

Opinion

RULE OF CONTRACT INTERPRETATION. Doctrine of Contra Proferentem.

The contra proferentem rule is a legal doctrine in contract law that dictates how ambiguous clauses in a contract should be interpreted. The rule stipulates that if a clause in a contract is ambiguous or can be interpreted in multiple ways, it should be read in a way that disfavors the party who originally drafted, introduced, or demanded the inclusion of that specific clause. The contra proferentem rule guides the legal interpretation of contracts and is typically applied when a contract is challenged in court. It serves as protection against the potential misuse of contract language.

The rule cannot be successfully invoked simply because one party does not agree with the other party's interpretation of a particular contract provision. The provision in question must be determined to be ambiguous—that is, the provision must be susceptible to more than one reasonable meaning before it can be construed against the party that drafted it.

As long as the claimant's interpretation is reasonable and does not conflict with other provisions of the contract, it does not matter that the drafter also has a reasonable interpretation of the provision. After all, the word ambiguous means "subject to more than one reasonable meaning." Therefore, the meaning of the provision will be construed against the drafter by acceptance of the claimant's interpretation, even though the drafter's interpretation is also reasonable.

Courts follow a multi-step process in determining whether the contra proferentem rule should be applied in contract disputes. Courts first determine if the contract term or clause in question is ambiguous and could potentially lead to confusion. If it is, the court's next step is to determine whether the ambiguity was intentional, crafted by the party who drafted the contract to serve their own interests. If clear evidence shows that the drafting party did not intend to create ambiguity, the contract is interpreted based on what the evidence indicates.

In cases where the evidence fails to clarify the ambiguity, the contra proferentem rule is applied. The court then must interpret the clause against the interests of the party responsible for its creation or inclusion, favouring the party that was not involved in its drafting.

One limitation of the rule is that it only comes into play when there is a genuine ambiguity in the contract language. If the terms of the contract are clear and explicit, the rule is not applicable. In cases where the ambiguity is not significant or is easily resolved through standard interpretative methods, courts may decide not to apply the rule even though the contract was always meant to be ambiguous.

Another limitation is the rule's applicability in different contexts and jurisdictions. In commercial contracts between sophisticated parties such as large corporations with legal expertise, courts might be less inclined to apply the rule. This is because these parties are presumed to have equal bargaining power and the capability to negotiate terms thoroughly and therefore should have been able to dictate explicit enough contract terms. It is ultimately up to different legal systems to interpret and apply the rule, leading to potential discrepancies.

Last, the rule can sometimes lead to unintended consequences. For instance, it might encourage parties to introduce deliberate ambiguities into contracts with the hope that any resulting disputes will be resolved in their favor under the rule.