

PUBLICATION

Tennessee Court Of Appeals Affirms Presumption of At-Will Employment and Explains the Applicable Statute of Limitations

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On October 3, 2008, the Tennessee Court of Appeals affirmed the presumption of at-will employment and clarified the applicable statute of limitations for retaliatory discharge claims in *Sudberry v. Royal & Sun Alliance*.

By way of background, the plaintiff initially filed a claim for workers' compensation benefits against Nissan. While at Nissan, he signed an acknowledgment for an employee handbook, which provided that the employment was not for a definite term. In December of 2000, he was terminated for violating his medical restrictions. Two years later, he filed an action against the insurance carrier, the private investigative services, a physician and several employees of Nissan. In one allegation, he asserted that he was terminated in retaliation for having filed a workers' compensation claim. He also raised several other claims including tortious interference with the employment relationship and claims based on an alleged breach of the employment contract. The trial court ultimately granted summary judgment to all defendants and the plaintiff appealed to the Tennessee Court of Appeals.

First, the Court of Appeals addressed the applicable statute of limitations. In Tennessee, a claim for personal injury is governed by a one year statute of limitations; a claim for property damage has a three year statute of limitations. The plaintiff had argued that his employment was property and that the three year statute should apply. The court determined that the statute of limitations would depend upon whether the plaintiff was an at-will employee (if so, the one year statute would apply) or in a contract of employment (under which the three-year period would apply). The Court of Appeals found that since the plaintiff was an at-will employee, the claim was barred by the one-year statute of limitations.

Second, in reaching the conclusion that the plaintiff was an at-will employee, the Court acknowledged the long-standing rule that in an employment-at-will relationship, either party can terminate the employment at any time, "for good cause, bad cause, or no cause at all, without being guilty of a legal wrong." The Court recognized a presumption of an at-will relationship and stated that the plaintiff must come forward with admissible and relevant evidence to support a finding that the employment relationship was contractual or was for a definite period of time. The Court reviewed the employee handbooks and found no basis to change the at-will employee relationship, noting that to constitute an employment contract, the handbook must contain "guarantees or binding commitments." The Court further explained that to be a contract, the handbook "must contain specific language showing the employer's intent to be bound by the handbook's provisions," and that "Unless a handbook contains such guarantees or binding commitments, the handbook will not constitute an employment contract." The handbook specifically stated that it was not intended as a contract, and the company reserved the right to amend the handbook and policies as necessary. The Court found that the handbook considered the plaintiff to be an at-will employee, and so his claim was barred by the one-year statute of limitations.

This decision is of particular interest to employers in Tennessee as it illustrates the impact of clearly retaining the at-will relationship and the degree of care necessary in drafting employee handbooks and policies. The case will also be helpful to employers of at-will employees asserting retaliatory discharge claims outside of one year from the discharge.

