

# Better get a lawyer! Details are crucial when drafting employment agreements

When it comes to incentive agreements, it pays to engage an experienced attorney up front to draft the language. Your early investment in legal help will save you time and money later.

**Recent case:** Joshua signed an employment contract that included details for determining how his quarterly incentive payments would be calculated.

When the parties later parted ways, the method by which those payments were supposed to have been calculated became the subject of a long legal battle that would make its way up to the 9th Circuit Court of Appeals.

At issue was a clause in the agreement that regulated the interest rate applied to various elements included in the incentive calculation. The company would get a credit for its investment in the working capital and equipment that contributed to the profit Joshua generated, which included interest on that investment.

The agreement stated that the rate was “the prime rate in effect at the end of each quarter.” The parties agreed that throughout the period involved, that rate was 3.25%.

But the employer wanted that rate applied to its investment at that rate each quarter, while Joshua argued that each quarter should see only a quarter of that rate applied (i.e. 0.8125%) so that his incentive payment would be greater.

The lower court failed to rule on that issue, so the 9th Circuit sent the case back to the trial court to interpret the contract language. (*Salazar v. Gerald Daniel Worldwide*, 9th Cir., 2018)