

## THE PAROL EVIDENCE RULE

Aditi Singhal\*

### Abstract

*The Parol Evidence Rule, also known as Four Corners Rule, is a general rule which enables the courts to focus just on the written terms of the contract, excluding all other evidences related to that contract which can be later used for negotiations and thus, creating confusion in front of the courts. The exemption of these evidences results in reducing the ambiguity from a contract. This paper talks about the concept of the Parol Evidence Rule, its role and limitations. This paper also focuses on the position of this concept in India as well as the limitation prevailing in India with the help of few significant case laws.*

**Keywords:** *Parol Evidence Rule, Four Corners Rule, Ambiguity, Contract, Limitations, other Evidences, Confusion.*

---

\* Student-LL.M. @ O.P. Jindal Global University, Sonipat (Haryana); Email: [singhal9460@gmail.com](mailto:singhal9460@gmail.com); Contact: +91-9628738199

## CONCEPT OF PAROL EVIDENCE RULE

*“The essence of the parol evidence rule is that the embodiment of an agreement into a single writing makes all other utterances of the parties on that topic legally immaterial for the purpose of determining what the terms of the contract are.”<sup>1</sup>*

The Parol Evidence Rule is a general rule which states that when an unambiguous, fully integrated written agreement is executed by the parties, then the parties are forbidden to use any extrinsic evidence to prove either their intent or to specify the meaning of the terms used in the writing.<sup>2</sup>

*“The Parol Evidence Rule deals with a common contractual situation: where initial negotiations, in which preliminary oral or written promises are exchanged, conclude with a writing that appears to embody the entire agreement. The question is whether the courts’s interpretation of the contract should rely at all on evidence related to the earlier negotiations, known as “extrinsic evidence”, or should rely entirely on the writing.”<sup>3</sup>*

*“Where parties, without any fraud or mistake, have deliberately put their engagements in writing, the law declares the writing to be not only the best, but the only evidence of their agreement...all preliminary negotiations, conversations and verbal agreements are merged in and superseded by the subsequent written contract... and unless fraud, accident, or mistake be averred, the writing constitutes the agreement between the parties, and its terms cannot be added nor subtracted from the parol evidence.”<sup>4</sup>*

## FOUR CORNERS RULE

---

<sup>1</sup> Chism v. Omlie, 124 So. 2d 286, 288 (Miss. 1960)

Keith A. Rowley, ‘Contract Construction and Interpretation: From the “Four Corners” to Parol Evidence (and everything in between)’, (1999), Vol. 69, Mississippi Law Journal, pp. 79-342.

[http://heinonline.org/HOL/Page?handle=hein.journals/mislj69&div=12&start\\_page=73&collection=journals&set\\_as\\_cursor=3&men\\_tab=srchresults](http://heinonline.org/HOL/Page?handle=hein.journals/mislj69&div=12&start_page=73&collection=journals&set_as_cursor=3&men_tab=srchresults)

<sup>2</sup> Keith A. Rowley, ‘Contract Construction and Interpretation: From the “Four Corners” to Parol Evidence (and everything in between)’, (1999), Vol. 69, Mississippi Law Journal, pp. 79-342.

[http://heinonline.org/HOL/Page?handle=hein.journals/mislj69&div=12&start\\_page=73&collection=journals&set\\_as\\_cursor=3&men\\_tab=srchresults](http://heinonline.org/HOL/Page?handle=hein.journals/mislj69&div=12&start_page=73&collection=journals&set_as_cursor=3&men_tab=srchresults)

<sup>3</sup> Eric A. Posner, ‘The Parole Evidence Rule, the plain meaning rule, and the principles of contractual interpretation’, (1998), Vol.146, University of Pennsylvania Law Review, pp. 533-577.

<http://www.jstor.org/stable/3312625>

<sup>4</sup> Syversen v. Hess, [2003] ND 118

While determining and interpreting a written contract, the court tries to understand the intent of the parties by examining the language confined within the four corners of the contract.<sup>5</sup> This doctrine of restricting to the contract and not including any evidence or negotiation present before or after this contract, is termed as ‘Four Corners Rule’<sup>6</sup>

The Four Corner rule lacked integration and ambiguity as it failed to fill the gaps in the agreement.<sup>7</sup> So to mitigate this harshness of Four Corner Rule, the courts decided that the contracts may be partially integrated with some relevant terms including oral evidences which would be accepted in the agreement provided the intention of the parties are correct.

### EXCEPTIONS OF PAROL EVIDENCE RULE

Parol Evidence can be admitted in the court for the following purposes:

#### a) Partially/ Fully Integrated Agreements

If the agreement is not final and complete then the parol evidence could be admitted to add, clarify, explain or give meaning to the content of the agreement.<sup>8</sup> In the case of Keppner v. Gulf Shores, Inc.<sup>9</sup>, the Court held,

*“The parol evidence rule has no application where the writing is incomplete, ambiguous or where the evidence is not offered to vary the terms of the written agreement. In the case sub judice the agreement between the omelette Shoppe, Wendy’s and Gulf Shore is silent on few subjects. Therefore, the admission of testimony regarding the matter does not violate the parol evidence rule.”*<sup>10</sup>

#### b) Integrated Ambiguous Agreements

---

<sup>5</sup> Pursue Energy Corp. v. Perkins, 558 So. 2d 349 (Miss. 1990)

<sup>6</sup> Ibid

<sup>7</sup> Heritage Cablevision v. New Albany Elec. Power Sys., 646 So. 2d

<sup>8</sup> J.O Hooker & Sons, Inc. v. Roberts Cabinet Co., 683 So. 2d 396, 400 [Miss. 1996]

Keith A. Rowley, ‘Contract Construction and Interpretation: From the “Four Corners” to Parol Evidence (and everything in between)’, (1999), Vol. 69, Mississippi Law Journal, pp. 79-342.

[http://heinonline.org/HOL/Page?handle=hein.journals/mislj69&div=12&start\\_page=73&collection=journals&set\\_as\\_cursor=3&men\\_tab=srchresults](http://heinonline.org/HOL/Page?handle=hein.journals/mislj69&div=12&start_page=73&collection=journals&set_as_cursor=3&men_tab=srchresults)

<sup>9</sup> 462 So. 2d 719 [Miss. 1985]

<sup>10</sup> Ibid

If the words or phrases in the agreement are ambiguous, then the parol evidence could be taken to remove the ambiguity from the text.<sup>11</sup>

c) Intent of the Parties:

When the contract's validity comes under question because of the intent of the parties including Fraud, misrepresentation, mistake, then the Court requires parol evidence to establish the alleged intent of the parties.<sup>12</sup>

In the case of *Deligiannis v. PepsiCo., Inc.*<sup>13</sup>, the Court held that as the plaintiff failed to establish the intent of the defendant, thus, the parol evidence rule would be used to support the allegations of the plaintiff.

d) Explanatory Evidence:

Where the words or phrases have some special meaning attached to it or the parties themselves have attached a certain meaning to a word in their contracts, then the parol evidence could be taken to understand the meaning of these words.<sup>14</sup>

## POSITION IN INDIA

In India, the parol evidence rule can find its place under section 91 and 92 of Indian Evidence Act, 1872. The Indian Evidence Act is considered one of the most successful acts of codification in the common law world.<sup>15</sup>

---

<sup>11</sup> Vivek Kumar Verma, 'Rule of interpretation of contracts: Pre-contractual documents/ draft agreements, [2014], Indian Case Laws.

<<https://indiancaselaws.wordpress.com/2014/09/20/rules-for-interpretation-of-contracts-pre-contractual-documentsdraft-agreements/>> accessed on 17 November, 2016; *Read Baylot v. Habeeb*, 147 So. 2d 490, 494 [Miss. 1962]

<sup>12</sup> Manuel A. Pietrantonio, *Fraud, intent of the parties, Ambiguity and other exceptions to the Parol Evidence Rule*, [2012], Vol. 31, *Franchise Law Journal*, pp.134-139.

< <http://www.jstor.org/stable/pdf/23218380.pdf>> accessed on 17 November, 2016

<sup>13</sup> 757 F. Supp. 241 [SDNY 1991]

<sup>14</sup> Keith A. Rowley, 'Contract Construction and Interpretation: From the "Four Corners" to Parol Evidence (and everything in between)', (1999), Vol. 69, *Mississippi Law Journal*, pp. 79-342.

<[http://heinonline.org/HOL/Page?handle=hein.journals/misjl69&div=12&start\\_page=73&collection=journals&set\\_as\\_cursor=3&men\\_tab=srchresults](http://heinonline.org/HOL/Page?handle=hein.journals/misjl69&div=12&start_page=73&collection=journals&set_as_cursor=3&men_tab=srchresults)>

<sup>15</sup> Honourable J J Spigelman AC, *Contractual Interpretations: A comparative Perspective*, [2011], Third Judicial Seminar on Commercial Litigation.

<http://ssrn.com/abstract=1809331>, accessed on 16 November, 2016

The concept of Best Evidence Rule specifies that the best evidence available for interpreting a particular case would be allowed by the Court. This concept can be clearly seen under section 91 of the Act.

Section 91 states that when a contract is reduced to writing either by the will of the parties or by the necessity of the law, the text of the contract becomes the primary document and no evidence shall be stated except the contract itself or the secondary evidence if it is admissible.

Section 92 talks about the exclusion of evidence of oral evidence. It states that oral evidence or statement is not admissible, as it might contradict the written document. It further states that when terms of a document or contract has been proved in compliance with section 91, no oral evidence should be admitted in the court subsequently to contradict the primary document.

There are six exceptions to section 92 of Indian Evidence Act which are similar to the parole evidence rule of US and British Laws. Oral evidence or any statement is not admissible in the court except in the following conditions:

- a) If it is required to prove any fact which would nullify the contract due to fraud, intimidation, illegality, mistake, incapacity of parties. Thus, these exceptions deal with the situation where the legality of the contract is in question.

These exceptions under section 92 would be valid only if there are any contradicting terms or the intent of the parties is not clear.

- b) If the document is silent on the terms related to oral agreement, then these evidences can be admitted in the court.

In the case, *Anant Shamrao & Others. v. Nensukh Bherulal Kucheriya*<sup>16</sup>, the court held that oral evidence for representation can be included. Thus, nothing under section 92 makes the oral agreement inadmissible as evidence.

- c) If there is any oral agreement which is related to the condition precedent which is related to the contract that is creating an obligation between the parties.

---

<sup>16</sup> AIR [1956] Bom. 252

In the case, *Ram Jatan v. Chandra Bali & Others*<sup>17</sup>, the court held that the oral evidence can be admitted in the court till it does not contradict the main primary contract. If anywhere, it is inconsistent with the contract then it would not be admitted.

- d) If there is any oral agreement which is reduced to writing that might be required by the court to modify or remove any part of the contract.

In the case, *Abdul Kadir v. Noor Mohammed Sait & Others*<sup>18</sup>, the court refused the oral evidence admitted by the plaintiff stating that oral evidence is admissible only when the contract is registered and reduced to writing.

- e) If any oral agreement which is providing an explanation or adding incident to any part of the contract without contradicting any part of the contract.
- f) If any oral evidence which can remove the ambiguity or any defect from the language of the contract.

In the case, *Afar Alias Godai Morol v. Surja Kumar Ghose*<sup>19</sup>, the court held that the oral evidence is not admissible as it completely modifies the rights of the parties.

### **LIMITATION OF PAROLE EVIDENCE RULE WITH REGARD TO INDIAN CONTRACT ACT, 1872**

The question that arises is whether the exception of parole evidence rule would match the provisions as constituted in Indian Contract Act or not. In the case, *A.V.M. Sales Corporation v. Anuradha Chemicals Pvt. Ltd.*<sup>20</sup>, the court held, “..it is now a settled principle that where there may be two or more competent courts which can entertain a suit consequent upon a part of the cause of action having arisen therewith, if the parties to the contract agreed to vest jurisdiction in one such court to try the dispute which might arise between themselves, the agreement would be valid. If such a contract is clear, unambiguous and explicit and not vague, it is not hit by Sections 23 and 28 of the Contracts Act and cannot be understood as parties contracting against the statute.”

---

<sup>17</sup> AIR [1960] All 746

<sup>18</sup> AIR [1959] Ker 400

<sup>19</sup> 7 Ind Cas 842

<sup>20</sup> [2012] 2 SCC 315

Therefore, any parties cannot apply parol evidence rule if it is contradicting the statutory provisions of Indian Contract Act 1872.

## **CONCLUSION**

Therefore, it can be stated that parol evidence rule has a major significance in understanding the written documents as it tries to remove the gap and ambiguity from the texts. But while inferring these texts, one should keep in mind that these evidences are taken to interpret the terms and conditions of the contract and not to contradict or harm the interest of the parties. The main purpose of this rule is to support the contract so that no parties could misuse or misinterpret the written document.