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A Workplace Law Update

Bodman PLC **May 15, 2025**

Contractually Shortened Limitation Periods on Employee Claims May Be in Jeopardy!

By: John T. Below, Member, Workplace Law Group

A case currently before the Michigan Supreme Court could put employers' ability to contractually shorten the statute of limitations for employment-related civil rights claims in jeopardy.

Under current Michigan law an employer can contractually agree with employees to shorten the statute of limitations on employment claims. Many claims carry two-, three-, or even six-year statutory claim limitation periods. However, a simple clause incorporated into an application for employment, employment agreement, or offer letter that the employee accepts can shorten the limitations period to as little as six months. Notably, the ability to contractually shorten the limitations period for employment claims is being reviewed. The Michigan Supreme Court, on April 9, 2025, heard oral arguments on the continued enforceability of contractually shortened claim limitation periods on employee civil rights claims.

In *Rayford v. American House Roseville I, LLC,* the plaintiff, a certified nursing assistant, worked at the defendant employer's nursing care facility. The defendant terminated plaintiff's employment because she made a false police report about her purse being stolen from the nursing care facility. Meanwhile, the plaintiff claimed she was terminated in retaliation for reporting to human resources and the state inappropriate sexual behavior between management and nursing assistants. Nearly three years after her termination (bumping into the three-year statute of limitations), the plaintiff filed a lawsuit alleging civil rights violations, malicious prosecution, wrongful discharge, and abuse of process.

The Macomb County Circuit Court granted the employer's motion for summary disposition and dismissed the lawsuit with prejudice, holding the claims arising out of the plaintiff's employment were barred by a contractual six-month limitations period contained in plaintiff's signed handbook acknowledgement and further holding that plaintiff failed to state a claim for abuse of process. The Court of Appeals affirmed in an unpublished opinion. The plaintiff filed an application for leave to appeal in the Supreme Court, arguing, among other things, that the contractually shortened limitations period is invalid and that an

employer should not be able to contractually limit an employee's time to bring a civil rights claim. The Supreme Court ordered oral argument on the application to address whether *Timko v Oakwood Custom Coating, Inc*, 244 Mich App 234 (2001), correctly held that contractual limitations clauses which restrict civil rights claims do not violate public policy.

The long-time freedom to enter into agreements with employees which shorten the statutes of limitation applicable to civil rights claims is at risk in this case. The court's ruling in *Rayford* could end this important right and inject significantly more unpredictability into possible claims by disgruntled former employees.

The takeaway here is that irrespective of this ruling, **all employers should continue to include contractually shortened limitation periods either in employment agreements or handbook acknowledgments**. Even if the *Rayford* court rules against the continued enforceability of contractually shortened claim limitation periods for civil rights claims, many other claims will remain subject to these kinds of agreements, such as contract based wrongful termination, malicious prosecution, negligent supervision, abuse of process, and defamation. Whether by employment contract, handbook acknowledgment, or situational strategic advice and counsel, members of Bodman's Workplace Practice Group collaborate with each client to maximize protection and build predictability as to all claims which may be advanced by former employees.

Please contact the author, John T. Below (248-743-6035 | jbelow@bodmanlaw.com), or any member of Bodman's Workplace Law Group if you have questions regarding any of the information above. Bodman cannot respond to your questions or receive information from you without establishing an attorney-client relationship and clearing potential conflicts with other clients. Thank you for your patience and understanding.

WORKPLACE LAW GROUP			
	JOHN DAVID GARDINER *Chair* 616-205-3123 jgardiner@bodmanlaw.com	**REBECCA C. SEGUIN-SKRABUCHA** *Vice Chair* 248-925-1936 rseguin-skrabucha@bodmanlaw.com	**JOHN T. BELOW** 248-743-6035 jbelow@bodmanlaw.com
	JOHN C. CASHEN *Of Counsel* 248-743-6077 jcashen@bodmanlaw.com	**MACKENZIE E. CLARK** 248-925-1926 mclark@bodmanlaw.com	**AMANDA MCSWEEN EMPEY** 313-392-1056 aempey@bodmanlaw.com
	GARY S. FEALK 248-743-6060 gfealk@bodmanlaw.com	**AARON D. GRAVES** 313-392-1075 agraves@bodmanlaw.com	**MICHELLE L. KOLKMEYER** 248-743-6031 mkolkmeyer@bodmanlaw.com
	KAREN L. PIPER *Of Counsel* 248-743-6025 kpiper@bodmanlaw.com	**CAMERON D. RITSEMA** 616-205-4358 critsema@bodmanlaw.com	**DAVID B. WALTERS** 248-743-6052 dwalters@bodmanlaw.com