

A man and a university donor club entered into a written contract drafted by the university that obligated the man to purchase a \$100,000 life insurance policy with the university as the sole, irrevocable beneficiary. In exchange, the man would have preferred membership status and the "lifelong opportunity to purchase season tickets to university athletic games." The man purchased the life insurance policy as agreed. Several years later, the university instituted a program that required all its donor club members, including the man, to pay an annual \$325 per-seat license in order to retain the "opportunity to purchase season tickets."

The man has filed an action against the university for a declaratory judgment that he is entitled to purchase season tickets without paying the seat license fee.

Who should prevail in this action?

- A. The man, because the contract is unambiguous and does not contemplate any additional fees.
- B. The man, because the contract will be interpreted against the university as the drafter.
- C. The university, because the contract does not prohibit the university from increasing ticket prices.
- D. The university, because the man was not deprived of the opportunity to purchase tickets.

Explanation:

Rules of contract interpretation

Plain-meaning rule (most courts)	<ul style="list-style-type: none">• Court interprets contract terms according to their plain meaning (unless parties clearly intended specialized meaning)• Goal is to effectuate parties' outward expressions of intent• Extrinsic evidence may be used to clarify ambiguous or overly vague terms
Context rule (some courts)	<ul style="list-style-type: none">• Court interprets contract terms by considering all facts & circumstances related to transaction• Goal is to effectuate parties' actual intent

This action for declaratory judgment asks the court to define the contracting parties' rights and obligations under their agreement. The court's main concern is to give effect to the parties' outward expressions of intent, so the **court will interpret the contract** according to its **plain (ie, ordinary) meaning** whenever possible. Accordingly, if the contract's language is clear and unambiguous, the court will stop its interpretive process with that language.*

Here, the contract's language is clear and unambiguous. So long as the man fulfills his contractual obligations (and he has), the university must provide him the "opportunity to purchase" season tickets. The contract does not contemplate any additional fees that the man must pay to retain this opportunity. Therefore, the man should prevail in his action for declaratory judgment based on the contract's plain meaning.

*The court may go outside the four corners of the document to clarify the meaning of terms that are ambiguous (ie, subject to more than one reasonable interpretation) or overly vague (ie, imprecise).

(Choice B) Under the doctrine of *contra proferentem*, ambiguous contract terms are interpreted against the drafter, to protect the rights of the nondrafter. But this doctrine does not apply when, as here, the terms are unambiguous.

(Choice C) The contract made no guarantees regarding ticket prices, so the university is free to increase ticket prices. However, the university cannot impose additional fees that the man must pay to retain the opportunity to purchase tickets at the prevailing price, whatever that may be.

(Choice D) Although the man has not been deprived of the opportunity to purchase tickets, he would be deprived of the benefit he bargained for if he is required to pay additional fees before being allowed to exercise this opportunity.

Educational objective:

The plain-meaning rule of contract interpretation instructs courts to rely on the ordinary meaning of the words if the contract's language is clear and unambiguous.

References

- 17A Am. Jur. 2d Contracts § 325 (2020) (interpreting unambiguous contracts).

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