

WHV Legal Updates

January 14, 2011

Does the Way You Sign Your Name On a Contract or Agreement Matter?



Yes. If you are not careful, the way you sign your name could result in you being personally liable for the obligation set forth in the contract or agreement.

The following example is helpful. You are the owner of ABC Corporation which is a small, startup business. You need to make a substantial purchase and you are presented with an agreement to sign. The signature block is just a single line. How do you sign your name? In general, you have three options. First, you can just sign your name on the line – /s/ John Doe. Second, you can insert the word “by” in front of your name – By /s/ John Doe. Or third, you can insert the name of your company above the signature line, sign your name on the line and then insert your official title with the company. For example,

ABC Corporation

By: /s/ John Doe, President _____

The obvious best choice is number three. This is because inserting the company name clearly indicates to the party you are contracting with that this is a corporate and not a personal obligation. Additionally, inserting the word “By” also indicates that you are signing the contract or agreement on behalf of another entity. The same applies if your official title with the company is inserted after your name.

Why does this matter? Say that you just signed your name on the agreement, your company breaches or defaults on the agreement and \$100,000 is owed to the other party. Since your company is relatively new, the contracting party might have doubts about your company’s ability to make good on this debt. The other side to the agreement is going to try to find any way in which you could be personally liable for the debt. Upon review of the signed agreement or contract, it is noticed that you just signed your name and made no reference to your company. The other party is now asserting that you are personally liable for the debt. By signing your name in such a way you have created a hurdle for yourself to jump over but personal liability is not so easily created. A court would review the agreement or contract using well settled contract interpretation principles. But, the point of this article is not to let the matter get to the point of contract interpretation. Just take a moment to ensure that the signature block reflects that your company is entering into the contract or agreement and that you are signing as an officer of the company.