

Michigan Supreme Court – Contractually Shortened Period of Limitations in Employment Agreements May Need Another Look

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On July 31, 2025, in *Tamika Rayford v American House Roseville, LLC d/b/a American House East I and American House*, the Michigan Supreme Court held that boilerplate employment agreements that shorten the limitations period to bring civil rights claims must be examined for reasonableness. Although the provisions in these agreements may be permitted when found to be reasonable, they are subject to traditional contract defenses. Additionally, employment agreements that are determined to be adhesion contracts—contracts where one party has significantly more bargaining power than the other, may be procedurally and substantively unconscionable.

Shortly after being hired, Tamika Rayford signed an employment agreement that required claims arising out of her employment to be brought within 180 days after the claim arises. During her employment, Rayford learned of inappropriate sexual conduct between management and nursing staff. After reporting the behavior to her human resources department, Rayford alleged she was subject to retaliation in the form of write-ups, ignoring her concerns and later, wrongfully accusing her of making a false police report, leading to her termination in July 2017. In April 2020, Rayford filed a lawsuit against her former employer alleging violations of the Elliott-Larsen Civil Rights Act (“ELCRA”). The trial court granted an early motion to dismiss Rayford’s claims, citing the contractually shortened period of limitations and lack of legal authority that the acknowledgment was unconscionable.

The Court of Appeals affirmed, explaining shortened periods of limitations should be enforced as written unless the provision violates public policy or is otherwise unenforceable.

The Supreme Court labored through an extensive history and analysis of contract interpretation case law regarding adhesion contracts and shortened period of limitations provisions. The Court highlighted its prior decision in *Herweyer v. Clark Highway Services*, which explained the concerns associated with adhesion contracts in the employment setting. That case extended its prior analysis in *Camelot Excavating Co. v. St. Paul Fire & Marine Insurance Co.*, which examined the reasonableness of shortened limitation period provisions in non-adhesive and non-employment contracts. While accepting its analysis in *Herweyer* and *Camelot*, the Court rejected more recent case law that purported to extend shortened limitations periods beyond insurance contracts. Instead, the Court reasoned that a contractually shorted limitation period in an adhesion contract is reasonable if:

- (1) the claimant has sufficient opportunity to investigate and file an action;
- (2) the time is not so short as to work a practical abrogation of the right of action; and
- (3) the action is not barred before the loss or damage can be ascertained.

The Court did not explicitly rule a six-month limitations period to be unreasonable but instead explained that courts must first determine whether a “challenged employment agreement is adhesive and, if so, apply the *Camelot* test to determine whether a shortened limitations period is reasonable.” The decision also held that adhesion employment contracts are subject to an unconscionability defense when a party lacks bargaining power when offered a boilerplate employment agreement containing a shorten period of limitations clause.

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Based on the Court's decision, employers will need to review their employment contracts that contain shortened period of limitations clauses to ensure compliance with this ruling.

Should you have any questions about the implications this decision may have for your organization and its employment contracts, please contact your Miller Canfield attorney or one of the authors.