

## ***Ringle v. Bruton*, 86 P.3d 1032 (2004)<sup>1</sup>**

### **CONTRACTS**

#### **Summary:**

Ringle was the owner of the Stagecoach Casino and Hotel in Beatty, Nevada and hired Bruton in June 1992 to work as the general manager of the facility. Bruton agreed to a two-year contract with an annual gross salary of \$44,990 as well as \$1,800 in monthly bonuses provided certain goals were reached.

Bruton was employed at the Stagecoach for four years. After two years, the parties did not execute a new contract, nor did they renew the old contract. After the contract expired in 1994, Ringle provided Bruton with a company car as well as periodic raises for which Bruton did not negotiate.

In June 1996, four years after the original contract was executed, the parties argued and Bruton's employment ended. The parties dispute whether Bruton was fired or left of his own volition. In March 1997, Bruton sued Ringle alleging several contract and tort claims. Ringle moved for summary judgment, asserting that Bruton had no contract claims because after the contract expired in June 1994 Bruton became an at-will employee. The district court denied summary judgment, finding that material issues of fact remained.

#### **Issue and Disposition:**

##### **Issue**

Does an employee who continues to work after the completion of a contract become an at-will employee?

##### **Disposition**

No. When an employee continues to work after the contract expires, it is presumed that all the terms of the employment contract continue to govern the conduct of the employer and the employee until the parties properly amend or terminate the contract or until the employee ceases working for the employer. However, the contract duration does not renew.

#### **Commentary:**

##### **State of the Law Before *Ringle v. Bruton***

This case is an issue of first impression for Nevada. Prior to this case, the law in Nevada was that at-will employment is presumed in the absence of a written employment

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contract.<sup>2</sup> While this is still the law, previous decisions did not address what occurs if the parties previously had a written contract which expired.

### **Survey of Law in Other Jurisdictions**

The holding in this case largely reflects the state of the law in other jurisdictions.<sup>3</sup> Other states have held that when an employment contract for a definite term expires and the employee, without explicitly entering into a new agreement, continues to render the same services rendered during the term of the contract, it may be presumed that the employee is serving under a new contract having the same terms and conditions as the original one.<sup>4</sup> This presumption may be rebutted by evidence that the contract terms were changed or that the parties understood that the terms of the old contract were not to apply to the continued service.<sup>5</sup> A change in the amount of the employee's compensation does not show that the continuation of the employment was pursuant to a new agreement.<sup>6</sup>

### **Effect on Current Law**

Because this is a case of first impression, the effect on Nevada law of this case is simply to bring the law into conformity with the majority of other states. However, the court does leave the question unanswered as to how much evidence is necessary to rebut the presumption that the employee is serving under the same terms as the original contract. It is unclear what would have been required of Ringle had he wished to continue employing Bruton but did not wish to continue the terms of the previous contract. The court does not explain what type of employee Bruton became after the contract expired. Ringle asserts that Bruton was an at-will employee and therefore had no contract claims. The court did not say that that Bruton became an at-will employee; however, it did note that the contract's duration does not presumptively renew if the employee continues working. If Bruton was an employee under a contract with no definite duration, it would seem that he is still an at-will employee. Given this, it is unclear what protections must be extended by employers such as Ringle to employees

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<sup>2</sup> See *American Bank Stationery v. Farmer*, 106 Nev. 698, 701, 799 P.2d 1100, 1101-02 (1990)

<sup>3</sup> See 27 AM.JUR.2D *Employment Relationship* § 31 (1996); 30 C.J.S. *Employer-Employee Relationship* § 29 (1992).

<sup>4</sup> See *Otten v San Francisco Hotel Owners Asso.*, 74 Cal App 2d 341, 168 P2d 739 (1946); *Leahy v Cheney*, 90 Conn 611, 98 A 132 (1916); *Empire Box, Inc. v Moore*, 87 Ga App 57, 73 SE2d 63 (1952); *Jenkins v King*, 224 Ind 164, 65 NE2d 121 (1946); *Stewart Dry Goods Co. v Hutchison*, 177 Ky 757, 198 SW 17 (1917); *Mahoney v Hildreth & Rogers Co.*, 332 Mass 496, 125 NE2d 788 (1955); *Home Fire Ins. Co. v Barber*, 67 Neb 644, 93 NW 1024 (1903); *Cinefot International Corp. v Hudson Photographic Industries*, 13 NY2d 249, 246 NYS2d 395, 196 NE2d 54, (1963); *Sonotone Corp. v Baldwin*, 227 NC 387, 42 SE2d 352 (1947); *Wood v Buchanan*, 72 ND 216, 5 NW2d 680 (1942); *Delzell v Pope*, 200 Tenn 641, 294 SW2d 690 (1956); *Holton v Hart Mill Co.*, 24 Wash 2d 493, 166 P2d 186 (1946).

<sup>5</sup> *Sultan v Jade Winds Constr. Corp.*, 277 So 2d 574 (Fla App D3 1973) (ovrld in part on other grounds by *Batista v Walter & Bernstein, P.A.* 378 So 2d 1321 (Fla App D3 1980)); *Stewart Dry Goods Co. v Hutchison*, 177 Ky 757, 198 SW 17 (1917); *Home Fire Ins. Co. v Barber*, 67 Neb 644, 93 NW 1024 (1903); *Wallace v Floyd*, 29 Pa 184 (1857); *D. Buchanan & Son v Ewell*, 148 Va 762, 139 SE 483 (1927); *Borg-Warner Corp. v Ostertag*, 18 Wis 2d 484, 118 NW2d 900 (1963).

<sup>6</sup> *Stewart Dry Goods Co. v Hutchison*, 177 Ky 757, 198 SW 17(1917).

who continue to work after the expiration of their contract. The likely effect of this case is to encourage employers to discuss terms of employment with employees following the expiration of a contract, in order to avoid being bound by contract terms that they did not intend.

**Conclusion:**

Employees who continue to work for an employer after their contract has expired are presumed to be working for the same terms as in the previous written contract. The duration of the contract, however, does not renew. This presumption is rebuttable by a showing that the parties intended to change the terms of the employment after the expiration of the contract or did not intend to continue under the previous terms.