



Bethlehem Steel Co. v. Turner Construction Company

2 NY2d 456 (1956)

Case Brief Summary

Brief Fact Summary

The plaintiff argued that defendant, Turner Construction Company, promised to pay plaintiff, Bethlehem Steel Company, \$94,861.15 in price adjustments for raw materials used in the construction of an office building in New York City.

Defendant refused payment, and plaintiff brought this action, based upon express language in a written contract, for recovery of such amount.

Facts

In 1948, defendant Turner Construction Company, contracted with the Mutual of New York Insurance Company to construct a 26 story office building at the corner of West 56th Street and Broadway in Manhattan, to become known as the MONY Building. This construction contract was for a fixed fee.

On or about July 30, 1948, defendant Turner then subcontracted with plaintiff, the Bethlehem Steel Company, to furnish, deliver and erect the structural steel for such office building project.

The subcontract between Bethlehem and Turner contained a clause providing that in the event the "prices for component materials" increased or decreased, there was to be a corresponding adjustment of the contract prices. Adjustment for increases in the price of steel in any event was limited to \$15 per ton.

Pursuant to such provision, Bethlehem rendered periodic bills for materials furnished, which Mutual paid without complaint in respect to items other than the escalation portion of the price, asserting that the term "prices for component materials" as used in the contract had reference to changes in price to Bethlehem for materials it used in progressing the work, that is, if there were increases in the prices paid by Bethlehem in order to obtain the materials necessary to produce steel — which is to say — the cost to Bethlehem in the manufacture of raw steel at the mill, based on the basic elements employed such as iron ore, steel scrap, limestone, etc.

Bethlehem refused to accept such an interpretation and insisted that the words "prices for component materials" included the price of steel being regularly charged to the trade which, in this instance, had been increased by \$10 per ton for the aggregate of steel items known as steel shapes, plates, bars, sheets, rivets and bolts.

Based on this contention, Bethlehem rendered bills aggregating \$94,861.15. When Turner and Mutual persisted in their refusal to pay, Bethlehem filed a mechanic's lien against Mutual's building and brought this action for its foreclosure.

Issue:

Does the meaning of the term "prices for component materials", as used in the price adjustment clause of the contract, require that plaintiff is entitled to a recovery of the \$94,861.15.

Holding and Rule

Yes. Where there is no ambiguity as to the terms of a written contract, the intent of such is to be found from the "four corners of the written document".

Synopsis of Rule of Law

Mere assertion by one that contract language means something to him, where it is otherwise clear, unequivocal and understandable, when read in connection with the whole contract, is not, in and of itself, enough to raise a triable issue of fact.

It has long been the rule that when a contract is clear in and of itself, circumstances extrinsic to the document may not be considered and that where the intention of the parties may be gathered from the four corners of the instrument, interpretation of the contract is a question of law and no trial is necessary to determine the legal effect of the contract.

Discussion:

Defendant argues that unless the escalation clause has the meaning attributed to it by them, that plaintiff has an arbitrary unilateral power to change the price terms of the contract. In other words, that the contract lacks requisite mutuality and that an escalation clause, in order to be valid, must be based on some extrinsic standard by which escalation can be determined.

This escalation clause, however, provided for increases or decreases in accordance with changes in plaintiff's regular prices to all purchasers of plain steel products and such a provision does not give plaintiff undue power of determination of the contract price.