Be Careful What You Wish For – Court Finds That “For Cause” Provision Trumps At-Will Presumption

By former Associate Ethan Don

The Court of Appeals of Maryland, in *Spacesaver Systems, Inc. v. Adam*, has held that an employment agreement which contained a “for cause” termination provision, no durational provision, and no “at-will” provision, constitutes a “continuous for-cause” contract. In doing so, the Court of Appeals embraced, apparently for the first time, the idea of a continuous for-cause employment contract, distinct from a lifetime contract. Lifetime contracts are required to be established by unequivocal evidence and supported by special consideration, showing that the employer and employee bargained for the lifetime agreement. In essence, this new form of continuous for-cause contract means that an employer could, unintentionally, be stuck with an employee for his or her lifetime even though it did not bargain for that or receive any special consideration.

Although the Court enforced this particular agreement, the Court also provided an easy way for employers to avoid this result in the future – insert an express employment at-will provision into the employment agreement or exclude any for-cause provision from the employment agreement. Alternatively, an employer can also insert a term of months or years in the employment agreement so that, even if the for cause provisions are not met, the contract will terminate on its own after a certain period of time or on a certain date.

The take-away for employers is to understand that, if an employee is supposed to be employed at-will, any employment agreement should expressly make that clear. If the employer and employee agree to termination for-cause only, then the employer needs to recognize the restrictions on its ability to terminate the employee and should include a durational provision that, at least, provides for an end date to the employment should the for-cause conditions not otherwise be met.

© 2024 – All Rights Reserved