties and/or their agents are relevant to clarify or explain the ambiguity. Although the courts have been increasingly willing to consider discussions and negotiations to *explain* an ambiguous provision, such discussions and negotiations are not admissible to *contradict* the terms of a written agreement. If the parties did not discuss a provision that turns out to be ambiguous, then the provision is construed most strongly against the party who drafted it. In other words, the party who created the ambiguity should bear the risk of ambiguity.

Contracts are construed as a whole, so as to give meaning to each part and to harmonize all terms of the agreement, if possible. If two provisions are irreconcilably inconsistent, then the more specific term will prevail over a more general term, a handwritten provision prevails over a typewritten one, and a typewritten provision prevails over a preprinted form.

Of course, no one intends to create a vague or ambiguous contract. Utilizing the services of a real estate professional, who has available preprinted forms prepared by an attorney, greatly reduces the risk of contract interpretation problems.

This article contains general information only, and should not be used or relied upon as a substitute for competent legal advice in specific situations.