

Table of Contents

| | |
|---|------|
| Preface | IX |
| Prologue | XI |
| List of Abbreviations | XXIX |
| Table of Cases and Decisions | XXXI |
| Chapter 1 Introduction | 1 |
| 1.1 Why the interpretation of contracts is such a complex matter | 1 |
| 1.2 The aim of this book – to ask the right questions in the right order and providing guidance through tests. | 5 |
| 1.3 No clear distinction between the law of contract and the law of obligations in Norwegian law. | 9 |
| 1.4 The content of commercial contracts must often be determined in three dimensions. | 9 |
| 1.5 The Nordic and European historical-comparative dimension | 10 |
| 1.6 The structure. | 16 |
| Chapter 2 The ‘objective’ interpretation | 17 |
| 2.1 Introduction | 17 |
| 2.1.1 Overall and comparative remarks | 17 |
| 2.1.2 Essential developments in the case law. | 19 |
| 2.1.3 The justification for the objective starting point | 20 |

| | | |
|--|---|--------|
| 2.2 | The key elements of the ‘objective’ approach | 23 |
| 2.3 | How to determine the relevant objectivised addressee? | 26 |
| 2.4 | How to determine and reconstruct the relevant context? | 28 |
| 2.4.1 | Introduction | 28 |
| 2.4.2 | Which circumstances are relevant as ‘context’? | 30 |
| 2.4.3 | What is the essential ‘context’ of commercial contracts? | 31 |
| 2.4.3.1 | Initial remarks on the impact of the negotiations | 31 |
| 2.4.3.2 | Selected case law on the impact of the negotiations | 33 |
| 2.4.3.3 | The purpose of the contract | 35 |
| 2.4.3.4 | The ‘internal context’ (scheme) of the contract | 37 |
| 2.4.3.5 | The background law as context | 39 |
| 2.5 | The scope of the objective interpretation: may business common sense arguments override a more literal construction? | 39 |
| 2.5.1 | Introduction | 39 |
| 2.5.2 | Comparison with English law | 41 |
| 2.5.3 | Summary | 46 |
| Chapter 3 The threshold for deviating from an objective interpretation of a commercial contract | | 47 |
| 3.1 | Introduction | 47 |
| 3.1.1 | The traditional starting point and comparative observations | 47 |
| 3.1.2 | Introduction to the three alternatives for the application of the traditional ‘subjective’ starting point | 50 |
| 3.1.3 | Can the interpretation of commercial contracts be distilled down to certain presumptions? | 52 |
| 3.2 | When is the common understanding rule applicable in commercial contracts? | 54 |
| 3.2.1 | To what extent is the traditional ‘subjective’ starting point replaced by the objective starting point in commercial contracts? | 54 |
| 3.2.1.1 | Outline of the initial development in case law | 54 |
| 3.2.1.2 | The landmark case in Rt. 2002 p. 1155 (Hansa Borg) | 57 |
| 3.2.1.3 | Is the subsequent case law in accordance with Hansa Borg? | 59 |

| | | |
|---------|--|----|
| 3.2.1.4 | Summary | 60 |
| 3.2.2 | What are the relevant tests for determining whether the parties had a common understanding that deviates from an objective interpretation? | 61 |
| 3.2.2.1 | A matter of proof or a more complex normative assessment? | 61 |
| 3.2.2.2 | Key aspects of negotiating and drafting commercial contracts, particularly the ‘lex-posterior principle’ | 62 |
| 3.2.2.3 | Did the case law up until Rt. 2002 p. 1155 (Hansa Borg) reveal whether this is a matter of proof or a more complex normative assessment? | 64 |
| 3.2.2.4 | Rt. 2002 p. 1155 (Hansa Borg) clarified the burden of proof and refined the proportional standard of proof | 65 |
| 3.2.2.5 | Rt. 2002 p. 1155 (Hansa Borg) is affirmed in subsequent case law | 69 |
| 3.2.2.6 | Summary: the burden of proof and key tests to determine the proportional standard of proof for applying the common understanding rule | 71 |
| 3.2.2.7 | The implications of the tests | 73 |
| 3.2.2.8 | Comparative observations | 74 |
| 3.2.3 | Subsequent conduct as an indication of a common understanding | 75 |
| 3.2.4 | Whose understanding? | 78 |
| 3.2.5 | When can the parties’ understanding be considered ‘common’? | 80 |
| 3.2.6 | The common understanding rule and standard contracts. | 83 |
| 3.2.7 | Multi-party agreements and contracts to be relied upon by third parties | 84 |
| 3.3 | Essential reasoning in the interpretation of commercial contracts. | 86 |
| 3.3.1 | Introduction | 86 |
| 3.3.2 | Why should the judge be cautious about relying on the parties’ hypothetical intentions? | 88 |

| | | |
|--|--|-----|
| 3.3.3 | Interpretation as a matter of ‘risk’ allocation? | 91 |
| 3.4 | Summary: how should the threshold for deviating from the objective starting point be phrased? | 92 |
| 3.5 | When can the so-called ‘good faith standard’ for interpretation be applicable to commercial contracts? | 94 |
| 3.5.1 | Introduction | 94 |
| 3.5.2 | Standard or rule? | 96 |
| 3.5.3 | The threshold for applying the good faith standard to commercial contracts. | 97 |
| 3.5.4 | Summary | 101 |
| 3.6 | The threshold for ‘implying’ terms or assumptions when interpreting commercial contracts | 103 |
| 3.6.1 | Introduction | 103 |
| 3.6.2 | Why should the judge be cautious about implying terms and assumptions? Comparative observations | 106 |
| 3.6.3 | The threshold for implying terms or assumptions when interpreting commercial contracts. | 109 |
| 3.6.3.1 | Outline of the tests in English law and the DCFR | 109 |
| 3.6.3.2 | Norwegian case law observed through the lens of these tests | 112 |
| 3.6.3.3 | Summary and restatement | 117 |
| 3.7 | Unforeseen events in the interpretation of commercial contracts | 118 |
| 3.7.1 | Introduction | 118 |
| 3.7.2 | The threshold for deviating from an objective interpretation of a long-term contract based on an ‘unforeseen event’ | 119 |
| 3.7.3 | The relationship between interpretation and the doctrine of failed assumptions where the disputed issue is addressed in the contract | 123 |
| Chapter 4 The effect of the contract as a whole where the contract is unclear or silent | | |
| 128 | | |
| 4.1 | Introduction | 128 |
| 4.2 | The hierarchy between the objective interpretation, the contract as a whole, the background law and the contra proferentem rule | 130 |
| 4.2.1 | General observations on developments in case law | 130 |

| | | |
|---|--|------------|
| 4.2.2 | The deeper and broader interpretation has a strong bearing on the sequence of the interpretation process and the role of the contra proferentem rule | 131 |
| 4.2.2.1 | Outline of the sequence | 131 |
| 4.2.2.2 | The narrow scope of the contra proferentem rule | 132 |
| 4.3 | How can a solution be derived from the contract as a whole? | 136 |
| 4.3.1 | General remarks | 136 |
| 4.3.2 | The preamble may reveal the purpose or the overall contractual scheme | 138 |
| 4.3.3 | Internal consistency and analogies | 139 |
| 4.3.4 | 'Lex specialis' | 141 |
| 4.3.5 | Network contracts and 'back-to-back' contracts. | 142 |
| | | |
| Chapter 5 The effect of the background law in the interpretation process | | 144 |
| 5.1 | Introduction | 144 |
| 5.2 | Comparative observations on gap-filling and implied terms in law | 146 |
| 5.2.1 | The distinction between interpretation and gap-filling | 146 |
| 5.2.2 | Outline of the English doctrine on implied terms in law | 150 |
| 5.2.3 | Implication of a term in law into a detailed commercial contract? | 154 |
| 5.3 | Step one – determine the isolated weight. | 155 |
| 5.4 | Step two – is the presumption applicable in the present case? | 157 |
| 5.5 | Step three – is the strong presumption applicable to comprehensive and carefully drafted contracts? | 158 |
| 5.5.1 | Introduction | 158 |
| 5.5.2 | Question one – is the relevant background law compatible with the contract? | 159 |
| 5.5.3 | Question two – is the silence on the disputed issue intended? | 160 |
| 5.6 | Using the background law to determine the content of unclear provisions. | 162 |
| 5.6.1 | General remarks | 162 |
| 5.6.2 | The contract incorporates legal terms | 163 |
| 5.6.3 | The disputed issue is only partly addressed in the contract: illustrated by cancellation for convenience | 166 |
| 5.6.4 | Contract practice as background law. | 166 |

| | | |
|---|---|------------|
| 5.7 | The effect of fundamental remedies in the background law where the contract is silent | 168 |
| 5.8 | Contractual mechanisms addressing the interaction between the contract and the background law | 170 |
| 5.8.1 | ‘Sole remedy’ clauses and the relationship between actual damages and liquidated damages | 170 |
| 5.8.1.1 | Initial remarks on ‘sole remedy’ clauses | 170 |
| 5.8.1.2 | The relationship between damages and liquidated damages where the contract does not have a ‘sole remedy’ clause. | 172 |
| 5.8.2 | The impact of entire agreement clauses | 176 |
| 5.8.2.1 | Introduction and comparative observations | 176 |
| 5.8.2.2 | What is the impact under Norwegian law? | 177 |
| 5.8.2.3 | Summary and the impact of the background law | 179 |
| | | |
| Chapter 6 Summary and methodology: the key questions and their order in the interpretation of commercial contracts | | 181 |
| 6.1 | Introduction | 181 |
| 6.1.1 | Outline of the chapter | 181 |
| 6.1.2 | Schematical outline of the steps in the process of interpretation | 181 |
| 6.2 | Step one – determine whether an objective interpretation provides a solution to the disputed issue. | 182 |
| 6.3 | Step two – if a party argues an interpretation deviating from the objective interpretation. | 183 |
| 6.3.1 | Based on the common understanding rule or the good faith standard | 183 |
| 6.3.2 | Based on a term or ‘assumption’ not expressed in the contract | 185 |
| 6.4 | Step three – the key questions where a prima facie objective interpretation does not provide a clear solution | 186 |
| 6.4.1 | Introduction | 186 |
| 6.4.2 | Step two in the objective interpretation: does the overall scheme of the contract shed light on the disputed issue? | 186 |
| 6.4.3 | The effect of the background law | 187 |
| 6.4.4 | The contract is silent on the disputed issue | 188 |

| | | |
|---|---|------------|
| 6.5 | Step four – the key questions where the tests above do not provide a solution to the disputed issue. | 188 |
| 6.5.1 | Introduction | 188 |
| 6.5.2 | What will generally be a sensible solution to the disputed issue?. | 189 |
| 6.5.3 | The scheme and purpose of the contract, the background law and contract practice may be useful in order to rule out certain interpretations | 190 |
| 6.5.4 | The solution can sometimes be derived directly from the purpose of the contract | 191 |
| 6.5.5 | What the parties would have agreed and the contra proferentem rule | 191 |
| 6.6 | Summary – the key questions and their order | 192 |
| Chapter 7 Summary in Norwegian | | 194 |
| 7.1 | Oversikt over bokens tese og hovedlinjer. | 194 |
| 7.1.1 | Avtaletolking er en kompleks øvelse. | 194 |
| 7.1.2 | Formålet med denne boken – å stille de riktige spørsmålene i riktig rekkefølge og presisere de sentrale vurderingstemaene. | 197 |
| 7.1.3 | Utviklingslinjer | 198 |
| 7.1.4 | Analyseverktøyet. | 200 |
| 7.1.5 | Begrunnelsen for utgangspunktet om objektiv tolking | 207 |
| 7.1.6 | Kan det trekkes slutninger fra utgangspunktet om objektiv tolking? | 210 |
| 7.2 | Sammenfatning av analyseverktøyets nøkkelspørsmål og vurderingstemaer | 211 |
| 7.2.1 | Skjematisk oversikt over trinnene i tolkingprosessen | 211 |
| 7.2.2 | Trinn 1 – avgjøre om en objektiv tolking gir svar på tolkningsspørsmålet. | 212 |
| 7.2.2.1 | Essensen i objektiv tolking. | 212 |
| 7.2.2.2 | Objektiv tolking er ikke en bokstavtolking | 213 |
| 7.2.2.3 | Hvis en objektiv tolking gir et klart svar på tolkningsspørsmålet, er dette som et klart utgangspunkt avgjørende | 214 |
| 7.2.3 | Trinn 2 – hvis det hevdes en forståelse som avviker fra en objektiv tolkning | 215 |

| | | |
|---------|--|-----|
| 7.2.3.1 | Basert på regelen om felles forståelse eller god tro-standarden | 215 |
| 7.2.3.2 | Basert på «forutsetninger» etc. som ikke har kommet til uttrykk i kontrakten | 216 |
| 7.2.4 | Trinn 3 – de sentrale spørsmålene og vurderingstemaene hvor en objektiv tolking ikke gir noe umiddelbart og klart svar på tolkningsspørsmålet. | 218 |
| 7.2.4.1 | Innledning | 218 |
| 7.2.4.2 | Trinn 2 i den objektive tolkingen: Gir kontraktens system noe bidrag til tolkningsspørsmålet? | 218 |
| 7.2.4.3 | Gir bakgrunnsretten noe bidrag til tolkningsspørsmålet? | 220 |
| 7.2.4.4 | Betydningen av kontraktens taushet. | 222 |
| 7.2.5 | Trinn 4 – hvis heller ikke de ovennevnte spørsmålene og retningslinjene gir noen løsning på tolkningsspørsmålet | 223 |
| 7.2.5.1 | Innledning | 223 |
| 7.2.5.2 | Hva vil være en generelt god løsning på tolkningsspørsmålet? | 224 |
| 7.2.5.3 | Kontraktens system og formål, bakgrunnsretten og kontraktspraksis kan brukes til å eliminere visse tolkningsalternativer. | 226 |
| 7.2.5.4 | Løsningen kan noen ganger utledes mer direkte fra formålet | 227 |
| 7.2.5.5 | Betydningen av den hypotetiske partsviljen og uklarhetsregelen | 228 |

| | |
|--|------------|
| Appendix | |
| International instruments about the interpretation of contracts | 231 |
| CISG Article 8. | 231 |
| UNIDROIT Principles for International Commercial Contracts (UPICC). . . | 231 |
| Principles of European Contract Law (PECL) | 233 |
| Draft Common Frame of Reference (DCFR) | 234 |
| | |
| Indexes | 239 |
| | |
| Literature. | 241 |
| | |
| Subject Index. | 249 |
| | |
| Subject Index in Norwegian. | 255 |