Who Is Authorized to Bind Your Family Business to Contracts?

A family business' significant commercial relationships are usually reflected in written agreements, writes **Michael P. Connolly** in Murtha Cullina LLP's **Family Business Perspectives** blog. But who is authorized to sign those agreements and to bind the company to the terms?

"Typically, a company's management will have actual authority to sign agreements," Connolly explains. "However, the company may give the impression to third parties that other employees (for example, purchasing agents, account managers and IT personnel) that those employees have 'apparent' authority to sign contracts relating to their areas of responsibility and thus bind the company to agreements. It is therefore important for family business owners and management to clearly instruct their employees and agents – and to communicate to third parties – as to whether those employees or agents are authorized to sign contracts and other important documents on the company's behalf."

Connolly describes a recent court decision that highlights the confusion and potential for liability that can arise when an employee signs a document on a company's behalf without express authority to do so.

Read the article.

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