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CHAPTER EIGHTEEN

EMPLOYMENT LAW ISSUES FOR NON-EMPLOYMENT LAWYERS

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## Introduction.

Legal matters concerning the employment relationship once concerned only a small set of lawyers mostly practicing in larger cities who dealt with union and management issues arising under the National Labor Relations Act (NLRA), 29 U.S.C. § § 151-169. These folks were called ‘labor lawyers.’

Now, due to state and federal (and even municipal) legislation and the development of the common law which goes far beyond the NLRA we have a practice area known as ‘employment law.’

Employers and their past and potential employees increasingly seek legal advice about rights, duties and remedies. The answers may not be what you think they are. And they are likely different from what they were ten and twenty years ago.

### 1. The Reach of the NLRA.

It is a profound mistake to believe that the NLRA applies only in the context of unionization and collective bargaining. A very significant portion of the Act, Section 7, applies to most private sector employment. And where Section 7 does not apply, a similar state statute, RCW 49.32.020, likely applies.

Section 7, 29 U.S.C. § 157, states:

**Employees shall have the right** to self-organization, to form, join, or assist labor organizations, to bargain collectively through representatives of their own choosing, and **to engage in other concerted activities for the purpose of collective bargaining or other mutual aid or protection**, and shall also have the right to refrain from any or all of such activities except to the extent that such right may be affected by an agreement requiring membership in a labor organization as a condition of employment as authorized in section 158(a)(3) of this title.

Enforcement of Section 7 rights is through the National Labor Relations Board (NLRB) by way of complaints of an Unfair Labor Practice (ULP) made under Section 8 of the Act, 29 U.S.C. § 158.

Generally, the NLRA does not apply to government workers, supervisors and independent contractors. Certain agricultural and domestic workers are also exempt from coverage. The jurisdiction of the NLRA and the NLRB covers most private sector employers affecting commerce.

ULP complaints typically have to be made within six months of their occurrence.

For those employers not covered by the NLRA, RCW 49.32.020 provides very much the same protections as does Section 7 of the NLRA. The state statute reads:

WHEREAS, Under prevailing economic conditions, developed with the aid of governmental authority for owners of property to organize in the corporate and other forms of ownership association, **the individual unorganized worker is commonly helpless to exercise actual liberty of contract** and to protect his or her freedom of labor, and thereby to obtain acceptable terms and conditions of employment, wherefore, though he or she should be free to decline to associate with his or her fellows, **it is necessary that he or she have full freedom of association**, self-organization, and designation of representatives of his or her own choosing, to negotiate the terms and conditions of his or her employment, **and that he or she shall be free from interference, restraint, or coercion of employers of labor**, or their agents, in the designation of such representatives or in self-organization or **in other concerted activities for the purpose of collective bargaining or other mutual aid or protections**; therefore, the following definitions of, and limitations upon, the jurisdiction and authority of the courts of the state of Washington are hereby enacted.

The state statute likely provides an independent cause of action for employees who engage in concerted activities and who suffer retaliation as a result. *Krystad v. Lau*, 65 Wn.2d 827 (1965); *Bravo v. The Dolsen Cos.* 125 Wn.2d 745 (1995) *but see Briggs v. Nova Services*, 166 Wn.2d 794 (2009).

Plainly, these two statutes apply when no union is involved either in organizing or with regard to collective bargaining.

#### **A. Employee Discussion of Wages and Hours**

An attempt by an employer to prevent employees from discussing or comparing their wages, benefits and hours will run afoul of Section 7. The statute “encompasses the right of employees to ascertain what wages are paid by their employer, as wages are a vital term and condition of employment.” *Triana Industries*, 245 NLRB 1258 (1979). Wage discussions are likely “the most critical element in employment.” *Aroostook County Regional Ophthalmology Center*, 317 NLRB 218, 220, enforced in part at 81 F.3d 209 (D.C. Cir. 1996). Employer policies or practices prohibiting discussion or comparison of wages are unlawful, therefore. *DaNite Sign Co*, 356 NLRB No. 124, slip op. at 1, n.1 (2011).

An employer taking adverse action against an employee for discussion of wages and benefits is likely acting unlawfully. *Taylor Made Transportation Services, Inc.*, 358 NLRB No. 58 (June 7, 2012).

#### **B. What is Concerted Activity?**

Both the NLRA and RCW 49.32.020 provide protections for employees engaging in ‘concerted activities.’ According to the NLRB, the test for whether concerted activity exists is whether it is “engaged in with or on the authority of other employees, and not solely by and on behalf of the employee himself.” *Meyers Industries*, 281 NLRB No. 118 at 887 (1986) *affirmed as Prill v.*

*NLRB*, 835 F.2d 1481 (D.C. Cir. 1987), cert. denied, 487 U.S. 1205 (1988). However an individual can be acting “in concert” with others where s/he “seek[s] to initiate or to induce or to prepare for group action.” *Id.* “Individual action is concerted where the evidence supports a finding that the concerns expressed by the individual are [a] logical outgrowth of the concerns expressed by the group.” *Mike Yurosek & Sons, Inc.*, 306 NLRB 1037, 1038 (1992).

### C. Employers/Employees and Social Media

Postings by employees on social media sites may be considered as concerted activity. Social media has, in many ways, replaced the public square or sidewalk as a means to protest or to vent.

The NLRB concluded that an employer policy against employees making disparaging comments about the employer, its managers, coworkers and competitors was unlawful. *See, e.g., University Medical Center*, 335 NLRB 1318, 1320-1322, enforcement denied in part, 335 F.3d 1079 (D.C. Cir. 2003).

The employer should tread lightly even where an employee posts uncivil language about the employer or its executives or managers. The threat of litigation against an employee for defamation may have the effect of chilling Section 7 rights and therefore violate Section 8 of NLRA. *See Lutheran Heritage Village-Livonia*, 343 NLRB 646, 647 (2004). Thus, a rule prohibiting “inappropriate discussions” about the employer could reasonably be believed to restrain Section 7 conduct because the employee could believe that s/he could not discuss with others the terms and conditions of employment.

*Salon/Spa at Boro, Inc.*, 356 NLRB No. 69 (2010) dealt with a staff meeting where a manager made comments about social media. Employees took the comments to be threats. The manager noted that “negativity is complaining. It is not being happy or grateful for the situation that you have.” This violated a company policy that required all employees to avoid statements and behaviors that would contribute either to an atmosphere or perception of negativity by customers of the employer. At the staff meeting, the manager discussed social media and noted that the employees “needed to be kind and positive” in their postings. The Administrative Law Judge hearing the case determined that these were not threats. But the ALJ did state that the anti-negativity policy chilled Section 7 rights. By prohibiting ‘negativity’ the policy could be construed by employees to prevent them from discussing with each other complaints about managers that affected working conditions.

In advising employers about social media and internet usage, counsel should consider that the NLRB is very active in this area and will remain so because of the prevalence of social media. If nothing else, the specter of an investigation by the Board into a non-union employer’s conduct should, itself, merit caution.

Employers can seek advice - advisory opinions - for the Board’s Office of General Counsel, Division of Advice. Sears did so with respect to its social media policy and whether it had an adverse effect on Section 7 rights. Its policy generally barred discussion in social media of the company’s proprietary or trade secret information, confidential information, disparagement of the company’s services or products (or those of competitors) and executive leadership,

employees and business prospects. Use of the company name with reference to disparagement of people due to membership in a protected classification was also prohibited as was use of profanity, explicit sexual references and reference to illegal drugs.

The NLRB's Division of Advice noted that the ban on disparagement of the employer's executive leadership "could chill the exercise of Section 7 rights if read in isolation . . . ." However "the policy as a whole provides sufficient context to preclude a reasonable employee from construing the rules as a limit on Section 7 conduct."

In order to be certain that a third party is not able to claim that a posting is endorsed, ratified or sponsored by the employer, the company could require a disclaimer. Thus, if an employee identifies him or herself as an employee of the company, s/he could be required by company policy to state that the views are not of the employer and do not state the views or policies of the employer or its management.

## **2. Discrimination.**

### **A. The protected classes**

State law, RCW 49.60.030 and RCW 49.44.090 protects persons because of their:

- race,
- creed,
- color,
- national origin,
- sex,
- honorably discharged veteran or military status,
- sexual orientation,
- the presence of any sensory, mental, or physical disability or the use of a trained dog guide or service animal by a person with a disability.
- age.

Note that 'sexual orientation' is specifically defined to mean:

[H]eterosexuality, homosexuality, bisexuality, and gender expression or identity. As used in this definition, "gender expression or identity" means having or being perceived as having a gender identity, self-image, appearance, behavior, or expression, whether or not that gender identity, self-image, appearance, behavior, or expression is different from that traditionally associated with the sex assigned to that person at birth.

RCW 49.60.040(26).

"Disability" is defined at RCW 49.60.040(7) and includes temporary and permanent impairments; those that can be mitigated and learning disabilities. However, the impairment "must have a substantially limiting effect upon the individual's ability to perform his or her job." Federal law provides protections due to:

- race,
- color,
- religion,
- sex,
- pregnancy,
- national origin,
- age,
- disability,
- genetic information,
- veterans' status.

## **B. The covered workers**

Generally, the state anti-discrimination statutes apply to employers with eight or more service providers. That a service provider is not an employee and is, instead, a contractor, is of no consequence. *See, e.g., Marquis v. City of Spokane*, 130 Wn.2d 97 (1996).

State common law may also provide a remedy for individuals working for employers with fewer than eight employees. This is due to the broad declaration of civil rights found at RCW 49.60.030 which forms the basis for a public policy-based tort for constructive wrongful discharge. *See, e.g., Wahl v. Dash Point Family Dental Clinic, Inc.*, 144 Wn.App. 34 (2008).

The major federal law against employment discrimination is Title VII of the Civil Rights Act of 1964. It requires that an employer have fifteen or more employees and that the employer affects interstate commerce. In order to maintain a civil action in federal court it is first necessary to file a charge with the Equal Employment Opportunity Commission.

## **3. Trade Secrets.**

It seems every employer now has trade secrets it desires to protect. The use of electronic devices and media allows migration of information with the click of a button.

The Washington statute which most directly deals with this is the Uniform Trade Secrets Act, RCW 19.108 (UTSA). It provides a working definition of trade secrets and displaces common law dealing with these secrets. It also provides for fee shifting at RCW 19.108.040. But read that provision carefully as it may allow a defendant an opportunity to obtain fees on a more generous basis than for a plaintiff.

Because so much employer work is done on various electronic devices (smart phones, lap tops and tablets) there are some 'best practices' to consider when advising either an employer or an actual, potential or former employee:

- The employer should have a policy regarding use of electronic devices at work - especially those devices it owns.

- Both the employer and the employee have an interest in preventing employer electronic media and data from migrating to an employee's personal electronic devices.
- The employee should want, and the employer should provide necessary electronic devices for the employee to do his or her work.
- The employer should prohibit or discourage use of its electronic devices for employees' personal use - and vice versa.
- If the employee is going to use employer media on a personal device, it should be through a Virtual Private Network (VPN) or remote desk-top access.
- Advise the employee that memorized information may be a trade secret under UTSA.
- If the employer requires travel to foreign countries, consider issuing a 'clean' electronic device to the employee. There are some borders where the authorities tend to seize first and discuss later. Likewise, employees should consider renting a phone overseas and taking a minimum amount of personal electronic media with them.

If you are advising an employee who is considering leaving his or her job, remind that person that any migrations of media from the employer to a third party are traceable. You might advise the employee to in turn advise the employer that work-related electronic media may be on a personal device. The employee should learn from the employer how it wishes to deal with this: By simple 'deletion' by the employee or by having the employer 'scrub' the employee's electronic device of the employer's media. Segregation of work and personal devices eliminates this problem.

If you are advising an employer, be mindful of that part of the definition of 'trade secret' at RCW 19.108.010(4)(b): "Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy." Just saying that something is a trade secret is not enough!

On the employee side, resist any agreements which purports to place the burden of proving that information is not a trade secret on the employee.

#### 4. Non-Compete Agreements

There is an urban legend that non-compete and non-solicitation agreements are unlawful or unenforceable. This seems to originate from clients who have relatives who live or work in California where non-competition agreements are, by statute, unenforceable in most circumstances.

There can be little doubt that, in the abstract, non-competition agreements may be lawful in Washington state if they are 'reasonable.' The basis for determining reasonableness rests on the United States and Washington Constitutions.

"[O]ne of the most fundamental of those privileges protected by the [privileges and immunities] Clause" is "the pursuit of a common calling." *Supreme Court of New Hampshire v. Piper*, 470 U.S. 274, 280, n.9, 105 S. Ct. 1272, 84 L. Ed. 2d 205 (1985) (citation omitted). Under the Washington Constitution, art. I, section 12, a "fundamental right" is to "carry on business" in the state. *State v. Vance*, 29 Wash. 435, 458, 70 P. 34 (1902) (cited with approval in *Grant County Fire Prot. Dist. No. 5 v. City of Moses Lake*, 150 Wn.2d 791, 813, 83 P.3d 419 (2004).

The right to seek and obtain employment in this state is so fundamental that a non-competition provision is analyzed for violation of Wash. Const. art. XII, section 22 which prohibits monopolies and limiting any product or commodity. *Sheppard v. Blackstock Lumber Co.*, 85 Wn.2d 929, 931, 540 R.3d 1373 (1975).

The burden is on the employer to establish the reasonableness of its post-employment restraint (PER) with its employee. *Sheppard*, at 85 Wn.2d 933.

A Washington court is allowed to insert its notion of what is 'reasonable' and use its 'blue pencil' to alter the terms of the PER if an element of the PER is unreasonable. *Id.* at 934. The courts in this state will determine whether the PER is no greater than required for protection of some interest of the employer; whether it imposes an undue hardship on the employee and whether it is injurious to the public. *Id.*

If the employer requires a non-competition agreement as a condition of employment but only makes that condition known after a job offer is made, the agreement likely is voidable. This would be especially so where the employee changed position in reliance upon the job offer e.g., by quitting his or her previous employment. *Labriola v. Pollard Group, Inc.*, 152 Wn.2d 828, 835, 100 P.3d 791 (2004).

A species of PER is a non-solicitation provision with respect to customers/clients/employees. In order to be truly effective, it should also provide that the burdened party (the former employee) will not hire or do business with the persons or entities involved.

The non-solicitation provision is far less onerous than a true non-competition form of PER and is likely to pass muster more readily. It concedes that the employer does not have an interest in preventing competition, *per se* and thereby reduces the likelihood that the burdened party can claim its application harms him or her.

Undoubtedly, you will have clients who wish to enforce a PER and clients who are concerned about whether a PER is enforceable. As with most things we deal with in our profession prevention is preferable to cure.

Some best practices regarding PERs include these:

- If you have a client with a PER and that client is thinking of changing employers, read the PER and the agreement in which it is located carefully: What, precisely, is going to be prohibited under the terms of the contract?
- Learn what your client has actually done for the employer in the last several years: Does the PER really apply to anything the employee actually did? (Many PERs are taken off the internet and some are boilerplate one-size-fits-all creatures. It may not apply to your client at all.) Many of the Washington appellate cases involve professional service firms such as accountants. They have exclusive relationships with their clients. Most other businesses do not have exclusive relationships. *See, e.g., Nowogroski Insurance, Inc. v Rucker*, 137 Wn.2d 427 (1999) (insurance broker); *Perry v. Moran*, 109 Wn.2d 691



(1987) (accounting firm), *Knight, Vale & Gregory v. McDaniel*, 37 Wn.App. 366 (1984) (accounting firm).

- Learn when the PER was formed: Before or after employment began. It can make a difference, as *Labriola* teaches. If formed after the employment began, was there consideration for the PER?
- Learn whether there was there an opportunity to negotiate the PER.
- If this client is considering a job offer, have the client disclose to the potential employer the PER.
- If your client is the potential employer, consider having the potential employee sign a warranty that s/he is under no contractual disability to be employed by your client in a specified job. This could tend to immunize the potential employer if the employment relationship is formed and the former employer is considering a tortious interference claim against your client.
- The potential employer should absolutely prohibit the potential employee from bringing into the work place or using any past information obtained from the former employer regardless whether it is hard copy or electronic media.
- “Merely informing customers of one’s former employer of a change in employment, without more, is not solicitation.” *Nowogroski, supra*, at 137 Wn.2d 440, n.4 (internal quotes omitted).
- When an employee arguably subject to a PER leaves employment, the former employer should remind the former employee in writing of the existence of the PER.
- Consider a declaratory judgment action with respect either to enforceability or scope of a PER. However, be mindful of any contractual fee shifting provision in the PER and its consequences.

## 5. Employee Manuals.

There is the belief that a generalized disclaimer in an employee handbook or manual will insulate the employer from any sort of common law claim of wrong termination based upon an estoppel-like and implied contract theories approved in *Thompson v. St. Regis Paper Co.*, 102 Wn.2d 219, 685 P.2d 1081 (1984).

The problem some employers have is that they don’t manage the employee manual. Revisions are made but may not be distributed to all employees. Conditions may change which make some of the employer policies or practices obsolete. Oral representations may be made which negate some or all of what is in the manual and that may form the basis of an enforceable right. *See, e.g., Swanson v. Liquid Air Corp.*, 118 Wn.2d 512, 533, 826 P.2d 664 (1992), *Payne v. Sunnyside Community Hospital*, 78 Wn.App. 34, 894 P.2d 1379 (1995).

*Bulman v. Safeway, Inc.*, 144 Wn.2d 335, 27 P.3d 1172 (2001), appears to be the most recent Washington supreme court decision dealing with employee manuals. That decision required that the former employee rely upon a promise of “specific treatment in specific circumstances” while employed in order to make out an estoppel-like claim. 144 Wn.2d at 341. However, the implied contract theory of termination for ‘cause’ does not require reliance. *Id.* at 350.

Another problem for some employers is that they include so much information that the manual becomes useless. This may be particularly pernicious if the work force does not have the general aptitude to deal with the extent of information conveyed or the manner in which it is conveyed.

## 6. Unpaid Wages.

Washington has two statutes which provide for payment of wages. RCW 49.48.010 requires wages to be paid upon termination of employment. RCW 49.52.050 and .070 provide a remedy when the employer 'willfully withholds' wages - double damages, attorney fees in favor of the employee only and potential personal liability for those involved in determining not to pay the wage.

The element of science in RCW 49.52 actions is defeated only by clerical error or *bona fide* dispute as to the amount or whether wages are owed at all. *Schilling v. Radio Holdings, Inc.*, 136 Wn.2d 152, 961 P.2d 371(1998). A bona fide dispute is one where the state of mind of the actor is in question or where it is 'fairly debatable' whether the wage is owed because the amount may be in question or the fact of employment is disputed. *Schilling, supra*, at 136 Wn.2d 161.

The personal liability of corporate officers and managers can be a very coercive tool. *See Morgan v. Kingen*, 166 Wn.2d 526, 210 P.3d 995 (2009) where a majority of six determined that bankruptcy of an employing entity does not excuse the CEO and the COO of that entity from personal liability for unpaid wages under RCW 49.52.050 and .070. Both of these corporate officers controlled payment of wages and, between them, owned about forty percent of the stock of the entity.

In *Zimmerman v. W8LESS Products*, 160 Wn.App. 678, 248 P.3d 601 (Div.II 2011) individual members of a limited liability company (LLC) successfully appealed a summary judgment against them for unpaid wages allegedly due an employee of the LLC in an action brought under RCW 49.52. The fact issue was whether the plaintiff was actually employed by the defendant employing entity and, if so, under what terms.

## 7. Some Useful Washington Statutes/Regulations

- Employer references: RCW 4.24.730: Presumption of good faith applies to an employer who discloses information about a former or current employee to a prospective employer or employment agency if the information pertains to the ability of the employee to perform the job, any illegal or wrongful act committed by the employee and the diligence, skill or reliability exercised by the employee in carrying out the job.
- RCW 49.44.010 prohibits blacklisting - causing any statement to be published in any form for the purpose of preventing an individual from obtaining employment. This is a criminal statute but it has a civil remedy. *See Moore v. CAI*, \_\_\_ Wn.App. \_\_\_ (Div. I, June 25, 2012).
- Assignment of employee rights to inventions, RCW 49.44.140-.150. This statute declares public policy regarding the extent to which an employer can claim ownership of employees' inventions.

- Prohibition against any form of genetic screening as a condition of employment, RCW 49.44.180.
- Washington equal pay law: RCW 49.12.175. This requires equal pay between men and women doing ‘similar’ (not equal) work.
- RCW 49.12.200: “every avenue of employment shall be open to women . . . .”
- Employee inspection of personnel files: RCW 49.12.250-.260: Employee may annually inspect locally “file(s)” and employee may request removal of “any irrelevant or erroneous information.” If the employer does not remove such information, the employee may have placed in the “file(s)” a “statement containing the employee’s rebuttal or correction.”
- RCW 49.12.350-.370: Employers must offer the same parental leave for adoption of a child under six years of age as offered to biological parents.
- RCW 49.12.265-.285: An employer which has sick leave for employees must allow employees to use that leave time for assistance or caring for children, parents, parents-in-law and grandparents.
- Sales representatives’ payment of commissions: RCW 49.48.150-.190. The statute requires written commission agreements between a principal and its sales representative who solicits wholesale orders in Washington.
- An employer must provide a written reason for its termination of an employee. WAC 296-126-050(3).