12-1937

Agency-Master and Servant-Term of Contract When No Definite Time is Specified

Follow this and additional works at: http://www.repository.law.indiana.edu/ilj
Part of the Agency Commons, and the Labor and Employment Law Commons

Recommended Citation
Available at: http://www.repository.law.indiana.edu/ilj/vol13/iss2/9

This Note is brought to you for free and open access by the Law School Journals at Digital Repository @ Maurer Law. It has been accepted for inclusion in Indiana Law Journal by an authorized editor of Digital Repository @ Maurer Law. For more information, please contact wattn@indiana.edu.
neither the statutes nor the cases are concerned with a transfer of property to persons outside the taxing jurisdiction of the state. Perhaps the explanation of this failure to include transfers of the latter type is that the state could, until the decision in Safe Deposit and Trust Co. v. Virginia, tax the property so transferred, and it was therefore unnecessary to safeguard the revenue from such attempted evasions.

As an abstract statement of law, the holding of the court in the principal case on the question of transfers to avoid taxation leaves much to be desired. The holding, if strictly adhered to, would, except for the Intangibles Tax act of 1933, the constitutionality of which was upheld by a divided Indiana Supreme Court, subject the state revenue to tax evasion which would be seriously detrimental to state interests. Transfers of intangible property to trustees domiciled in states having favorable tax rates would limit Indiana to the taxation of the equitable interest retained, if not preclude it from all property taxation whatsoever.

Viewed, however, as it must be, in the light of the facts of the principal case, it seems much less onerous. The transfer was not, from all indications, one which was to be nullified by a return immediately after the tax day. While there might seem to be reasons for suspecting such a scheme, the actual facts indicate otherwise, and it thus becomes necessary to consider the transaction as being one in which the taxpayer, although possibly attempting to obtain a more favorable tax rate at the same time, made a perfectly legal and good-faith transfer to a non-resident trustee, and the fact that in so doing she obtained a more favorable tax rate, and placed the intangibles outside the right of Indiana, does not vitiate the transaction.

R. W. W.

AGENCY—MASTER AND SERVANT—TERM OF CONTRACT WHEN NO DEFINITE TIME IS SPECIFIED.—The defendant through its agent by telephone called the plaintiff offering the plaintiff a position in its legal department. During the conversation the defendant's agent informed the plaintiff that, "This job pays a salary of $2,600 per annum, which figures out something like $50 per week." The defendant's agent wished for the plaintiff to come to work immediately, but the plaintiff asked for time to consider. The next day, November 4, 1930, he telegraphed his acceptance and that he would be at work Monday, November 11th. The plaintiff left his position in Cleveland to enter the employment of the defendant in Indianapolis, but was discharged on July 14, 1931. The plaintiff contends that there was a contract of hiring for a year and that the defendant breached same when it discharged him before the end of the year. Held, there was a contract of employment from November 4,
1930, to November 4, 1931, which was breached by the discharge of the plaintiff before expiration of the contract.1

There are four distinct doctrines as to the duration of an employment contract when no definite time is specified; three in the United States and the English view. The English view is set down by Blackstone in his commentaries, "If the hiring be general without any particular time limited the law construed it to be a hiring for a year, upon the principal of natural equity, that the servant shall serve and the master maintain him throughout all the revolutions of the respective seasons, as well when there is work to be done as when there is not."2 The later English cases, following Blackstone, have held that a general hiring is to be regarded as a hiring for a year.3

The English rule has generally been repudiated in the majority of the states,4 and has been replaced by three different doctrines. One theory which many United States cases take is that given by Wood on Master and Servant, "... With us, the rule is inflexible that a general or indefinite hiring is, prima facie, a hiring at will. ... A hiring at so much a day, week, month or year, no time being specified, is an indefinite hiring, and no presumption attaches that it was for a day ever, but only at the rate fixed for whatever time the party may serve. ..."5

The leading case upholding this theory is the famed New York case of Martin v. New York Life Insurance Company.6 The only Indiana case on this subject prior to the instant case appears to follow this doctrine, for there Wiley, C. J., speaking for the appellate court, held, "Where, by the terms of a contract, whether it be written or verbal, the contract is one of employment,

   b. Case upheld the lower court's instruction to the jury that the jury would be at liberty to find that such employment was an employment for a full year, provided they further found to have been present at the time of such oral agreement any one or more of the following circumstances: (1) If the appellee gave to the appellant consideration aside from his promise to serve the appellant; (2) if appellee's employment was an important one and of a kind such that a temporary and indefinite employment of appellee would not likely have been made; (3) if, to the notice of appellant, the appellee had made, or was required by the employment to make, and did make, an important change in his general relations in order to accept the position with appellant, such as the removal of himself and his things to a new place; (4) if, to the notice of appellant, appellee had given up, or was required by the employment to give up, a position or occupation of some value in order to enter into the employment of appellant.
   c. Case also includes an interesting problem concerning the Statute of Frauds, but since the purpose of this note is only to discuss the agency problem involved the writer has avoided this question; however, this problem is discussed by Willis, The Statute of Frauds—A Legal Anachronism, 3 Indiana L. Jl. 427.

2 1 Blackstone Commentaries 425.
6 Supra, note 4.
and by its terms, the tenure of service cannot be determined, such contract is one at will, and may be terminated at any time, at the election of either party.7

The second theory, which seems exactly opposite to the New York view and closely analogous to the English doctrine, is that laid down by the Arkansas court that "where a unit of time is described in mentioning the compensation, without any other reference to time, it is fairly inferable that the parties intended to contract for that period of time. . . . In absence of countervailing circumstances the court should hold the contract to be for hiring for the unit of time specified in fixing the wages."8 However, this view is very much in the minority in the United States.

The third doctrine, although recognizing the presumption of an indefinite hiring as a hiring at will, presents an intermediate flexible rule that the term of the agreement must be ascertained by considering the circumstances of each particular case. The Restatement of Agency, in adopting this rule, presents the different circumstances to be considered.9 Although this is not the majority rule today it seems to mark the present trend toward putting the question of duration of the contract of employment to the jury and for the jury to consider all of the circumstances of each particular case.10 There is a substantial authority upholding this view, as shown by the leading Massachusetts case on this subject, which went so far as to say that the use of the word salary was more frequently applied to annual employment than to any other, and was one of the facts to be considered.11 The Minnesota court, in the case of a hiring of an attorney at $1,000 a year, payable quarterly, considered the nature of employment and character of the service, and held same to be at least a contract for a year.12 This third doctrine is also stated very well by the Kentucky court, which, after admitting the English doctrine has


9 Note to Sec. 442, of the Restatement, p. 1031, "The fact that payment is to be made in accordance with a time unit is evidence, in connection with other relevant facts, indicating that the agreement is for such unit. Thus, an agreement for the period of time mentioned as that for payment, or as the basis for payment, is indicated if one party pays consideration aside from his promise to employ or to serve; or if the agency is an important one and of a kind such that a temporary appointment would not be likely to be made; or if, as the principal has notice, the employee has made an important change in his general relations in order to accept the position, such as the removal of himself and his things to a new place, or if he has given up a position of some value in order to enter the employment. In the absence of other facts, a custom in the business of which the parties should know, or a usage by the principal as to periods of employment of which the agent should know, is controlling."


12 Horn v. Western Land Assoc. (1875), 22 Minn. 233.
been repudiated by the American view of a prima facie hiring at will, said, "There can be no flexible rule in this respect. . . . It is an open question to be determined by the circumstances of each particular case, or as one which is dependent upon the understanding and intent of the parties to be ascertained by influence from their negotiations, usages of business, nature of the employment, and all of the surrounding circumstances." In the case before us, the Indiana Appellate Court in adopting this third doctrine has altered the view that it set forth in 1897.

Since our law is a scheme of social control for the betterment of social interests, we must look for a rule which will be most beneficial to society and also give the best results. The third doctrine which is set out by the Indiana Appellate Court appears to fall into this category in that by using this rule the objective understanding of the parties to the contract will be enforced.

I. K.

Contracts—Implied Assumption of Continued Existence of Building—Recovery for Part Performance.—Action to recover the balance of contract price under a contract to "furnish, fabricate, and erect" two large steel storage tanks in defendant's building, and to make certain alterations in the building necessary for the installation of the tanks. Payment was to be made after each tank was completed, tested, and accepted. After the tanks were partially erected, an explosion and fire destroyed the building, making further performance impossible; thus, without fault of either party, the uncompleted tanks and other materials brought onto the premises but not yet incorporated into the tanks were destroyed. Plaintiff relies especially on a provision of the contract that "it is further agreed that no . . . injury to or loss or destruction of said property shall release the buyer from his obligation hereunder." Held, destruction of the building released both parties from their obligations under the contract and each party was left to bear its own loss.

A contract to erect an entire building is not discharged by destruction after part performance; the risk is on the contractor and he has the duty to rebuild. On the other hand, where a contract provides for work to be done on an existing building, as by repairs or installation of fixtures, the contract is made on a mutual assumption that the building will continue in existence;

---


14 Supra, note 7.


16 Problem discussed in this note also discussed by Hardman, Contracts of Agency Without Stipulations as to Duration, 35 West Virginia L. Q. 116.


2 School District v. Dauchy (1856), 25 Conn. 530; Prather v. Latshaw (1919), 188 Ind. 204, 122 N. E. 721.