



# Contract Interpretation

Eric E. Johnson  
ericejohnson.com



Konomark  
Most rights sharable 2

based on mostly on California law



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## Basic Procedure for the Court

- Contract interpretation is a question of law.
- The interpretation of an unambiguous contract is a question of law.
- Whether the contract is ambiguous is a matter-of-law determination.
- Contractual language is ambiguous if it is susceptible to two reasonable interpretations.
- If contractual language is ambiguous, then the court will admit extrinsic evidence to determine which provision the parties intended. This determination is a fact issue, and may be tried by a jury.

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## Principles of Construing Contracts

- The overarching principle of contract interpretation is to give the effect to the parties intentions.

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- Objectively expressed intent controls over the subjectively understood intent.
- A contract is construed in its entirety, with each part considered in relation to every other part.
- Language is to be interpreted according to its plain, ordinary, generally accepted meaning, unless both parties intended for it to mean something else (industry jargon, etc.).

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### **Dealing with contradictions:**

- Specifics prevail over generalities.
- Handwriting prevails over machine printing.
- Negotiated terms prevail over standard terms.

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### Interpretive preferences

- reasonable over unreasonable
- legal over illegal
- valid and effectual over null and ineffectual

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### The Parol Evidence Rule

- A substantive doctrine of contract law
- Not a rule of evidence

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## The Parol Evidence Rule

- A substantive doctrine of contract law
- Not a rule of evidence
- **ALSO:** Applies to non-prisoners and has nothing to do with being on parole
  - But it does come from the same Old French root for “word” as in “promise” and related to Latin for “speech”

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## The Parol Evidence Rule

### Blackletter statement of the rule:

With a partially integrated contract, no evidence of any prior or contemporaneous oral agreement may be used contradict the written terms of the contract.

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## The Parol Evidence Rule

### Blackletter statement of the rule:

With a fully integrated contract, no evidence of any prior or contemporaneous oral agreement may be used to contradict or add to the written terms of the contract.

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## The Parol Evidence Rule

### The integration clause

To make a contract integrated, an integration clause (or “merger clause”) is used. The clause states that the writing represents the entire agreement between the parties. It usually works.

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## The Parol Evidence Rule

### Extrinsic evidence despite integration

The parol evidence rule does not bar the introduction of extrinsic evidence for contract interpretation!

Even in an integrated agreement, if it's ambiguous, the court can use extrinsic evidence to determine what the parties meant by what they said (so long as the evidence is not used to contradict the words of the agreement or, if fully integrated, add to its terms).

Regardless, extrinsic evidence cannot be used to prove an interpretation that, based on the language, is not reasonable.

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Whose job is it?

Contract interpretation

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A photograph of a courtroom with wooden paneling, a judge's bench, and rows of seating. A semi-transparent dark box is overlaid at the top.

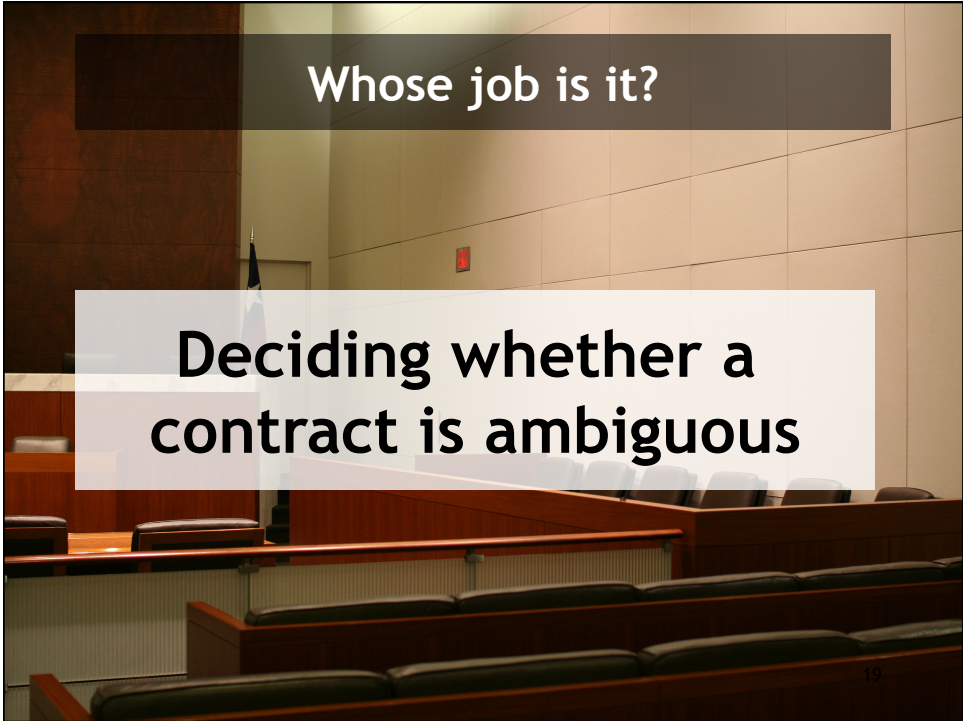
**Whose job is it?**

A photograph of a courtroom with wooden paneling, a judge's bench, and rows of seating. A semi-transparent white box is overlaid in the center.

**Interpreting an  
unambiguous contract**

A photograph of a courtroom with wooden paneling, a judge's bench, and rows of seating. A semi-transparent dark box is overlaid at the top.

**Whose job is it?**

A photograph of a courtroom with wooden paneling, a judge's bench, and rows of seating. A semi-transparent white box is overlaid in the center.

**Deciding whether a  
contract is ambiguous**

A photograph of a courtroom interior. The room features wooden paneling, a judge's bench at the front, and rows of wooden benches for the public. A small American flag is visible on the left side of the bench.

**Whose job is it?**

**Deciding what the parties intended**

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A photograph of the exterior of a large, modern building, identified by a sign as the Los Angeles Courthouse. The building has a glass facade and is surrounded by trees and a street with a few people walking.

**More questions ...**

**Can you introduce extrinsic evidence for the interpretation of a written contract?**

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More questions ...

Can you introduce  
extrinsic evidence for the  
interpretation of a fully  
integrated written  
contract?

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More questions ...

Can you introduce  
extrinsic evidence to add  
to or vary the terms of a  
written contract?

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More questions ...

Can you introduce  
extrinsic evidence to add  
to or vary the terms of a  
fully integrated written  
contract?

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More questions ...

Can you introduce  
extrinsic evidence to add  
to or vary the terms of a  
fully integrated written  
contract?

**No!**  
Parol eviden  
rule!

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**More questions ...**

**What controls -  
subjective intent or  
objective language?**

**More questions ...**

**What controls - specifics  
or generalities?**

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**More questions ...**

**What controls -  
handwriting or machine  
printed characters?**

**More questions ...**

**What controls -  
negotiated terms or  
standard terms?**