

Single Act of Disobedience Does Not Disqualify Employee From Unemployment Benefits, California High Court Rules

Gregory C. Cheng and Ameneh K. Ernst | July 3, 2014

On July 3, 2014, the California Supreme Court decided whether a single act of disobedience by an employee constitutes misconduct within the meaning of section 1256 of California's Unemployment Insurance Code, thereby disqualifying the employee from receiving unemployment insurance benefits. The court held that the employee's refusal to sign a disciplinary notice was not misconduct but, at most, a good faith error in judgment that did not disqualify him from unemployment benefits. *Paratransit, Inc. v. Unemployment Insurance Appeals Board (Medeiros)*, No. S204221, Supreme Court of California (July 3, 2014).

Craig Medeiros worked as a driver for Paratransit, Inc. for close to six years. In 2008, following an investigation into a customer complaint, two Paratransit representatives called a meeting with Medeiros. They informed him that the company had conducted an investigation and found the customer complaint to be valid. They also informed Medeiros that he would be suspended for two days without pay and asked him to sign a memorandum documenting the disciplinary action. Medeiros refused to sign the form, noting that he feared it would be an admission of wrongdoing. He was also told that he was not entitled to a union representative after he requested that one be present. The employer representatives assured him that his signature would only acknowledge receipt of the memorandum. Medeiros explained that he would not sign because the union president told him not to sign anything without a union representative. Subsequently, Paratransit fired him for insubordination.

Medeiros later filed a claim for unemployment insurance benefits, which the California Employment Development Department (EDD) denied. Medeiros appealed that decision. After hearing testimony in the case, an administrative law judge (ALJ) upheld the EDD's denial of benefits. Medeiros appealed to the California Unemployment Insurance Board, which reversed the ALJ's decision on the basis that Medeiros's refusal to sign the memorandum "was, at most, a simple mistake or an instance of poor judgment" that did not disqualify him from receiving unemployment benefits. Paratransit appealed the Board's decision in superior court through a petition for a writ of administrative mandamus.

The trial court found that Medeiros's deliberate disobedience of Paratransit's lawful and reasonable instructions to sign the disciplinary notice had constituted misconduct within the meaning of section 1256 of the Unemployment Insurance Code, disqualifying him from receiving benefits. The California Court of Appeal agreed with the trial court that Medeiros's action was misconduct and not a good faith error in judgment.

The California Supreme Court reversed the Court of Appeal's decision and held that Medeiros's refusal to sign the memo was "not misconduct but, at most, a good faith error in judgment that did not disqualify him from unemployment benefits." The court acknowledged that the fundamental purpose of the state Unemployment Insurance Code is to reduce the hardship of unemployment by providing benefits for persons unemployed through no fault of their own. Further, the court noted that a 1984 state supreme court case, *Amador v. Unemployment Insurance Appeals Board*, cited a Court of Appeals case limiting section 1256's reference to misconduct as the following:

conduct evincing such willful or wanton disregard of an employer's interests as is found in deliberate violations or disregard of standards of behavior which the employer has the right to expect of his employee, or in carelessness or negligence of such degree or recurrence as to manifest equal culpability, wrongful intent or evil design, or to show an intentional and substantial disregard of the employer's interests or of the employee's duties and obligations to his employer.

On the other hand, the court held that good faith errors in judgment or discretion are not to be deemed misconduct within the meaning of the statute.

The court further stated that it was settled that an employee's unequivocal refusal to comply with the employer's rule, without more, is not misconduct within the meaning of section 1256. There must be substantial evidence of deliberate, willful, and intentional disobedience on the part of the employee. The court added that "an employee's action must be judged from the employee's standpoint in light of all the circumstances, including the knowledge possessed by him or her at the time."

In reaching its conclusion, the court found it significant that Medeiros had formed his belief "on the spot" when Paratransit representatives started discussing discipline and that he had allegedly lied on his employment application when he was hired, while at the same time the representatives denied him the right to have a union representative present at the meeting. The undisputed record reflected that the discussion during the meeting had confused Medeiros because he was tired and "not functioning right" as he was called into the meeting after working a full shift. The court found that Medeiros' beliefs were not so unreasonable as to constitute misconduct under such circumstances.

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