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### **Dealing with Contractual Ambiguity**

Nothing can be more damaging to a project if a dispute arises from conflicting interpretations of a contract. For this reason, it is important for all parties to agree on the meaning of the contract before anyone signs it. To protect your business interest, you need to understand how to interpret a contract from a legal perspective. Following are some concepts that can help you understand a contract before you sign it.

#### **Determine the intent of the contract solely from its written content**

Though this principle might seem obvious, it is not one that should be overlooked. According to Minnesota law, “If the terms are unambiguous, the court must determine the parties’ intent solely from its written content.” (Williams v. Harris, 518 NW 2d 864 - Minn: Court of Appeals 1994) In other words, if a dispute ends up in a law suit, the court will interpret the contract by its words, not by verbal agreements made on the phone or in a conference room. Therefore, if your understanding of your contractual obligations is different from the words on the contract, make sure that the contract is worded to your satisfaction before signing it.

#### **A seemingly ambiguous term can be defined in a different part of a contract**

You’ve been told to “read the small print.” There’s a good reason for that. One section of a contract can define another part. In Baker v. Best Buy Stores, LP, 812 NW 2d 177, the plaintiffs claimed that their contract with Best Buy could reasonably have two different interpretations. However, the Minnesota Court of Appeals writes, “Appellants’ argument is without merit because it overlooks and ignores the other sections of the service contract. The paragraph following the language cited by appellants provides that respondents’ obligations under the contract are ‘fulfilled in their entirety’ if the product is replaced.”

#### **A contract is ambiguous if its terms are susceptible of more than one meaning**

In contrast to Baker v. Best Buy Stores, contracts might be written in a way in which two reasonable people can disagree on the meaning. In Lamb Plumbing & Heating v. Kraus-Anderson of Minneapolis, 296 N.W.2d 859, 862 (Minn. 1980), a disagreement arose over whether a contract required the prime contractor or the subcontractor to provide 48-inch gate valves. In this case the Minnesota Court of Appeals wrote, “A contract is ambiguous if it is susceptible to more than one interpretation based on its language alone.” Unfortunately, when such a conflict occurs after the contract is in force, it often can only be resolved in court. In the same case, the court of appeals wrote, “The initial question of whether a contract is ambiguous is a question of law to be decided by the trial courts...”

#### **Minnesota Business Attorney**

A Minnesota business lawyer can help your business prevent many contractual issues before they occur. Whether you are examining a contract from another company or drafting a contract of your own, getting counseling from a corporate attorney can help you prevent the expenses of business litigation in the future.