



Case in Brief: **Corner Brook (City) v. Bailey**

Judgment of July 23, 2021 | On appeal from the Court of Appeal for Newfoundland and Labrador

Neutral citation: 2021 SCC 29

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***The Supreme Court decides how “releases” should be interpreted.***

On March 3, 2009, Mrs. Bailey struck Mr. Temple while driving her husband’s car. Mr. Temple, an employee of the City of Corner Brook in Newfoundland and Labrador, was performing road work at the time. He sued Mrs. Bailey for the injuries he sustained.

Meanwhile, the Baileys sued the City for the damage to the car and the injuries Mrs. Bailey sustained. On August 26, 2011, the Baileys settled with the City and signed a “release”. The release stated that the Baileys agreed to exempt the City from any past, present or future claims of any kind related to the accident.

In the years that followed, Mr. Temple’s lawsuit against Mrs. Bailey continued. In that lawsuit, Mrs. Bailey filed a claim against the City, in which she asked the judge to order the City to pay Mr. Temple for her, should she be found responsible for his injuries. This is known as a third party claim, because the City in this case was not a party to the lawsuit but was being drawn into it. The City objected to the third party claim and argued the release prevented Mrs. Bailey from trying to get the City to pay. The judge agreed with the City. But on appeal, the Court of Appeal agreed with Mrs. Bailey. The City then appealed to the Supreme Court of Canada.

The Supreme Court agreed with the City and allowed the appeal. The Court concluded the release that Mrs. Bailey had signed prevented her from making the third party claim against the City.

**A “release” is a contract**

The Supreme Court explained that a release is a contract and should be interpreted according to general principles of contract law as set out in the Court’s previous decision of [Sattva Capital Corp. v. Creston Moly Corp.](#) These principles require courts to give “*the words used [in a contract] their ordinary and grammatical meaning, consistent with the surrounding circumstances known to the parties at the time of formation of the contract*”. The surrounding circumstances consist only of objective evidence of the facts at that time. It does not include the subjective intentions of the parties, meaning what may have been going on in their minds at the time.

In this case, the judges noted that the release clearly stated that Mrs. Bailey was giving up her rights against the City in “*all actions, suits, causes of action... foreseen or unforeseen... and claims of any kind or nature whatsoever arising out of or relating to the accident*”. The judges concluded that Mrs. Bailey’s third party claim against the City came within the plain meaning of those words. They also concluded that the surrounding circumstances of the case confirmed that the parties, when signing the release, had objective knowledge of the third party claim.

**Wording to consider**

When interpreting a release, the question will be whether the release includes the type of claim filed. Therefore, when drafting a release, a person might consider wording that makes clear what claims the release will cover, including whether the release will cover yet unknown claims. A release that is specific to a timeframe or subject matter is less likely to cause disputes.

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**Breakdown of the decision: *Unanimous*:** Justice Malcolm [Rowe](#) allowed the appeal (Chief Justice [Wagner](#) and Justices [Abella](#), [Moldaver](#), [Karakatsanis](#), [Côté](#), [Brown](#), [Martin](#) and [Kasirer](#) agreed)

**More information (case # 39122):** [Decision](#) | [Case information](#) | [Webcast of hearing](#)

**Lower court rulings:** [judgment](#) (Supreme Court of Newfoundland and Labrador, General Division) | [appeal](#) (Court of Appeal of Newfoundland and Labrador)

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