

Legal Update:

At Will Means At Will. No Good Cause Required to Terminate if Employer's Offer Letter is Clear.



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Last Thursday, the California Supreme Court ruled that an offer letter containing the phrase "your employment is at will" and defining at will to mean the employer had the right to terminate employment "at any time" could not be read to state that the employer required good cause to terminate an employee.

In *Dore v. Arnold Worldwide, Inc.*, No. S124494 (August 3, 2006), California's high court rejected an employee's arguments that his offer letter was ambiguous and he had an implied agreement requiring good cause to terminate his employment.

This case confirms the importance of using well-drafted employment at will language in offer letters, employment applications, and other employment-related documents.

THE DORE CASE

After an employee requested a transfer to the employer's Los Angeles office, the employer gave him an offer letter, which confirmed the transfer and set forth terms of employment, including commencement date, compensation, and benefits. The letter said there would be a 90-day assessment with a supervisor and, if satisfactory, the opportunity to be considered to become an officer of the company. In a separate paragraph, the letter stated, "please know that as with all of our company employees, your employment is at will. This simply means [the employer] has the right to terminate your employment at any time just as you have the right to terminate your employment at any time." The employee "read, signed, understood and did not disagree with the terms of the letter."

Two years later, the employer terminated the employee. The employee sued, claiming breach of contract and breach of the implied covenant of good faith and fair dealing, among other claims. He based his allegations on oral representations, conduct, and documents he claimed led him to understand that the company would not terminate him without good cause. The employer filed a motion for summary judgment to have the case resolved in its favor, and the trial court granted the motion. Since the offer letter signed by the employee was controlling, the trial court determined there was no need to consider the evidence the employee offered to establish an

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implied agreement to terminate only for cause.

The Court of Appeal disagreed with the trial court. The Court of Appeal based its ruling on language in the offer letter that defined "at will" in a manner that referred to the duration of the contract, using the words "at any time." Even though it acknowledged that "at will" normally conveys an intent that employment may end "at any time without cause," the court believed that the letter's language was ambiguous, and that the employee could therefore offer evidence to show that the employer had agreed not to discharge the employee except for cause. The employer appealed to the California Supreme Court.

SUPREME COURT RULES THAT OFFER LETTER WAS "UNAMBIGUOUS"

The California Supreme Court agreed with the trial court: "[The employer's] letter plainly states that [the employee's] employment was at will." The high court disagreed with the employee's argument that the agreement was ambiguous regarding acceptable reasons for termination because it included the phrase "at any time" but was silent as to whether good cause was required. "As a matter of simple logic, rather, such a formulation ordinarily entails the notion of 'with our without cause'."

Although a contract appearing unambiguous on its face may contain a latent ambiguity, the Court found no ambiguity in the *Dore* case. The employer's language was similar to the California Legislature's language in codifying the general rule that employment is at will. Moreover, the parties' specific statement that employment was "at will" would have no meaning if what they really meant was that employment could be terminated only for cause. "Even though [the employer's] letter defined 'at will' as meaning 'at any time' without specifying it also meant without cause or for any or no reason, the letter's meaning was clear."

IMPORTANCE TO CALIFORNIA EMPLOYERS

The Supreme Court's decision resolves a crucial issue for California employers regarding at-will language in offer letters, job applications, and other statements in the employment process. There had been a conflict among the courts of appeal as to whether an employment contract providing for termination "at any time" or upon a specified amount of notice could be modified by an implied agreement that the employer could terminate only for good cause. Where the language is clear and unambiguous as to at-will status, as it was in the *Dore* case, employees should not be successful in arguing that good cause is required to terminate their employment.

The best practice may be to define "at will" as meaning the employer may terminate employment at any time, *with or without cause*. Nevertheless, saying only that employment may be terminated "at will" "at any time" does not, by implication, allow an employee to claim successfully that the employer must show cause for discharge.

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