

# New York Court Finds That Plaintiff Who Never Worked a Day For Company Is Not Entitled To A \$350,000 Performance Bonus

Article By:

Jonathan Sokolowski

Kevin J. Smith

---

On January 20, 2015, the United States District Court for the **Southern District of New York** issued a decision plainly reminding employers of the importance of precisely drafting employment documents. In the case of *In re Lehman Brothers Holdings Inc.*, 2015 WL 247403 (S.D.N.Y. Jan. 20, 2015), the Court held that a prospective employee, who had never worked a day at **Lehman Brothers Inc.** (“LBI”), was not entitled to a \$350,000 performance bonus detailed in an offer letter which LBI rescinded. Significantly, in reaching this conclusion, the Court relied exclusively upon its reading of the offer letter itself.

Plaintiff’s offer letter set forth the terms of her compensation including a \$350,000 bonus “for the performance year 2007...payable at the time [LBI] pays its annual 2007 bonus distribution (on or about January 31, 2008).” The offer letter proceeded to detail the circumstances under which the bonus would not be paid (e.g. plaintiff’s resignation or termination for cause prior to the bonus payment date), and further explained that the bonus “may be reduced in the event of an approved leave of absence during the applicable performance year.” Shortly after LBI issued the offer letter to plaintiff, which both parties executed, LBI rescinded the offer prior to plaintiff’s anticipated start date. Thereafter, plaintiff brought suit against LBI claiming that LBI’s decision to renege on the offer did not void its contractual obligation to pay her the \$350,000 bonus.

The Court first determined that, because the offer letter was rescinded prior to plaintiff performing any work for LBI, the bonus would only be payable if it were akin to a signing bonus. Alternatively, “if [the bonus] was discretionary, compensatory, or contingent on [plaintiff’s] remaining an LBI employee throughout the bonus period, then LBI was within its right in not paying her the bonus.” In analyzing the offer letter, the Court could not identify any language suggesting that the bonus was intended as a signing bonus – such as language indicating that the bonus would be paid shortly after plaintiff’s start date. Rather, the language of the offer letter indicated that the bonus was tied to plaintiff’s performance.

For example, the Court concluded that because the offer letter introduces the bonus by stating that, “for the performance year 2007...your compensation will be as follows,” the offer letter contemplates

that the bonus is a “part of what [plaintiff] would receive as ‘compensation’ linked to her work at LBI – work that never transpired.” The Court further explained that the provision of the offer letter which states that the bonus “may be reduced in the event of an approved leave of absence during the applicable performance year,” further emphasizes the compensatory nature of the bonus; “the bonus could be reduced to reflect the amount of time that [plaintiff] actually worked for LBI, which in this case was zero.”

Ultimately, because the bonus was tied to plaintiff’s performance, plaintiff was not entitled to any portion of the bonus since she never performed any work for LBI.

## Conclusion

This case highlights the utmost importance of ensuring that even those documents evidencing the employment relationship which are sometimes viewed as standard, such as offer letters, must be carefully drafted. For example, employers should ensure that any bonuses which are intended to be discretionary precisely detail all bonus eligibility factors and explain (as applicable) that (i) the bonus is not a guarantee, (ii) it is subject to individual, team and/or company performance, and (iii) will be determined in the company’s discretion. Similarly, employers should also ensure that any documents or agreements which provide for commission payments or other types of incentive compensation are carefully drafted and specify, among other things, when such compensation will be deemed “earned.”

Copyright © 2025, Sheppard Mullin Richter & Hampton LLP.

---

National Law Review, Volume V, Number 33

Source URL: <https://natlawreview.com/article/new-york-court-finds-plaintiff-who-never-worked-day-company-not-entitled-to-350000>