

Massachusetts Court Issues Important Ruling on Releases of Wage Act Claims

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The Massachusetts Supreme Judicial Court (SJC) this week issued an important decision addressing whether agreements containing general releases are sufficient to bar claims brought by employees under the Massachusetts Wage Act. In *Crocker v. Townsend Oil Company, Inc.*, the SJC held that an employee may enter into an agreement retrospectively releasing claims against his or her employer under the Wage Act. However, the Court held for the first time that to be valid, a release of Wage Act claims must be plainly worded and understandable to the average person and must contain express language that Wage Act claims are being released.

The SJC's ruling arises out of a case involving alleged misclassification of employees as independent contractors. The defendant, Townsend, is a home heating oil delivery business. The plaintiffs, Edward Crocker and Joseph Barrasso, worked for Townsend delivering oil as independent contractors pursuant to contract carrier agreements. Eventually, Townsend terminated its relationship with both plaintiffs using contract carrier termination agreements that contained a mutual general release of claims. The plaintiffs subsequently sued Townsend for unpaid wages under the Wage Act, asserting that they were in fact employees and were entitled to unpaid wages (including overtime pay). A Superior Court judge initially granted summary judgment in favor of Townsend, but a second judge vacated that decision, concluding that the general releases executed by the plaintiffs were insufficient to release the plaintiffs' claims under the Wage Act. The SJC ultimately transferred the case on its own motion to address the validity of the general release.

In concluding that the general releases executed by the plaintiffs were insufficient to waive Wage Act claims, the Court addressed the tension between its own policy of giving broad effect to general releases and specific language in the Wage Act prohibiting "special contracts" between employers and employees that would exempt employers from Wage Act liability. (This language has been cited in the past to invalidate employee agreements to defer wages that are otherwise due.) Citing important public policy considerations underlying the Wage Act, the SJC held that a release can effectively cover Wage Act claims, but only if the release of the Wage Act claims is stated in "clear and unmistakable terms." The Court further explained that the release must be "plainly worded and understandable to the average individual" and must "specifically refer to the rights and claims under the Wage Act that the employee is waiving." The Court's logic is that such clear wording will ensure that employees are not unwittingly waiving rights.

The SJC's decision is significant for any employer who seeks to limit its exposure to claims under the Wage Act. In order to ensure that a release covers such claims, employers must ensure that any agreement seeking a retrospective waiver of wage claims specifically refers to the waiver of rights under the Wage Act and does so in language that the average employee would understand. What constitutes "clear and unmistakable terms" will undoubtedly be litigated and subject to further guidance from the courts. In the interim, however, employers should consult with their employment counsel to ensure that their separation agreements and releases meet the requirements imposed by the SJC in *Crocker*.

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