

1 **WO**

2

3

4

5

6

IN THE UNITED STATES DISTRICT COURT

7

FOR THE DISTRICT OF ARIZONA

8

KENNETH DAY,

9

Plaintiff,

10

vs.

11

LSI CORPORATION,

12

Defendant.

13

No. CIV 11-186-TUC-CKJ

ORDER

14

Pending before the Court are the parties' Motions for Summary Judgment (Docs. 179 and 184) filed by Plaintiff Kenneth Day ("Day") and Defendant LSI Corporation ("LSI").¹

15

16

Responses and replies have been filed. Although the parties have requested oral argument,

17

the parties have thoroughly presented the facts and briefed the issues. Therefore, the Court

18

declines to set this matter for oral argument. *See* LRCiv 7.2(f); 27A Fed.Proc., L. Ed. §

19

62:367 (March 2016) ("A district court generally is not required to hold a hearing or oral

20

argument before ruling on a motion."); 27A Fed. Proc., L. Ed. § 62:673 (March 2016) (a

21

hearing on a summary judgment is not required by due process considerations).

22

23

I. Factual and Procedural Background

24

In a December 3, 2011, Amended Complaint (Doc. 74),² Day, a 57-year old Hispanic

25

26

¹LSI's Motion for Summary Judgment was originally filed at Doc. 176. LSI refiled its Motion for Summary Judgment at Doc. 179 with a Notice of Errata. The original Motion (Doc. 176) will be denied as moot.

27

28

²Day filed his original Complaint on March 31, 2011.

1 male, alleges claims of breach of contract, breach of corporate handbook policies, breach of
2 implied covenant of good faith and fair dealing, fraud, deceit, and misrepresentation
3 (fraudulent inducement), interference with a contractual advantage, constructive discharge,
4 intentional and/or negligent infliction of emotional distress, discrimination, and retaliation
5 against LSI.

6 During his deposition, Day summarized a May 2008 conversation he had with Philip
7 Bullinger (“Bullinger”), LSI Executive Vice President:

8 Q. What specifically did Mr. Bullinger say to you in May of 2008 about an offer of
employment?

9 A. He said something along the lines that, Ken, we are very interested in you but
10 because of LSI politics, I'm going to be unable to make you an offer as an LSI fellow.
I think I can do that, but it will take me at least six months to get that done. Would
11 you consider an offer -- or an LSI distinguished engineer -- given that I will work my
hardest and I am very confident that I will be able to get you there in a year.

12 Q. All right. So you knew as of May 2008 that LSI was not going to offer you a
fellow position; is that correct?

13 A. That's correct.

14 Q. And you also knew that as of May 2008 that LSI was not going to offer you a vice
president position; is that correct?

15 A. That's correct.

16 (Day Depo. (Doc. 203-2) 59:16 – 60:22).³ Day testified during his deposition that Bullinger
17 promised him that he would be promoted to a Vice President a few months after hire. (Day
18 Depo. 128:22 – 129:5). However, Day admits that he does not have anything in writing from
19 LSI promising him that he will be made a Vice President a few months after employment.
20 (Day Depo. 128:22 – 129:5). In May of 2008, Bullinger offered Day employment at LSI as
21 a Distinguished Engineer. (Day Depo. 59:16 – 61:1; Bullinger Depo. (Doc. 177, Ex. H)
22 16:21 – 17:12). Day accepted this position on approximately May 18, 2008. (Day Depo.
23 67:23 – 68:24).⁴ Day's application, which was completed online and included the typed

24 ³A fellow position and a vice president position were the same. (Day Depo. 69:20-
25 21).

26 ⁴Prior to his employment with LSI, Day had been employed by IBM. Day testified
27 during his deposition that he did not have a written employment contract with IBM; he also
28 testified he informed Bullinger of a retention offer from IBM to which Bullinger implied he
understood this “upped the ante” of what LSI would have to offer and that Bullinger intended

1 initials “KD”, included a statement that Day understood that his employment would be at will
2 and that such status could not be changed except in writing. (Day Depo. 83:3 – 86:14).

3 LSI has adopted a plan, known as the “LSI Corporation 2003 Equity Incentive Plan”
4 (the “Plan”), under which LSI has made all discretionary grants of stock options and
5 restricted stock units since May 2008. (Gilbert Dec. (Doc. 177, Ex. G) ¶ 2).⁵ The Plan
6 permits the grant of (1) stock options, and (2) restricted stock units (“RSUs”), subject to the
7 terms of the Plan. (Gilbert Dec. ¶ 3; Plan Section 1.1). A “stock option” can be either an
8 Incentive Stock Option or a Nonqualified Stock Option. (Gilbert Dec. ¶ 4; Plan Section 2.25).
9 A “Nonqualified Stock Option” is an option to purchase “Shares” (defined as common stock)
10 of LSI. (Gilbert Dec. ¶ 5; Plan Section 2.24, 2.43). A “Restricted Stock Unit” represents the
11 right to receive one Share on a future specified date. (Gilbert Dec. ¶ 6; Plan Section 7.2). LSI
12 uses the term “stock grant” when it grants employees the option to purchase nonqualified
13 stock shares. (Skelton Dec. (Doc. 177, Ex. J) ¶ 6; Bullinger Dec. (Doc. 177, Ex. H) ¶ 9;
14 White Dec. (Doc. 177, Ex. K) ¶ 7).

15 The Plan is administered by the Compensation Committee of LSI’s Board of
16 Directors, and all awards/grants under the Plan must be approved by the Compensation
17 Committee, the Board of Directors, and/or an authorized delegate of the Compensation
18 Committee. (Gilbert Dec. ¶ 7; Plan Sections 3.1 – 3.4). Grants of stock options and RSUs
19 must also be evidenced by an award agreement that specifies all terms and conditions of the
20 award. (Gilbert Dec. ¶ 8; Plan Sections 5.2, 7.3). LSI uses different award agreements for
21 stock options and RSUs. (Gilbert Dec. ¶ 9; Plan Sections 5.2, 7.3). The Plan provides that
22 all determinations and decisions made by the Compensation Committee, the Board, and any
23 delegate of the Compensation Committee “shall be final, conclusive, and binding on all
24

25 _____
26 to do that. (Day Depo. 45:25 – 46:10; 51:14 – 53:4). There is no evidence before the Court
27 that Bullinger disputes this assertion.

28 ⁵Day asserts LSI has failed to identify Gilbert as having any relevant information and
has not included Gilbert as a named witness. *See* Section III, pp. 16-18.

1 persons, and shall be given the maximum deference permitted by law.” (Gilbert Dec. ¶ 10;
2 Plan Section 3.4).

3 In the May 16, 2008, offer letter to Day, LSI stated that it would recommend that its
4 Board of Directors approve the grant to Day of a 40,000 Share stock option, as well as a
5 grant of 10,000 RSUs, in each case pursuant to the terms of the Plan.⁶ (Gilbert Dec. (Doc.
6 177, Ex. G) ¶ 11, Ex. 2). Day began working for LSI on or around June 23, 2008 as a
7 Distinguished Engineer in the Strategic Planning & Architecture Department of LSI’s
8 Engenio Storage Group (“ESG”) located in Wichita, Kansas. (Day Depo. 70:9-22, Ex. 1).
9 The parties did not enter into a written employment contract. (Day Depo. 91:3-6).

10 The Compensation Committee of the Board of Directors granted Day a 40,000 Share
11 stock option on August 19, 2008 and 10,000 RSUs on August 20, 2008, in each case pursuant
12 to the terms of the Plan. (Gilbert Dec. ¶ 12). Day executed a “Notice of Grant of Stock
13 Option Award under the LSI Corporation 2003 Equity Incentive Plan” with regard to the
14 40,000 Share stock option. (Gilbert Dec. ¶ 13, Ex. 3). Day executed a “Notice of Grant of
15 Restricted Stock Unit Award under the LSI Corporation 2003 Equity Incentive Plan” with
16 regard to the 10,000 RSUs. (Gilbert Dec. ¶ 14, Ex. 4). The Vice President - Law for LSI,
17 Jonathan Gilbert, stated that, because the stock option grant was different than the RSU
18 grant, Day was required to execute the two separate notices. (Gilbert Dec. ¶ 15).

19 On or about January 26, 2009, Day was promoted to the position of Senior Director,
20 reporting to Bullinger. (Day Depo. 113:12 – 114:17; Bullinger Depo. 24:7-16). Stan Skelton
21 (“Skelton”), Day’s supervisor when he was a Distinguished Engineer, was not involved in
22 Day’s promotion. (Bullinger Depo. 95:2-10).

23 Bullinger asserts that, on or about January 26, 2009, he informed Day that he would
24 be granted a 30,000 Share stock option in connection with his promotion to Senior Director.
25 (Bullinger Dec. ¶ 4; Bullinger Depo. 106:14 – 112:25; Huck Dec. ¶ 2). Because Skelton was

26
27 ⁶Throughout this factual summary, the Court will refer to “shares,” “stocks,” “stock
28 options,” or “stock grants” as they are referred to in the deposition testimony or documents
cited.

1 Day's supervisor during the previous seven months and was responsible for Day's
2 performance appraisal, Skelton also communicated the salary and stock option award
3 Bullinger had decided on in connection with Day's promotion to Senior Director. (Bullinger
4 Depo. 95:11 – 96:16; 105:6 – 106:13; 106:14 – 112:25). A Human Resource document
5 indicates "30,000 shares [were] granted for [Day's] promotion." (Day MSJ Statement of
6 Facts (Doc. 185) ("SOF"), Ex. A). A January 26, 2009, Salary Change Notice references a
7 promotion for Day, with a Stock Award of 30,000 Shares. (Day Mtn. for Sanctions
8 Statement of Facts ("SOF") (Doc. 187-8) p. 4).⁷

9 Day asserts that his Exhibit A also shows that Bullinger sent a request to LSI Director
10 Peggy Huck ("Huck") and others identifying a need for a 30,000 stock grant for Day. (Day
11 MSJ SOF 1409-1411, Ex. A). Exhibit A documents refer to Day's promotion and 30,000
12 Shares. (*Id.*) An email from Greg Heubel, Jr. ("Heubel") under the subject of
13 "Day_Justification_Recommendation_Worksheet.xls" states:

14 Per Phil's request, attached is the promo justification worksheet for Ken Day. Please
15 review the comp recommendation/analysis.

16 Phil, please complete and return the justification tab. Shooting for an effective date
17 of 1/26 for all approvals. Also notice I'm recommending a 30k stock grant. Need
18 Cindy's guidance, assuming everyone is ok with that, whether we should enter that
19 in the system or take out the current grant and do the whole promo action outside the
20 system.

21 Phil, given the reorg and Viking, are there any other "exception-based" promos with
22 obvious scope increases that you are thinking of? We can't open the flood gates, but
23 we need to properly compensate people for their new roles.

24 (Day MSJ SOF, Ex. C). Compensation Analyst Principal Cindy Rice ("Rice") responded to
25 the email, asking if an HRD was done for Day's promotion and asking if the HRD went to
26 specified persons. (*Id.*) Huebel responded that the completed justification worksheet had
27 been completed by Bullinger and that he believed Huck was going to send the HRD for
28 processing. (*Id.*) On February 3, 2009, Rice further responded, stating that "the 30k stock
grant was already included in the recent SF system and on the stock report Judy prepared for

⁷The exhibits attached to Day's SOF are not labeled with an Exhibit identifier. The Court, therefore, will refer to the ECF document designation.

1 the upcoming CC/BoD meeting.” (*Id.*). In response to Rice’s email, Vice President of
2 Human Resources Jon Gibson stated that he “was aware of this and approved it.” (*Id.*). Day
3 asserts that this email trail establishes a January 2009 HRD document existed that established
4 a separate January 2009 30,000 promotion stock grant that is separate from the March 2009
5 performance related stock option.

6 LSI Human Resources Director Ian White (“White”) testified that, depending on the
7 content of an HRD, shares for a promotion could be separate from shares for a performance
8 review. (White Depo. (Doc. 203-5) 32:2-10).

9 A February 3, 2009, HRD document states: “30,000 shares granted for promotion,”
10 with the explanation for the reason for the change form being “Promotion/Stock Grant.”
11 (Day MSJ SOF, Ex. D) The document also states: “HRIC: *** Please note a spreadsheet
12 was submitted on 2/2/2009 moving Ken into his new organization and the above information
13 reflects that change.” (*Id.*) A February 5, 2009, “Salary Change Notice” details Day’s
14 promotion and states the type of action as a “Stock Grant” as “30,000 shares[.]” (Day MSJ
15 SOF, Ex. E). Similarly, a February 17, 2009, Preliminary Personal Compensation Statement
16 referenced a Stock Award of 30,000 Options, with an Options Grant Date of March 1, 2009.
17 (Day Mtn. for Sanctions SOF, ECF 187-8, pp. 2-3).

18 On March 1, 2009, the Compensation Committee of the Board of Directors granted
19 Day the 30,000 Share stock option. (Gilbert Dec. ¶ 16; Bullinger Depo. 106:14 – 112:25).
20 On March 4, 2009, Skelton e-mailed Day a personal compensation statement that confirmed
21 the grant of the 30,000 stock options and provided information regarding the current stock
22 price. (Skelton Dec. ¶ 4, Ex. 1). On April 26, 2009, Day executed a “Notice of Grant of
23 Stock Option Award under the LSI Corporation 2003 Equity Incentive Plan” for the 30,000
24 Share stock option. (Gilbert Dec. ¶ 17). LSI asserts this notice confirms that LSI granted
25 Day a 30,000 Share stock option and not any RSUs. (Gilbert Dec. ¶ 18). Included with the
26 notice of grant delivered to Day were a Nonqualified Stock Option Agreement and the Plan,
27 which contained additional information regarding the 30,000 Share stock option. (Gilbert
28 Dec. ¶ 19). According to Gilbert, Day was not provided with a Notice of Grant of Restricted

1 Stock Unit Award under the Plan in 2009 because Day was not granted any RSUs in 2009.
2 (Gilbert Dec. ¶ 20).

3 In March of 2009, Day reported to White that a sexually offensive video had been
4 shown to Bullinger and Miland Karnik (“Karnik”) in January of 2009. (Day Depo. 261:17
5 – 263:8). According to Day, Day did not ask White to do anything with the information
6 because White was not interested. (Day Depo. 263:9-13).

7 In late 2009, the department in which Day worked went through a restructuring, and
8 Bullinger launched a search to fill the newly-created position of Senior Vice President of
9 Engineering to lead the department. (Day Depo. 142:5 – 144:1 & Ex. 14). Although Day was
10 considered for the position, Bullinger informed Day that he did not deem Day to possess the
11 qualifications that he was looking for in the position. (Day Depo. 144:2 – 153:8 & Exs. 15,
12 16, 17; Bullinger Depo. 113:13 – 115:6). On or about January 4, 2010, LSI hired Karnik for
13 the position, (Day Depo. 159:4-16 & Ex. 18; Karnik Depo, (Doc. 203-3) 10:19-23), after
14 which Day reported to Karnik. (Day Depo. 159:4 – 160:6 & Ex. 18).

15 In December of 2009, Day began speaking with Dot Hill about possible employment;
16 they spoke about possible employment for approximately ten months. (Day Depo. 282:7-24).

17 In February of 2010, Day informed Bullinger and White that he believed he should
18 have received 30,000 RSUs in addition to the stock option award of 30,000 Shares that he
19 had received in 2009. (Bullinger Dec. ¶ 5; White Dec. ¶ 2). An email from White to Huck
20 stated:

21 I think you were involved in Ken’s promotion last year. He says he received 30,000
22 options as part of his perf review and 30,000 RSUs for his promotion (he remembers
23 specific discussions where these were different). I’m only showing the option grant
in SAP. Do you have any notes or backup that would shed more light? The HRD
indicates shares for the promotion.

24 (Day MSJ SOF, Ex. F). White also inquired of Rice and Heubel whether they recalled any
25 relevant discussions:

26 Ken Day was reviewing his stock history in eTrade recently and found what he thinks
27 is a missing RSU grant related to his promotion to Sr. Director of External
28 Engineering early last year. As my note to Peggy says below, he understood he was
receiving 30,000 options for the 2008 performance and 30,000 RSUs for the
promotion. I think you were both involved to some extent in the decision to promote

1 and wanted to see if you recall the discussion or have any back up that might help.
2 Peggy didn't have any additional detail.

3 (*Id.*). A February 23, 2010, email from White to Huck, Karnik, and Bullinger stated:

4 I wanted to let you all know that I just followed up with Ken regarding his questions
5 around his stock grant(s) last spring during the compensation cycle and at his
6 promotion. In order to demonstrate to him that we weren't guilty of changing our
7 story, I sent him the attached email on some HR dialog regarding the stock (it
8 references a single grant in two places). He still feels that Phil presented his
9 promotion stock (RSUs) as separate and distinct from the option grant during the
10 compensation cycle. He said he would be following up with Phil and I encouraged
11 him to do so. I know we won't likely make a change but maybe talking it through will
12 help bring some resolution for him.

13 Just so you have them, I've also attached the two documents referencing stock grants
14 that Ken received last spring. These forms, along with comments from Phil that Ken
15 recalls during the promotion discussion, have contributed to Ken's feeling that he was
16 getting two grants. Note that the regular comp notice form identifies "options" and the
17 promotion for references "stock." I did share with Ken that he have used the terms
18 stock and options interchangeably but identify RSU grants as such when made.

19 (Day Mtn. for Sanctions SOF, ECF 187-8, p. 1). LSI investigated Day's assertion, reviewed
20 its records, and concluded that Day had only been granted a stock option covering 30,000
21 Shares in 2009. (Bullinger Dec. ¶ 5; White Dec. ¶ 2; Huck Dec. ¶ 3; Bullinger Depo. 103:10
22 – 105:5).

23 White explained to Day that LSI uses the terms "stock" and "option" interchangeably,
24 but specifically identifies "RSU grants" if RSUs are being awarded. (White Dec. ¶ 3; see
25 also Bullinger Depo. 103:17 – 104:17). In March 2010, to ameliorate Day's concern
26 regarding his misunderstanding of the 2009 stock option grant and to foster continuing good
27 employer/employee relations, LSI asserts it voluntarily elected to award Day 2,000 RSUs.
28 (Bullinger Dec. ¶ 6; White Dec. ¶ 4).⁸ The purpose of this award was to address Day's
concern and demonstrate to him that LSI valued him as an employee. (Bullinger Dec. ¶ 7;
White Dec. ¶ 5). Day expressed gratitude when LSI informed him that it would award him
2,000 RSUs. (Bullinger Dec. ¶ 8). The Compensation Committee of the Board of Directors
granted Day the 2,000 RSUs in April 2010. (Gilbert Dec. ¶ 21).

Karnik reorganized the Engineering Department. (Day Depo. 199:14-17; Bullinger

⁸Day objects to the attribution of knowledge and motive to LSI.

1 Depo. 116:23 – 119:15). On March 4, 2010, Karnik informed Day that he would be moved
2 to Director of Special Projects and was not being promoted to Vice President. (Day Depo.
3 168:19 – 169:7; 199:14 – 201:5). Day testified as follows:

4 Q. At some point in time did Mr. Karnik inform you that he would be restructuring
the engineering department?

5 A. On [M]arch 4th he did that.

6 Q. Okay. What did he tell you specifically?

7 A. That he was removing me from my position, that he was going to make me director
or manager of special projects and that he wanted my staff to report directly to him.

8 (Day Depo. 199:19-22). The next day Day informed Bullinger he was disappointed that LSI
9 was never going to make him a Vice President. (Day Depo. 170:16 – 172:7). Day also
10 e-mailed Karnik and informed Karnik he would do his best to make Karnik and LSI
11 successful. (Day Depo. 206:11 – 207:5 & Ex. 31).

12 On March 9, 2010, Day received an “exceeds expectations” performance evaluation
13 for 2009, which was higher than his previous evaluation. (Day Depo. 164:1-20 & Ex. 19).
14 When Day received his 2009 performance evaluation, he also received a raise, stock options
15 and restricted stock units. (Day Depo. 164:1 – 166:22 & Day Depo. Ex. 19, 20). Day
16 complained about his performance evaluation to Karnik and Bullinger because he thought
17 he should have been rated “outstanding.” (Day Depo. 167:19 –168:14; 169:15 – 171:25).

18 As Director of Special Projects, Day managed a team of engineers who focused on
19 turning key technologies into core development. (Day Depo. 200:21 – 201:16). Day felt the
20 whole organization knew he was no longer a leader, and that he was embarrassed and
21 humiliated because everybody knew he was no longer in charge. (Day Depo. 202:1-8).
22 Day’s compensation and benefits remained the same when he moved into the Director of
23 Special Projects role, and he remained a Senior Director. (Day Depo. 205:5-10; Karnik Depo.
24 72:4-12). LSI Senior Director of Software Development Robin Huber (“Huber”) testified
25 Day’s reassignment to Huber could have possibly been perceived by others as a demotion.
26 (Huber Depo. (Doc. 203-4) 19:23 – 21:3). Day felt that, since he was “a storage visionary
27 and technologist, it just seemed [he] was a good candidate for this job.” (Day Depo. 201:3-
28 5). Further, when asked if he acknowledged to Karnik that there was a need for the Director

1 of Special Projects role, Day testified that he “had to find some way to roll new technologies
2 out. The advanced development department that [LSI] had was not effective at doing that and
3 [LSI] needed to figure out how to do that.” (Day Depo. 201:12-15).

4 Day testified during his deposition about a March 23, 2010, meeting he had with
5 Bullinger:

6 Q. Is this an e-mail you sent to Mr. Bullinger on March 23, 2010?

7 A. It is.

8 Q. Okay. And it looks like you're summarizing or following up on a meeting that you
9 just had with him.

10 THE WITNESS: I think so, yes.

11 Q. . . . Okay. What do you recall about that meeting?

12 A. I actually don't recall the meeting. The only thing I recall is what's written here.
13 So I assume Mr. Bullinger tried very hard to bring closure to me that I was going to
14 report to Mr. Milind as the special projects, that it was a good thing for me and that
15 he considered -- you know, he was going to do what he could for me with the stock
16 but there was not going to be any 30,000 shares and it was a very-- again, it wasn't a
17 difficult discussion; it was a pleasant discussion.

18 (Day Depo. 209:21 – 210:16).

19 In July 2010, there was a further restructuring within the Engineering Department due
20 to declining business conditions. (Day Depo. 222:25 - 223:5). Karnik informed Day that
21 LSI could no longer fund special projects. (Day Depo. 223:24 – 224:2; Karnik Depo. 85:23
22 – 89:23). LSI offered Day the option of taking a separation package and leaving LSI or
23 remaining with LSI in an undefined position and reporting to Robin Huber, Director of
24 Controller Firmware. (Day Depo. 224:3 – 225:4). Day never saw the separation package,
25 nor did he ask to see it. (Day Depo. 226:23 – 227:10; Karnik Depo. 14:7-13). Day accepted
26 the undefined position. (Day Depo. 225:5-12). Day's pay and benefits remained the same
27 in this new position. (Day Depo. 232:15-19; Karnik Depo. 74:7-16; 76:2-6). Day informed
28 Huber that he “will have no trouble working on [Huber's] team” and that he thought Huber
was “a good leader.” (Day Depo. 228:15 – 229:5 & Ex. 39) However, Day had issues with
Huber because Huber repeatedly asked Day if he understood his job and responsibilities.
(Day Depo. 234:13 – 235:14).

On October 13, 2010, Day and Huber, as well as others, had a meeting with IBM to
present various technology concepts and projects. (Day Depo. 235:19 – 237:25). Day

1 became offended during this presentation because he felt Huber spent a lot of time discussing
2 the other people on his staff and did not spend enough time discussing Day's role. (Day
3 Depo. 238:1-21). Following the presentation, Day and Huber had an unwitnessed discussion.
4 (Day Depo. 238:22 – 239:14-18). Day summarizes the conversation as follows:

5 Q. Okay. Please tell me about the conversation with Mr. Huber.

6 A. Robin began with - - the first sentence out of his mouth was, "Ken, your skin looks
7 darker. In fact I think it looks darker than I remember." You know,
8 "Maybe you've been not working so hard and getting a lot of sun."

9 And I said, "Robin, you know, I'm Hispanic and I don't like this kind of talk."

10 And Robin repeated a half a dozen times, "Ken, I'm serious. Your skin does look
11 darker."

12 And I kept saying, "Robin, I find this racially offensive. I really would prefer you
13 stop."

14 And he said, "No, maybe you've been getting a lot of sun. Mexicans have been
15 known to be lazy. Maybe you're not working as hard as you used to work."

16 And I said, "Robin, I really need you to stop this conversation. I find it very
17 offensive."

18 "Ken, you're just misunderstanding me. I'm just telling you what I observe."

19 And I said, "Robin, please move on." And like I say, after asking him many times, he
20 finally moved on.

21 (Day Depo. 239:19 – 240:16). Huber testified during his deposition that he had a discussion
22 with Day about his tan. (Huber Depo. 129:2 – 138:22).

23 Day testified during his deposition as follows:

24 Q. Did Mr. Huber ever take an adverse job action against you?

25 MR. MORRIS: Objection. It's a legal phrase. It requires a legal conclusion.

26 THE WITNESS: I don't know what you mean.

27 Q. BY MR. CAMERON: Did he ever write you up?

28 A. No.

Q. Did he ever discipline you?

A. What would that mean?

Q. Did he ever take any disciplinary action against you?

A. Is disciplinary action saying I don't like the way you did this job? Is that a
disciplinary action?

Q. I don't know. Did it affect your record - - did it affect your employment record?

A. I don't believe I hope not. If it did, I don't know about it.

Q. Okay. Did he ever cut your pay?

A. No.

Q. Did he ever change your benefits?

A. No.

Q. Did you complain to anyone at LSI about Mr. Huber's alleged treatment of you at
any time during your employment with LSI?

A. The first time I complained -- so the answer to the question is yes, as you asked it.

Q. Who did you complain to during your employment with LSI about Robin Huber's
treatment of you?

A. Mr. Karnik.

Q. When did that occur?

A. I'm going to refer to my notes.

1 October 15th is when I think it is.
2 Q. Did you complain to anybody other than Mr. Karnik about Mr. Huber's treatment
3 of you during your employment with LSI?
4 A. Yes.
5 Q. Who?
6 A. Ian White.
7 Q. When did you complain to Ian White about Mr. Huber's treatment of you?
8 A. During my exit interview.

9 (Day Depo. 246:6 – 247:23).

10 On Friday, October 15, 2010, Day informed Bullinger that he felt he was being forced
11 out of LSI, Bullinger did not know the full story, and his only recourse was to resign. (Day
12 Depo. 252:5-24). Day testified that Bullinger said, “Ken, I don’t care. If you feel like you
13 have no job, resign.” (Day Depo. 252:23-24). At that time Day did not tell Bullinger any
14 of his allegations regarding his conversation with Huber at the IBM meeting. (Bullinger
15 Depo. 125:10-12). On that same day, following Day’s conversation with Bullinger, Karnik
16 called Day to inquire whether he had resigned. (Day Depo. 28:20-25; 249:8 – 250:25 & Ex.
17 57). Day informed Karnik he was “seriously considering” resigning, and Karnik explained
18 the process of submitting a resignation letter. (Day Depo. 249:8 – 250:25 & Ex. 57; Karnik
19 Depo. 77:21 – 78:13). Day testified during his deposition that, during this conversation, he
20 informed Karnik about his incident with Huber. (Day Depo. 248:8 – 251:6). Day e-mailed
21 Karnik and informed Karnik that he appreciated that Karnik had reached out to him and that
22 the call demonstrated Karnik's "sensitivity and professionalism." (Day Depo. 255:20 – 256:1
23 & Ex. 42). Karnik never made any comments to Day about his race, color, national origin,
24 or age. (Day Depo. 281:21 – 282:6).

25 Karnik indicated twice in his deposition that he did not advise Huber of Day’s
26 allegations of discrimination by Huber regarding Day’s skin color (Karnik Depo. 18:18 –
27 19:11; 21:11), but also stated he did discuss these issues with Huber. (Karnik Depo. 24:4-6).
28 Moreover, Karnik testified that he discussed with Huber what happened during the meeting
 with IBM and raised the issue with Ian White in Human Resources. (Karnik Depo. 18:6 –
 21:16; 24:4-14). White testified that he investigated Day’s claims. (White Depo. 62:8-10).
 White and Huber disagree whether this investigation included a discussion between White

1 and Huber. (White Depo. 62:11-21; Huber Depo. 146:12 – 150:9). Huck acknowledged any
2 investigation was not documented, although the normal practice is to document an
3 investigation. (Huck Depo. (Doc. 203-6) 111:1-3). Further, White testified that he did not
4 document his investigation in any way (White Depo. 62:22-24; 68:23-25), and never
5 followed up with Day (White Depo. 68:19-22).

6 Karnik testified that, on October 15, 2010, he discussed with Day that Day’s access
7 to the LSI network would be shut off. (Karnik Depo. 80:5-24). He further testified that the
8 intent was to shut off the access, but he did not recall whether access was actually shut off.
9 (*Id.*).

10 Also on October 15, 2010, Dot Hill sent Day an offer of employment; Day accepted
11 the offer. (Day Depo. 284:3-17 & Ex. 47). The salary Day received from Dot Hill was higher
12 than the salary he had with LSI. (Day Depo. 284:18 – 285:3 & Ex. 47).

13 On Monday, October 18, 2010, Day submitted his resignation letter to LSI. (Day
14 Depo. 256:7 – 258:21 & Ex. 43). Day testified during his deposition that he resigned
15 because he believed LSI no longer wanted him to be an employee and because Huber
16 “pushed [him] over the edge with the racial slurs.” (Day Depo. 257:13 – 258:6). However,
17 Day also testified that nobody at LSI informed him that he would not have a job after
18 October 18, 2010. (Day Depo. 258:7-9). Day’s resignation letter contains no allegations of
19 harassment, discrimination, or retaliation. (Day Depo. 256:7 – 258:21 & Ex. 43).

20 As a result of his resignation, Day’s employment with LSI terminated effective
21 October 19, 2010. (Day Depo. 256:7-9; 259:18 – 260:2). On October 19, 2010, Day had an
22 exit interview with White. (Day Depo. 258:22 – 264:9; White Depo., 5:19-20). During this
23 exit interview, Day stated that he felt Huber’s comment about his skin looking dark was
24 racist and that Huber was implying he must be spending time outside. (White Depo. 66:4 –
25 67:7). White investigated Day’s allegations and determined that Huber’s comment about
26 Day’s skin tone was not of a racist nature. (White Depo. 62:8 – 63:14; 66:16 – 67:22; Huck
27 Depo. 105:5 – 106:8; 106:25 – 107:22). At this time, Day again informed White of a video
28 he saw in March 2009 which he found offensive; the video depicted “white men slapping

1 women.” (Day Depo. 261:17 – 263:20).⁹

2 As to LSI CEO Abhijit Talwalkar (“Talwalkar”), Day testified that Talwalkar never
3 made comments about his race, color, age or national origin; this appears to be in the context
4 of conversations with Day. (Day Depo. 278:21 – 279:21). Day testified he did not feel
5 Bullinger or Karnik ever referenced Day’s race, age, or national origin in a negative way.
6 (Day Depo. 279:22 – 282:6). Day testified that, in addition to the foregoing, he believes
7 Huber, Karnik, Bullinger, and Talwalkar discriminated against him by putting him in
8 embarrassing and awkward situations with regard to his employment and job titles. (Day
9 Depo. 274:13 – 276:8).

10 Additionally, Day testified that he suffered both emotionally and physically as a result
11 of LSI’s conduct (Day Depo. 290:10 – 294:13)

12 During his deposition, Day testified he was not provided with an employee handbook,
13 but he was given links to LSI’s internal network where he could access such information.
14 (Day Depo. 91:9-14). However, Day did receive an Invention Confidential Agreement which
15 he viewed as part of the LSI handbook. (Day Depo. 297:2-6). Day also testified as follows:

16 Q. In your complaint one of your claims is that LSI breached corporate handbook
17 policies. What corporate handbook policies are you referring to?

18 . . .

19 A. Okay. So you’re asking me specifically about the phrase breach of corporate
20 handbook policies?

21 Q. Correct. What corporate handbook policies do you allege LSI to have breached?

22 A. Well, I don’t mean to be - - I certainly feel like LSI treated me in a disrespectful
23 way and these - - I don’t mean - - these are my lawyer’s words, not mine, but I
24 certainly feel like the LSI ethics imply that they are going to treat people without
25 discrimination and in a respectful way and have respect for an individual, and I
26 certainly don’t feel like that was the case for me.

27 Q. What ethics policy are you referring to?

28 A. I don’t have a specific line in that handbook that I could point you to.

Q. You testified earlier you don’t have a handbook. I’m just trying to get an idea for
what policy or policies you claim LSI breached.

Mr. Morris: Note my objection. Mischaracterization of his testimony?

A. I’m claiming that LSI told me - - I told LSI employees that we would treat you in
a fair and respectful way. I think that’s said in maybe different words on the LSI
employee website. That’s what I’m claiming was breached.

⁹Day also testified that the video was shown to Bullinger and Karnik in January of
2009, (Day Depo. 262:8-9), and that he told White about it as soon as he saw it in March of
2009. (Day Depo. 263:6-7).

1 Q. Okay. You can't identify a specific policy today?

2 A. I cannot identify a specific policy today.

3 (Day Depo. 287:1 – 288:21).

4 On April 7, 2011, Day submitted an EEOC Charge of Discrimination alleging
5 discrimination based on color, age, and national origin. (Day Depo. 272:13 – 274:12, Ex.
6 45).

7
8 *II. Summary Judgment Legal Standard*

9 Summary judgment may be granted if the movant shows “there is no genuine issue
10 as to any material fact and that the moving party is entitled to judgment as a matter of law.”
11 Rule 56(c), Federal Rules of Civil Procedure. The moving party has the initial responsibility
12 of informing the court of the basis for its motion, and identifying those portions of “the
13 pleadings, depositions, answers to interrogatories, and admissions on file, together with the
14 affidavits, if any,” which it believes demonstrate the absence of a genuine issue of material
15 fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986).

16 Once the moving party has met the initial burden, the opposing party must "go beyond
17 the pleadings" and "set forth specific facts showing that there is a genuine [material] issue
18 for trial." *Id.*, 477 U.S. at 248 (internal quotes omitted); *see also* *Cusson-Cobb v. O'Lessker*,
19 953 F.2d 1079, 1081 (7th Cir. 1992) (cannot rely on the allegations of the pleadings, or upon
20 conclusory allegations in affidavits). The nonmoving party must demonstrate a dispute “over
21 facts that might affect the outcome of the suit under the governing law” to preclude entry of
22 summary judgment. *Anderson v. Liberty Lobby Inc.*, 477 U.S. 242, 248 (1986). Further, the
23 disputed facts must be material. *Celotex Corp.*, 477 U.S. at 322-23. Further, "a party cannot
24 manufacture a genuine issue of material fact merely by making assertions in its legal
25 memoranda." *S.A. Empresa de Viacao Aerea Rio Grandense (Varig Airlines) v. Walter*
26 *Kiddle & Co.*, 690 F.2d 1235, 1238 (9th Cir. 1982).

27 The dispute over material facts must be genuine. *Anderson*, 477 U.S. at 248, 106
28 S.Ct. at 2510. A dispute about a material fact is genuine if “the evidence is such that a

1 reasonable jury could return a verdict for the nonmoving party.” *Id.* A party opposing a
2 properly supported summary judgment motion must set forth specific facts demonstrating a
3 genuine issue for trial. *Id.* Mere allegation and speculation are not sufficient to create a
4 factual dispute for purposes of summary judgment. *Witherow v. Paff*, 52 F.3d 264, 266 (9th
5 Cir. 1995) (per curiam). “If the evidence is merely colorable or is not significantly probative,
6 summary judgment may be granted.” *Anderson*, 477 U.S. at 249-50. However, the evidence
7 of the nonmoving party is to be believed and all justifiable inferences are to be drawn in his
8 favor. *Id.* at 255. Further, in seeking to establish the existence of a factual dispute, the non-
9 moving party need not establish a material issue of fact conclusively in his favor; it is
10 sufficient that “the claimed factual dispute be shown to require a jury or judge to resolve the
11 parties’ differing versions of the truth at trial.” *T.W. Elec. Serv.*, 809 F.2d 626, 631 (9th Cir.
12 1987).

13 14 III. *Consideration of Admissible Evidence*

15 Additionally, the Court is only to consider admissible evidence. *Moran v. Selig*, 447
16 F.3d 748, 759-60 (9th Cir. 2006) (pleading and opposition must be verified to constitute
17 opposing affidavits); *FDIC v. New Hampshire Ins. Co.*, 953 F.2d 478, 484 (9th Cir. 1991)
18 (declarations and other evidence that would not be admissible may be stricken). Moreover,
19 “at the summary judgment stage, courts do not focus on the admissibility of the evidence’s
20 form. [Courts] instead focus on the admissibility of its contents.” *Marceau v. International*
21 *Broth. of Elec. Workers*, 618 F.Supp.2d 1127, 1141-42 (D.Ariz. 2009).

22 A “genuine” issue of “material” fact cannot be created by a party simply making
23 assertions in its legal memoranda. *Varig Airlines*, 690 F.2d at 1238. Declarations and other
24 evidence that would not be admissible may be stricken. *FDIC v. New Hampshire Ins. Co.*,
25 953 F.2d 478, 484 (9th Cir. 1991). Indeed, a “conclusory, self-serving affidavit, lacking
26 detailed facts and any supporting evidence, is insufficient to create a genuine issue of
27 material fact.” *Nilsson v. City of Mesa*, 503 F.3d 947, 952 n. 2 (9th Cir. 2007), *citation*
28 *omitted*. Moreover, statements must allege personal knowledge. *See Skillsky v. Lucky*

1 *Stores, Inc.*, 893 F.2d 1088, 1091 (9th Cir. 1990) ("Like affidavits, deposition testimony that
2 is not based on personal knowledge and is hearsay is inadmissible and cannot raise a genuine
3 issue of material fact sufficient to withstand summary judgment."); *see also Block v. Los*
4 *Angeles*, 253 F.3d 410, 419 n. 2 (9th Cir. 2001); *Radobenko v. Automated Equip. Corp.*, 520
5 F.2d 540, 544 (9th Cir. 1975), *quoting Perma Research & Development Co. v. Singer Co.*,
6 410 F.2d 572, 578 (2nd Cir. 1969) ("[i]f a party who has been examined at length on
7 deposition could raise an issue of fact simply by submitting an affidavit contradicting his
8 own prior testimony, this would greatly diminish the utility of summary judgment as a
9 procedure for screening out sham issues of fact"). Additionally, the court is to review the
10 record as a whole, but must disregard evidence favorable to the moving party that the jury
11 is not required to believe and must give credence to the uncontradicted and unimpeached
12 evidence of the moving party, at least "to the extent that that evidence comes from
13 disinterested witnesses." *Reeves v. Sanderson Plumbing*, 530 U.S. 133, 150-51, 120 S.Ct.
14 2097, 2110 (2000), *citation omitted*.

15 The controverting statements and objections place the statements in context and
16 clarify them. Although the Court will not address each dispute, the Court notes that Day
17 objects to the Gilbert Declaration and LSI objects to an unauthenticated email. It appears
18 that the content of this evidence would be admissible and, therefore, the Court will consider
19 this evidence. Specifically, as to the Gilbert declaration, Day is not disputing the content of
20 the declaration and does not dispute the content of the documents cited to by Gilbert or assert
21 that the documents have not been disclosed. Moreover, Gilbert has personal knowledge of
22 the documents cited to and the contents therein. Any procedural barriers to testimony from
23 Gilbert at trial would be subject to argument, but this does not alter the fact that the content
24 would be admissible. Similarly, LSI does not object to the contents cited to by Day in his
25 MSJ SOF, ¶ 1, but the inferences made therefrom regarding an email from Bullinger. The
26 specifically cited documents, however, appear to be admissible. The Court will consider
27 these items of evidence, but not the characterization by counsel of ¶ 1 of the SOF.

28 Additionally, the Court will only consider the admissible evidence that is supported

1 by specific facts that may show a genuine issue of material fact. *See Anderson v. Liberty*
2 *Lobby, Inc.*, 477 U.S. 242, 248, 106 S.Ct. 2505, 2510 (1986).

3
4 IV. *Count I: Fraud, Deceit, Misrepresentation and Fraudulent Inducement*

5 Under Arizona law, the elements of Fraud, Deceit, and Misrepresentation, and the
6 basis for Fraudulent Inducement, may be either actual or constructive. *Brazee v. Morris*, 68
7 Ariz. 224, 227-28, 204 P.2d 475, 476-77 (1949). Actual fraud requires (1) a representation;
8 (2) its falsity; (3) its materiality; (4) the speaker's knowledge of its falsity or ignorance of its
9 truth; (5) his intent that it should be acted upon by the person and in the manner reasonably
10 contemplated; (6) the hearer's ignorance of its falsity; (7) his reliance on its truth; (8) his
11 right to rely thereon; (9) his consequent and proximate injury. *Moore v. Meyers*, 31 Ariz.
12 347, 253 P. 626, 628 (Ariz. 1927); *see also Meritage Homes Corp. v. Hancock*, 522 F. Supp.
13 2d 1203, 1218 (D. Ariz. 2007).

14 LSI points out that Day's Amended Complaint states a claim for actual fraud. In his
15 response, however, Day argues that there is a genuine factual dispute as to whether
16 constructive fraud has been established. When new allegations are asserted in opposition to
17 a motion for summary judgment, a court may, in some circumstances, treat the inclusion as
18 a motion to amend the complaint pursuant to Fed.R.Civ.P. 15(a); *William Inglis, Etc. v. ITT*
19 *Continental Baking Co.*, 668 F.2d 1014, 1053, n. 68 (9th Cir.1981), (citing *Sherman v.*
20 *Hallbauer*, 455 F.2d 1236, 1242 (5th Cir. 1972). Rule 15(a) provides that leave to amend
21 shall be freely given when justice so requires, and several factors are relevant to determine
22 whether leave to amend should be granted, including "undue delay, bad faith or dilatory
23 motive on the part of the movant, repeated failure to cure deficiencies by amendments
24 previously allowed, undue prejudice to the opposition party by virtue of the allowance of the
25 amendment, [and] futility of amendment." *Schlacter-Jones v. General Telephone*, 936 F.2d
26 435 (9th Cir.1991). However, neither party addresses these issues in their briefs. The Court,
27 therefore, declines to treat Day's new allegations as a motion to amend. *See e.g. Mortkowitz*
28 *v. Texaco, Inc.*, 842 F.Supp. 1232 (N.D.Cal. 1994). Moreover, not only has Day already filed

1 an Amended Complaint, but he raises these new claims approximately three years after
2 initiating the litigation. In other words, Day has unduly delayed in raising the new theories.
3 Day's new theories, asserted for the first time in Day's Response to LSI's Motion for
4 Summary Judgment, that LSI promised Day shares of stock in exchange for accepting
5 employment at LSI, LSI promised Day shares of stock for his promotion, and constructive
6 fraud, therefore, fail.

7 Day's Amended Complaint alleges LSI fraudulently induced him to leave a secure
8 position with IBM, with no intention of providing him with the promised inducements.
9 Specifically, Day asserts he was assured by Bullinger his role would be that of a
10 Distinguished Engineer, but that he would be promoted to a fellow, or vice president,
11 position within a year. Day alleges he relied upon those representations in turning down a
12 retention offer from IBM and accepting employment from LSI. However, the evidence
13 before the Court does not show that a genuine issue of material fact exists as to whether
14 Bullinger knew the representations were false. Further, as no position had been offered by
15 LSI prior to Day's rejection of the retention offer by IBM, there is no factual dispute that Day
16 relied upon the representations in rejecting the offer. As to whether Day relied on the
17 representations in accepting LSI's offer, "[f]raud can be based upon unfulfilled promises or
18 expressions concerning future events only if statements regarding those events "were made
19 with the present intent not to perform." *McAlister v. Citibank (Arizona)*, 171 Ariz. 207, 214,
20 829 P.2d 1253, 1230 (App. 2001) (quoting *Spudnuts, Inc. v. Lane*, 131 Ariz. 424, 426, 641
21 P.2d 912, 914 (Ariz. Ct. App. 1982)). Here, there is no evidence of Bullinger's knowledge
22 of the falsity. Indeed, Day's deposition testimony indicates that he believes Bullinger was
23 acting in good faith. Further, this case does not involve a representation as to "past or
24 present rents, profits, or income[,]" *Carrel v. Lux*, 101 Ariz. 430, 434, 420 P.2d 564, 569
25 (1966), which may provide a sufficient basis for a fraud claim. Rather, this case involves
26 proposed future compensation. The Court will grant summary judgment in favor of LSI as
27 to this claim.

28

1 V. *Count II: Breach of Contract*

2 For a valid contract to exist, there must have been an offer, acceptance of the offer,
3 consideration, sufficient specification of terms so that the obligations involved can be
4 ascertained, *K-Line Builders, Inc. v. First Fed. Sav. & Loan Ass'n*, 139 Ariz. 209, 212, 677
5 P.2d 1317, 1320 (App.1983), and the parties must have intended to be bound by the
6 agreement, *Schade v. Diethrich*, 158 Ariz. 1, 9, 760 P.2d 1050, 1058 (1988) (“the
7 requirement of certainty is not so much a contractual validator as a factor relevant to
8 determining the ultimate element of contract formation—the question whether the parties
9 manifested assent or intent to be bound”). Arizona “permits the consideration of extrinsic
10 evidence . . . on the issue of contract interpretation.” 1 Ariz. Prac., Law of Evidence § 104:8
11 (4th ed. 2013) (citations omitted). Further, parol evidence is appropriate for consideration
12 in resolving a motion for summary judgment. *See e.g., Taylor v. State Farm Mut. Auto. Ins.*
13 *Co.*, 175 Ariz. 148, 854 P.2d 1134 (1993).

14 The Supreme Court of Arizona has stated:

15 We cited with approval the Second Restatement of Contracts' [§ 24] definition of an
16 offer as “the manifestation of willingness to enter into a bargain, so made as to justify
17 another person in understanding that his assent to that bargain is invited and will
18 conclude it.” [*Tallent v. National General Insurance Co.*, 185 Ariz. 266, 268, 915
19 P.2d 665, 667 (1996).] Thus, whether an offer has been made does not depend on the
20 offeree's understanding of the terms of the offer, but instead on whether a reasonable
21 person would understand that an offer has been made and that, upon acceptance, the
22 offeror would be bound. [Citation omitted.]

23 *Ballesteros v. American Standard Ins. Co.*, 226 Ariz. 345, 348, 248 P.3d 193, 196 (2011).

24 An acceptance is a manifestation of assent to the terms of an offer in the manner invited or
25 required by the offer. *Contempo Const. Co. v. Mountain States Tel. & Tel. Co.*, 153 Ariz.
26 279, 281, 736 P.2d 13, 15 (App. 1987). “Consideration is defined as bargained for exchange
27 whereby the promisors . . . receive some benefit or the promisee . . . suffers a detriment.”
28 *Coup v. Scottsdale Plaza Resort, LLC*, 823 F.Supp.2d 931, 943 (D.Ariz. 2011).

Further, the Supreme Court of Arizona has stated:

The fact that one or more terms of a proposed bargain are left open or uncertain may
show that a manifestation of intention is not intended to be understood as an offer or
as an acceptance.

1 Restatement § 33(3).

2 . . . But the actions of the parties may show conclusively that they have intended to
3 conclude a binding agreement, even though one or more terms are missing or are left
4 to be agreed upon. *In such cases courts endeavor, if possible, to attach a sufficiently*
5 *definite meaning to the bargain.*

6 *Id.* comment a (emphasis added).

7 *Schade*, 158 Ariz. at 9, 760 F.3d at 1058. “The requirement of certainty is not so much a
8 contractual validator as a factor relevant to determining . . . whether the parties manifested
9 assent or intent to be bound.” *Schade*, 158 Ariz. at 9. “Any requirement of ‘reasonable
10 certainty’ is satisfied if the agreement that was made simply provides ‘a basis for determining
11 the existence of a breach and for giving an appropriate remedy.’” *Estate of Decamacho ex*
12 *rel. Guthrie v. La Solana Care and Rehab, Inc.*, 234 Ariz. 18, 21, 316 P.3d 607, 610 (App.
13 2014) (citations omitted). Further, “[m]utual assent is ascertained from objective evidence,
14 not from the hidden intent of the parties. Objective evidence includes written and spoken
15 words as well as acts.” *Johnson v. Earnhardt’s Gilbert Dodge, Inc.*, 212 Ariz. 381, 384, 132
16 P.3d 825, 828 (2006).

17 Additionally, “[i]t is well established that, in an action based on breach of contract,
18 a plaintiff has the burden of proving the existence of a contract, breach of the contract, and
19 resulting damages.” *Chartone, Inc. v. Bernini*, 207 Ariz. 162, 170, 83 P.3d 1103, 1111 (App.
20 2004).

21 A. *Employment Agreement*

22 LSI argues that Day admitted he never had an employment contract with LSI:

23 Q. Okay. Were you ever provided with an employment contract by LSI?

24 A. I was not. You’re asking was I ever given anything in writing? The answer is, no.

25 (Day Depo. 91:3-6). Further, Day’s application, which was completed online and included
26 the typed initials “KD”, included a statement that Day understood that his employment would
27 be at will and that such status could not be changed except in writing. (Day Depo. 83:3 –
28 86:14). Day also acknowledged the Employee Invention and Confidential Information
Agreement, which he signed, included a provision that he understood and agreed he “was not

1 being employed by the Company for any specified period of time and either [he] or the
2 Company [could] terminate [his] employment with the Company at any time for any reason,
3 with or without cause.” (Day Depo. 94:15 – 95:3). Although terms had been discussed and
4 an offer letter had been sent by LSI, there is no basis to conclude that the fact of the
5 employment (as opposed to the terms) was governed by anything other than the agreement
6 for at-will employment. The Court finds LSI is entitled to summary judgment on the issue
7 of breach of an employment agreement.

8
9 *B. Promotion to Vice President or Fellow*

10 To the extent Day’s breach of contract claim is based on LSI’s alleged offer to make
11 Day a Vice President or Fellow, LSI argues this claim fails because LSI never offered Day
12 a Vice President or Fellow position. The testimony regarding this issue is such that the Court
13 finds a genuine issue of material fact exists as to whether LSI promised Day such a
14 promotion.

15 However, the Court agrees with LSI that Day has not timely filed this claim. Indeed,
16 Day has not responded to LSI’s argument that this claim was not filed timely. Day testified
17 that he knew as of May 2008 when he accepted the LSI position that LSI was not going to
18 offer him a vice president position. (Day Depo. 59:16 – 60:22). Further, Day testified that
19 he knew as of March 5, 2010, that LSI was never going to make him a Vice President. (Day
20 Depo. 170:16 – 172:7). In Arizona, a claim for a breach of an oral or written employment
21 contract must be commenced within one year after the cause of action accrues. A.R.S. § 12-
22 541. ADD ROS CASE - P 24 Day did not file this action until March 31, 2011, including the
23 claim for the breach of the employment terms, which was not within one year of his learning
24 that he would not become a Vice President at LSI. The Court finds summary judgment in
25 favor of LSI as to this claim is appropriate.

26
27 *C. 30,000 RSUs*

28 The Court will address this claim in conjunction with Day’s request for summary

1 judgment as to this claim.

2
3 VI. *Count III: Breach of Implied Covenant of Good Faith and Fair Dealing*

4 “Arizona law implies a covenant of good faith and fair dealing in every contract.” *Bike*
5 *Fashion Corp. v. Kramer*, 202 Ariz. 420, 46 P.3d 431, 434 (App. 2002) (quoting *Rawlings*
6 *v. Apodaca*, 151 Ariz. 149, 726 P.2d 565, 569 (Ariz.1986)). “Such implied terms are as
7 much a part of a contract as are the express terms.” *Wells Fargo Bank v. Ariz. Laborers,*
8 *Teamsters & Cement Masons Local No. 395 Pension Trust Fund*, 201 Ariz. 474, 38 P.3d 12,
9 28 (Ariz.2002). The purpose of this covenant is so “neither party will act to impair the right
10 of the other to receive the benefits which flow from their agreement or contractual
11 relationship.” *Bike Fashion*, 46 P.3d at 434 (internal quotation marks omitted) (quoting
12 *Rawlings*, 726 P.2d at 569–70)). This covenant “guarantees the protection of the parties’
13 reasonable expectations,” and is breached either “by exercising express discretion in a way
14 inconsistent with a party’s reasonable expectations and by acting in ways not expressly
15 excluded by the contract’s terms but which nevertheless bear adversely on the party’s
16 reasonably expected benefits of the bargain.” *Id.* at 434–35. However, “an implied
17 covenant of good faith and fair dealing cannot directly contradict an express contract term.”
18 *Id.* at 434–35.

19 Additionally employment contracts “contain[] an implied-in-law covenant of good
20 faith and fair dealing that requires ‘neither party do anything that will injure the right of the
21 other to receive the benefits of their agreement.’” *Nelson v. Phoenix Resort Corp.*, 888 P.2d
22 1375, 1384 (App.1994) (quoting *Wagenseller v. Scottsdale Memorial Hospital*, 147 Ariz.
23 370, 383, 710 P.2d 1025, 1038 (1985) (superseded in part by A.R.S. § 23-1501)). But, the
24 covenant of good faith and fair dealing “‘does not create a duty for the employer to terminate
25 the employee only for good cause,’” nor does it “‘protect the employee from a “no-cause”
26 termination.’” *Consumers Int’l, Inc. v. Sysco Corp.*, 191 Ariz. 32, 37, 951 P.2d 897, 902
27 (App. 1997) (quoting *Wagenseller*, 710 P.2d at 1038). A claim for breach of the implied
28 covenant may be viable if a plaintiff is alleging that conduct other than the termination itself

1 breached the covenant. *See, e.g., Comeaux v. Brown & Williamson Tobacco Co.*, 915 F.2d
2 1264, 1272 (9th Cir.1990).

3 Because Day seeks punitive and exemplary damages, LSI argues that Day is bringing
4 his breach of implied covenant of good faith and fair dealing claim as a tort claim. LSI
5 argues that such a claim, based on a special relationship, does not exist under Arizona law.
6 *Nelson v. Phoenix Resort Corporation*, 188 Ariz. 188, 198, 888 P.2d 1375, 1385 (App.
7 1997). This Court agrees and, to any extent Day seeks recovery as a tort, summary judgment
8 in favor of LSI will be granted. However, Day also alleged he “has suffered and continues
9 to suffer substantial losses in earnings, stock grants, stock options, restricted stock units,
10 retirement benefits, and other employee benefits that he would have received had LSI not
11 breached the agreement.” (Doc. 74, p. 8). This allegation, in conjunction with Day seeking
12 actual, general and compensatory damages indicates Day is also seeking relief based on a
13 contract theory. However, although a two year statute of limitations applies to claims for a
14 breach of an implied covenant of good faith and fair dealing, *see e.g. Manterola v. Farmers*
15 *Ins. Exchange*, 200 Ariz. 572, 30 P.3d 639 (2001), because Day’s claim is based on a
16 contract theory, a one year statute of limitations applies. A.R.S. § 12-541; *Fallar v.*
17 *Compuware Corp.*, 202 F.Supp.2d 1067 (D.Ariz. 2002). The Court finds Day did not timely
18 file this litigation. Moreover, to the extent Day’s claim is based on a contract theory, the
19 Court has previously addressed whether there are genuine material issues of fact in dispute
20 as to Day’s contract claims. Summary judgment in favor of LSI on this count is appropriate.

21
22 VII. *Count IV: Violation of Corporate Handbook Policies*

23 In Arizona, because at-will employment relationships are contractual, “the parties are
24 free to create a different relationship beyond one at will ‘and define the parameters of that
25 relationship, based upon the totality of their statements and actions.’” *Demasse v. ITT Corp.*,
26 194 Ariz. 500, 505, 984 P.2d 1138, 1143 (1999) (quoting *Wagner v. City of Globe*, 150 Ariz.
27 82, 86, 722 P.2d 250, 254 (1986)). An implied-in-fact contract term is one that is inferred
28 from the statements or conduct of the parties and becomes as enforceable as an express term.

1 *Wagenseller*, 147 Ariz. at 381, 710 P.2d at 1036 (citing 1 Arthur L. Corbin, Corbin on
2 Contracts § 17, at 38 (1960)).

3 “[I]mplied-in-fact terms may be found in an employer's policy statements regarding
4 job security or employee disciplinary procedures, such as those contained in personnel
5 manuals or memoranda.” *Roberson v. Wal-Mart Stores, Inc.*, 202 Ariz. 286, 290, 44 P.3d
6 164, 169 (App. 2002) (citations omitted). Indeed, “[w]hether there is a promise of job
7 security or certain disciplinary procedures implied-in-fact by an employer through its
8 personnel manual or otherwise is a question of fact.” *Id.*

9 Arizona does recognize, however, that not all handbook terms create contractual
10 promises. “A statement is contractual only if it discloses ‘a promissory intent or [is] one that
11 the employee could reasonably conclude constituted a commitment by the employer. If the
12 statement is merely a description of the employer's present policies . . . it is neither a promise
13 nor a statement that could reasonably be relied upon as a commitment.” *Demasse*, 194
14 Ariz. at 505 (citation omitted). “When an employer chooses to include a handbook statement
15 ‘that the employer should reasonably have expected the employee to consider as a
16 commitment from the employer,’ that term becomes an offer to form an implied-in-fact
17 contract and is accepted by the employee's acceptance of employment. *Id.* (citation omitted).
18 Indeed, “handbooks can include a variety of non-promissory information for employees.”
19 *Id.* (citation omitted).

20 In at least one filing, LSI has asserted that it did not have an employee handbook
21 during Day's employment. (Doc. 99-1, Ex. F). However, Day has testified that he was
22 provided with web links to LSI's internal network where he could access such information.
23 (Day Depo. 91:9-14). Moreover, Day was not the only LSI employee that viewed the online
24 information as a handbook. (Huber Depo. 152:14-16). Day asserts LSI violated its own
25 policies as to document retention and investigation of discriminatory conduct. However,
26 there is no evidence before the Court that the Handbook included any language that indicated
27 a promissory intent or that employees could reasonably conclude constituted a commitment
28 by LSI. Alternatively, there is no evidence before the Court that the Handbook included any

1 language of limitation or a disclaimer that the Handbook does not provide any implied-in-fact
2 contractual requirements. *See e.g. Thomas v. Garrett Corp.*, 744 F.Supp. 199 (D.Ariz. 1989).

3 In asserting a breach of corporate handbook policy claim, Day is essentially making
4 a breach of contract claim. There must not only be a genuine factual dispute as to whether
5 there was a corporate handbook that was breached, but there must also be a genuine dispute
6 as to whether resulting damages exist. *Chartone, Inc. v. Bernini*, 207 Ariz. 162, 170, 83 P.3d
7 1103, 1111 (App.2004) (citing *Thunderbird Metallurgical, Inc. v. Ariz. Testing Lab.*, 5
8 Ariz.App. 48, 423 P.2d 124 (1967)).

9 Here, Day argues LSI breached the Handbook by not following its own document
10 retention policies and by failing to investigate the allegations of discriminatory conduct. The
11 Court notes that Day has not pointed to any provision in LSI's policies that require
12 investigations into employee complaints to be documented. Moreover, Day reported the
13 alleged discriminatory conduct on Friday, October 15, 2010, and tendered his resignation on
14 Monday, October 18, 2010. Any implied-in-fact contractual relationship between LSI and
15 Day ended when the employment relationship was terminated. In other words, there was no
16 realistic opportunity for LSI to investigate the alleged discriminatory conduct while any
17 implied-in-fact contractual relationship existed. Similarly, Day alleges LSI did not comply
18 with its own document retention policies after LSI was advised of potential litigation – again,
19 after any implied-in-fact contractual relationship ended. The Court finds summary judgment
20 in favor of LSI is appropriate as to this claim.

21
22 VIII. *Count V: Intentional and/or Negligent Infliction of Emotional and Physical Distress*

23 As to a claim for intentional infliction of emotional distress, a plaintiff must establish
24 (1) the conduct of defendant was “extreme” and “outrageous,” (2) defendant intended to
25 cause emotional distress or recklessly disregarded the near certainty that such conduct would
26 result from his conduct, and (3) severe emotional distress did occur as a result of defendant's
27 conduct. *Citizen Publishing Co. v. Miller*, 210 Ariz. 513, 517, 115 P.3d 107, 111 (2005);
28 *Wells Fargo Bank v. Arizona Laborers, Teamsters, and Cement Masons Local No. 395*

1 *Pension Trust Fund*, 201 Ariz. 474, 38 P.3d 12 (2002) (discussing difference between
2 negligent and intentional torts). The acts must be "so outrageous in character and so extreme
3 in degree, as to go beyond all possible bounds of decency, and to be regarded as atrocious
4 and utterly intolerable in a civilized community." *Mintz v. Bell Atlantic Systems Leasing*
5 *International, Inc.*, 183 Ariz. 550, 554, 905 P.3d 559, 563 (App. 1995) (quotation omitted).
6 Further, the defendant must either intend to cause emotional distress or recklessly disregard
7 the near certainty that such distress will result from his conduct. *Ford v. Revlon*, 153 Ariz.
8 38, 43, 734 P.2d 580 (1987).

9 " [I]t is extremely rare to find conduct in the employment context that will rise to the
10 level of outrageousness necessary to provide a basis for recovery for the tort of intentional
11 infliction of emotional distress." *Mintz*, 183 Ariz. at 554 (quoting *Cox v. Keystone Carbon*
12 *Co.*, 861 F.2d 390, 395 (3d Cir.1988), *cert. denied*, 498 U.S. 811 (1990). However, in *Ford*,
13 the Court found that the "failure of an employer to promptly investigate complaints of sexual
14 harassment is significant in making a determination to impose liability on an employer for
15 its supervisors' acts of sexual harassment." 153 Ariz. at 43. In this case, Day testified that
16 he informed Karnik about his incident with Huber. (Day Depo. 248:8 – 251:6). Karnik
17 indicated twice in his deposition that he did not advise Huber of Day's allegations of
18 discrimination by Huber regarding Day's skin color (Karnik Depo. 18:18-19:11; 21:11), but
19 also stated he did discuss these issues with Huber. (Karnik Depo. 24:4-6). Moreover, Karnik
20 testified that he discussed with Huber what happened during the meeting with IBM and
21 raised the issue with White. (Karnik Depo. 18:6 – 21:16; 24:4-14). White testified that he
22 investigated Day's claims. (White Depo. 62:8-10). White and Huber disagree whether this
23 investigation included a discussion between White and Huber. (White Depo. 62:11-21;
24 Huber Depo. 146:12 – 150:9). Indeed, Huber testified that he was unaware of any
25 complaints regarding his comments until receiving a letter from Day's counsel detailing the
26 allegations. (Huber Depo. 146:12 – 149:19). Further, Huber testified that neither White nor
27 other HR personnel had asked him about the incident and he did not provide a statement
28 around the time of the incident. (Huber Dep. 147:13 – 150:9). Additionally, Huck

1 acknowledged any investigation was not documented, although the normal practice is to
2 document an investigation. (Huck Depo. 111:1-3). Further, White testified that he did not
3 document his investigation in any way (White Depo. 62:22-24; 68:23-25), and never
4 followed up with Day (White Depo. 68:19-22).

5 Day was not further questioned and Huber also was not questioned. However, Day
6 submitted his resignation on the first business day after reporting the alleged discriminatory
7 conduct. This case does not present the repetitive and more extreme conduct that was at
8 issue in *Ford*. Accepting Day's allegations as true, LSI's failure to thoroughly investigate
9 Day's complaints, especially in light of Day's resignation, does not constitute extreme and
10 outrageous conduct. Moreover, although Day testified that he had suffered both emotionally
11 and physically as a result of LSI's conduct (Day Depo. 290:10 – 294:13), there is no
12 evidence before the Court that Day suffered severe emotional distress.

13 As to Day's claim of negligent infliction of emotional distress, Arizona law provides,
14 with certain exceptions, that workers' compensation is the exclusive remedy for negligence
15 claims against employers. A.R.S. § 23-1022; *Mack v. McDonnell Douglas Helicopter Co.*,
16 179 Ariz. 627, 880 P.2d 1173 (App. 1994); *Swichtenberg v. Brimer*, 171 Ariz. 77, 82, 828
17 P.2d 1218, 1223 (App. 1991). Although Day argues *Ford* rejected such an argument, *Ford*
18 was discussing an intentional infliction of emotional distress claim rather than a negligent
19 infliction of emotional distress claim. The Court finds summary judgment in favor of LSI
20 is appropriate as to this claim.

21
22 IX. *Count VI: Interference with Contractual Relations*

23 “To recover for tortious interference under Arizona law, [Day] must prove: (1) the
24 existence of a valid contractual relationship; (2) [LSI's] knowledge of the relationship; (3)
25 [LSI's] intentional interference in inducing or causing the breach; (4) the impropriety of
26 [LSI's] interference; and (5) resulting damages.” *MDY Industries, LLC v. Blizzard*
27 *Entertainment, Inc.*, 629 F.3d 928, 955 (9th Cir. 2011) (citation omitted); *see also Safeway*
28 *Ins. Co. v. Guerrero*, 210 Ariz. 5, 106 P.3d 1020 (2005).

1 Day alleges that LSI knowingly and intentionally interfered with his business
2 relationship with IBM. Day asserts LSI fraudulently assured him of various benefits,
3 promotions, and enhancements with the improper motive of causing Day to abandon his
4 relationship with IBM. However, Day testified that he did not have a written employment
5 agreement with IBM; rather, he testified that he felt he had verbal agreements with IBM that
6 if he “continued to be a good high-performing employee, [he] would continue to be
7 employed.” (Day Depo. 46:2-5). Additionally, Day testified that he was seeking other
8 employment opportunities because his IBM pension plan had vested, (Day Depo. 25:21-25),
9 and that he had approached LSI about employment (Day Depo. 37:15-17).

10 While there may be a dispute as to whether Day’s understanding of his relationship
11 with IBM sufficiently establishes a contract, there is no evidence that LSI’s intentional
12 interference induced or caused the breach. Day gave LSI permission to contact IBM and
13 terminated his relationship with IBM prior to the offer from LSI. Additionally, there is no
14 genuine issue in dispute as to whether LSI acted improperly. In analyzing whether an actor’s
15 conduct is improper, Arizona courts have identified seven factors to be considered:

16 (a) the nature of the actor's conduct, (b) the actor's motive, (c) the interests of the other
17 with which the actor's conduct interferes, (d) the interest sought to be advanced by the
18 actor, (e) the social interests in protecting the freedom of action of the actor and the
contractual interests of the other, (f) the proximity or remoteness of the actor's
conduct to the interference, and (g) the relations between the parties.

19 *Wells Fargo Bank v. Arizona Laborers, Teamsters & Cement Masons Local No. 395 Pension*
20 *Trust Fund*, 201 Ariz. 474, 494, 38 P.3d 12, 32 (2002), as corrected (Apr. 9, 2002) (quoting
21 *Wagenseller*, 147 Ariz. at 387). Further, “if [an] interferer is to be held liable for committing
22 a wrong, his liability must be based on more than the act of interference alone. Thus, there
23 is ordinarily no liability absent a showing that defendant's actions were improper as to motive
24 or means.” *Wagenseller*, 147 Ariz. at 388. Here, Day testified that he believed Bullinger
25 was acting in good faith. There is no evidence before the Court that LSI was acting in any
26 way other than to hire Day on terms agreeable to both parties, Day’s interest in continuing
27 employment with IBM was tempered by his seeking other employment, and LSI’s actions
28 occurred after Day had already decided to seek other employment.

1 Moreover, society has an interest in the Court not imposing undesirable restrictions
2 on freedom of competition. *Bar J Bar Cattle Co. v. Pace*, 158 Ariz. 481, 484, 763 P.2d 545,
3 548 (App. 1988) (citing Dobbs, *Tortious Interference With Contractual Relationships*, 34
4 Ark.L.Rev. 335, 344-63 (1980); *Restatement (Second) of Torts* § 768 comment b (1977)).
5 Indeed, the Court of Appeals of Arizona has recognized that the “*Restatement (Second) of*
6 *Torts* § 768(1)(d) adopts the rule that a competitor does not act improperly if his purpose at
7 least in part is to advance his own economic interests.” *Bar J Bar Cattle Co.*, 158 Ariz. at
8 485. Here, LSI had a legitimate interest in advancing its own interests (in discussions with
9 Day and LSI) about possible employment for Day. Any improper motive of LSI is only
10 speculative. Whether Day’s claim is couched as interference with a contractual relationship
11 or a business expectancy, the lack of evidence, rather than speculation, of an improper motive
12 supports summary judgment in favor of LSI as to the interference with contractual
13 relationship.

14
15 X. *Count VII: Constructive Discharge*

16 “Constructive discharge occurs when the employer’s conduct effectively forces an
17 employee to resign.” *Ross v. Arizona State Personnel Bd.*, 185 Ariz. 430, 432 n. 1, 916 P.2d
18 1146, 1148 n. 1 (App. 1995), *quoting Turner v. Anheuser-Busch, Inc.*, 7 Cal.4th 1238, 1244,
19 32 Cal.Rptr.2d 223, 876 P.2d 1022, 1025 (1994). In Arizona, constructive discharge is
20 shown by either of the following:

21 1. Evidence of objectively difficult or unpleasant working conditions to the extent
22 that a reasonable employee would feel compelled to resign, if the employer has been
23 given at last fifteen days’ notice by the employee that the employee intends to resign
because of these conditions and the employer fails to respond to the employees
concerns.

24 2. Evidence of outrageous conduct by the employer or a managing agent of the
25 employer, including sexual assault, threats of violence directed at the employee, a
26 continuous pattern of discriminatory harassment by the employer or by a managing
agent of the employer or other similar kinds of conduct, if the conduct would cause
a reasonable employee to feel compelled to resign.

27 A.R.S. § 23-1502(A); *see also Civil Rights Div. of the Ariz. Dept. of Law v. Vernick*
28 *Plumbing and Heating Co.*, 132 Ariz. 84, 86-87, 643 P.2d 1054, 1056-57 (App. 1982)

1 (finding no constructive discharge when employee was screamed at by her supervisor,
2 perceived a “great deal of tension in the air,” had her desk given to a new employee and
3 received no further assignments). “A claim of constructive discharge requires proof that the
4 plaintiff’s ‘working conditions were so intolerable that a reasonable person would have been
5 compelled to resign.” *MacLean v. State Dept. of Educ.*, 195 Ariz. 235, 245, 986 P.2d 903,
6 913 (App. 1999), *quoting Rabinovitz v. Pena*, 89 F.3d 482 (7th Cir. 1996). However, “‘not
7 everything that makes an employee unhappy is an actionable adverse action.’” *Id.*, *quoting*
8 *Smart v. Ball State Univ.*, 89 F.3d 437, 441 (7th Cir. 1996); *see also Watson v. Nationwide*
9 *Ins. Co.*, 823 F.2d 360, 361 (9th Cir. 1987) (a “‘single isolated instance’ of employment
10 discrimination is insufficient as a matter of law to support a finding of constructive
11 discharge”).

12 The evidence before the Court includes Day’s testimony that, on one occasion, Huber
13 made offensive comments regarding Hispanics, including Day, and spoke of Day in a
14 belittling manner (while meeting with IBM personnel). (Day Depo. 238:1– 244:3). Day also
15 testified that he believed Huber’s comments regarding Hispanics, Huber’s repeated questions
16 about Day understanding his job and responsibilities, and Huber’s tone in speaking to him
17 indicates LSI was trying “get rid of [him]” (Day Depo. 239:19 – 246:5). Day argues that
18 when Karnik was seeking details of the discussion with Huber, Karnik stating “that’s
19 unfortunate,” and Karnik appearing eager for Day to resign further establishes LSI was
20 seeking Day’s resignation. (Day Depo. 248:8-25). Day also points out that Bullinger curtly
21 told Day that if he felt he did not have a job, he should just resign. (Day Depo. 252:7-24).
22 Additionally, Day points to LSI’s reduction of Day’s management duties as an indication that
23 LSI sought Day’s termination.

24 LSI argues, however, that the conduct testified to by Day does not constitute
25 egregious working conditions such that a reasonable person would be compelled to quit.
26 Indeed, Day testified to only one discriminatory conversation. The evidence presented to the
27 Court does not establish that Day’s working conditions “were so poor that they trumped his
28 motivation to earn a living.” *Poland v. Chertoff*, 494 F.3d 1174, 1185 (9th Cir. 2007). Just

1 as in *Poland* where the employee continued to work for months after he alleged the situation
2 was egregious, Day alleges multiple instances of conduct that he argues shows discriminatory
3 conduct, but did not resign for months after those instances. The exception to this is that Day
4 resigned his position shortly after complaining of Huber's comments. However, Day
5 resigned before affording LSI a reasonable opportunity to investigate the complaint and only
6 after he received an offer for a higher-paying job. Moreover, even also considering the
7 change in Day's responsibilities, this does not establish a factual dispute that a constructive
8 discharge occurred. *See Poland*, 494 F.3d at 1185 (change in position with no decrease in
9 salary or benefits weighs against a finding of constructive discharge). Lastly, the Court does
10 not find the additional comments to Day (which Day perceived as belittling), which were not
11 discriminatory, sufficiently establishes a factual dispute that Day was constructively
12 discharged. *See Thomas v. Douglas*, 877 F.2d 1428, 1434 (9th Cir. 1989) (while employee
13 may reasonably feel personal discomfort, that does not establish constructive discharge).

14 Summary judgment in favor of LSI is appropriate as to Day's constructive discharge
15 claim.¹⁰

16
17 *XI. Count VIII: Discrimination*

18 A plaintiff claiming disparate treatment must prove that the employer acted with a
19 discriminatory motive: "That is, the plaintiff's [race or national origin] must have actually
20 played a role in the employer's decisionmaking process and had a determinative influence
21 on the outcome." *Reeves v. Sanderson Plumbing*, 530 U.S. 133, 141, 120 S.Ct. 2097, 2105
22 (2000), internal quotes omitted. A disparate treatment discrimination claim may be proved
23 by direct, statistical, or circumstantial evidence that gives rise to an inference of inappropriate
24 discrimination. *Ritter v. Hughes Aircraft Co.*, 58 F.3d 454, 457 (9th Cir. 1995); *Radue v.*

25
26 _____
27 ¹⁰It is not clear if Day is arguing that LSI did not adequately move for summary
28 judgment of the constructive discharge claim based upon discriminatory animus. *See Day*
Response to MSJ (Doc. 211, p. 17, n. 4). To any extent he is, the Court finds LSI has
adequately moved for summary judgment of the constructive discharge claim.

1 *Kimberly-Clark Corp.*, 219 F.3d 612, 616 (7th Cir. 2000) ("Direct evidence essentially
2 requires an admission by the decision-maker that his actions were based on the prohibited
3 animus"). Where a disparate treatment claim is proved by circumstantial evidence, the three-
4 step, burden-shifting analysis of *McDonnell Douglas Corp. v. Green*, 411 U.S. 972, 93 S.Ct.
5 1817 (1973), is used.

6 The initial burden of production is on Day to establish a *prima facie* case of
7 discrimination under the burden-shifting analysis. *Villiarimo v. Aloha Island Air, Inc.*, 281
8 F.3d 1054, 1062 (9th Cir. 2002). Generally, to establish a *prima facie* case, a plaintiff must
9 show that "(1) [he] belongs to a protected class; (2) [he] was performing according to [his]
10 employer's legitimate expectations; (3) [he] suffered an adverse employment action, and (4)
11 other employees with qualifications similar to [his] own were treated more favorably."
12 *Godwin v. Hunt Wesson, Inc.* 150 F.3d 1217, 1220 (9th Cir. 1998); *Vasquez v. County of Los*
13 *Angeles*, 349 F.3d 634 (9th Cir. 2004). However, the Supreme Court noted in *McDonnell*
14 *Douglas* that, because the facts vary in Title VII cases, the four factors may not be
15 necessarily applicable in all situations. 411 U.S. at 802 n. 13, 93 S.Ct. at 1824 n. 13.
16 Additionally, "very little evidence [is required] to survive summary judgment in a
17 discrimination case, because the ultimate question is one that can only be resolved through
18 a 'searching inquiry' – one that is most appropriately conducted by the fact finder upon a full
19 record. *Lam v. Univeristy of Hawaii*, 40 F.3d 1551, 1564 (9th Cir. 1994).

20 Here, the parties disagree whether there is a factual dispute as to whether Day was
21 subject to an adverse action. Day testified he was never disciplined, never written up, and
22 he never had any change in his pay or benefits. (Day Depo. 246:6 – 247:2). Further, LSI
23 points out that, although Day's role at LSI changed, he was never technically demoted; this
24 was a common occurrence at LSI. (Karnik Depo. 71:19 – 76:22). Day argues, however, that
25 the events that occurred represent a demotion. For example, although Day had been Huber's
26 superior, he subsequently reported to Huber without Day having been demoted or Huber
27 having been promoted. (Karnik Depo. 75:15 – 76:11). Additionally, Huber testified that
28 other employees might perceive the supervisory change as a demotion. (Huber Depo. 20:10

1 – 21:6). The Court finds there is a genuine material issue in genuine dispute as to whether
2 Day suffered an adverse action.

3 However, LSI argues that a number of discrete discriminatory acts alleged by Day are
4 time-barred: (1) March 4, 2009: Day receives his first formal performance evaluation and
5 is “frustrated” regarding bonus and stock decisions; (2) February 16, 2010 – March, 23,
6 2010: Day communicates with LSI about an issue regarding his March 2009 stock grant; (3)
7 March 5, 2010: Day expresses disappointment that he will not be made a Vice President; (4)
8 March 9, 2010: Day learns about his performance evaluation, new salary, bonus, RSU grants,
9 and stock options and is “devastated[;]” (5) April 20, 2010: LSI announces Day has become
10 the Director of Special Projects. (LSI MSJ, Doc. 179, pp. 17-18). Specifically, a plaintiff
11 must “file a charge with the EEOC within 180 days of the last act of alleged discrimination,”
12 unless a state or local agency enforces a law that prohibits employment discrimination on the
13 same basis, in which case the plaintiff must file an EEOC charge within 300 days of the last
14 act of alleged discrimination. *Santa Maria v. Pac. Bell*, 202 F.3d 1170, 1176 (9th Cir.2000).
15 The Arizona Civil Rights Division enforces a law prohibiting employment discrimination;
16 accordingly, the 300–day time limit in Title VII applies to Plaintiff's claims. See 42 U.S.C
17 § 2000e–5(e)(1); 42 U.S.C. § 12117(a) (incorporating the enforcement procedures set forth
18 at 42 U.S.C. § 2000e–5). Day argues, however, that the discriminatory acts were part of an
19 ongoing pattern of discrimination. However, “[a]s the Supreme Court explained,
20 pattern-or-practice claims cannot be based on ‘sporadic discriminatory acts’ but rather must
21 be based on discriminatory conduct that is widespread throughout a company or that is a
22 routine and regular part of the workplace.” *Cherosky v. Henderson*, 330 F.3d 1243, 1247
23 (9th Cir. 2003) (*quoting Int'l Bhd. of Teamsters v. United States*, 431 U.S. 324, 336 (1977)).
24 Day has not pointed to any evidence that establishes a factual dispute as to widespread or
25 routine discriminatory conduct. The Court finds Day’s claims for specific discriminatory
26 acts must have occurred no more than 300 days before April 7, 2011, when Day submitted
27 his EEOC charge. Therefore, the Court finds that Day’s claims regarding specific
28 discriminatory acted that occurred prior to June 11, 2010 are time-barred.

1 However, the disputed “demotion” occurred in July of 2010. The Court finds Day has
2 established a *prima facie* case of discrimination as to this alleged adverse action. However,
3 LSI argues that it legitimate, nondiscriminatory reasons based on business needs and business
4 conditions for the decisions regarding Day’s employment. *See e.g., Surrell v. California*
5 *Water Serv. Co.*, 518 F.3d 1097, 1106 (9th Cir. 2008). Moreover, Day has not shown a
6 genuine issue of material fact is in dispute that LSI’s proffered reasons are merely a pretext
7 for discrimination. *Id.* Rather, the evidence establishes that Day agreed LSI needed someone
8 in the position that he was given and that he was a good candidate for the job. The Court
9 finds summary judgment in favor of LSI is appropriate as to this claim.

10 However, Day has also alleged a hostile work environment. The Supreme Court
11 distinguished two types of actions that may be brought under Title VII: “discrete
12 discriminatory acts” and claims alleging a “hostile work environment.” *Nat’l R.R. Passenger*
13 *Corp. v. Morgan*, 536 U.S. 101, 110 (2002). Because the series of acts that create a hostile
14 environment collectively constitute one unlawful employment practice under Title VII, an
15 employee timely files an EEOC charge if the employee files the charge within 300 days of
16 one of the acts that constitute part of the hostile work environment charge, “[p]rovided that
17 an act contributing to the claim occurs within the filing period, the entire time period of the
18 hostile environment may be considered by a court for the purposes of determining liability.”
19 *Morgan*, 536 U.S. at 115. Day’s hostile work environment claim, therefore, is not time-
20 barred.

21 Hostile-work-environment claims “involve[] repeated conduct” and require the
22 plaintiff to demonstrate that “the workplace is permeated with discriminatory intimidation,
23 ridicule, and insult that is sufficiently severe and pervasive to alter the conditions of the
24 victim's employment and create an abusive working environment.” *Morgan*, 536 U.S. at
25 115–16 (internal quotation marks omitted). To determine if conduct is a part of the same
26 unlawful employment practice under the hostile-work-environment doctrine, a court is to
27 consider whether the conduct was “‘sufficiently severe or pervasive,’ and whether the earlier
28 and later events amounted to the ‘same type of employment actions, occurred relatively

1 frequently, or were perpetrated by the same managers.” *Porter v. California Dept. of*
2 *Corrections*, 419 F.3d 885, 893 (9th Cir.2005) (quoting *Morgan*, 536 U.S. at 116, 120).

3 “An employer is liable under Title VII for conduct giving rise to a hostile environment
4 where the employee proves (1) that he was subjected to verbal or physical conduct of a
5 harassing nature, (2) that this conduct was unwelcome, and (3) that the conduct was
6 sufficiently severe or pervasive to alter the conditions of the victim's employment and create
7 an abusive working environment.” *Kortan v. California Youth Authority*, 217 F.3d 1104,
8 1109 (9th Cir.2000) (quoting *Pavon v. Swift Trans. Co.*, 192 F.3d 902, 908 (9th Cir.1999)).
9 The “objectionable environment must be both objectively and subjectively offensive, one
10 that a reasonable person would find hostile or abusive, and one that the victim in fact did
11 perceive to be so.” *Id.* (quoting *Montero v. AGCO Corp.*, 192 F.3d 856, 860 (9th
12 Cir.1999)). In determining whether the alleged objectionable conduct is sufficiently severe
13 or pervasive, “courts consider all the circumstances, including the frequency of the allegedly
14 discriminatory conduct, its severity, and whether it unreasonably interferes with an
15 employee's work performance.” *Surrell v. California Water Service Co.*, 518 F.3d 1097,
16 1109 (9th Cir.2008). “Simply causing an employee offense based on an isolated comment
17 is not sufficient to create actionable harassment under Title VII.” *McGinest v. GTE Service*
18 *Corp.*, 360 F.3d 1103, 1113 (9th Cir.2004). Rather, as previously stated, a plaintiff must
19 show that the workplace was “permeated with discriminatory intimidation, ridicule, and
20 insult” to demonstrate that it was sufficiently hostile or abusive to establish an actionable
21 harassment claim. *Harris v. Forklift Systems, Inc.*, 510 U.S. 17, 21 (1993). “However, the
22 harassment need not cause diagnosed psychological injury.” *Id.* “It is enough if such hostile
23 conduct pollutes the victim's workplace, making it more difficult for [him] to do [his] job,
24 to take pride in [his] work, and to desire to stay on in [his] position.” *Id.* (citation omitted).

25 In this case, there is a factual dispute as to what occurred during the conversation
26 between Huber and Day on October 13, 2000. The Court accepts the version as stated by
27 Day for purposes of the summary judgment proceedings. In this hostile work environment
28 claim, the Court also considers all acts alleged by Day as at least one is not time-barred. Day

1 argues the events, including the conversation with Huber, the stripping of Day’s job duties
2 and supervisory roles without any explanation or justification, and the disputes between LSI
3 and Day regarding the bonus and stock decisions and Vice President title, establish a hostile
4 work environment. However, other than the one conversation between Day and Huber, the
5 acts cannot be said to have been verbally or physically abusive. The Court finds a reasonable
6 person would not find this a hostile or abusive environment, i.e., that the acts were severe or
7 pervasive. See e.g. *Kortan v. California Youth Authority*, 217 F.3d 1104 (9th Cir.2000)
8 (plaintiff failed to sustain a hostile work environment claim based on: (1) a supervisor calling
9 female employees “castrating bitches,” “Madonnas,” or “Reginas” on multiple occasions in
10 the plaintiff’s presence; (2) the plaintiff’s supervisor calling the plaintiff “Medea;” and (3)
11 sending her postcards at home); *Vasquez v. County of Los Angeles*, 349 F.3d 634 (9th Cir.
12 2003) (no racially hostile work environment claim where the supervisor made only two
13 derogatory comments about the plaintiff in a six-month period); *Sanchez v. City of Santa*
14 *Ana*, 936 F.2d 1027, 1037 (9th Cir. 1990) (holding that no reasonable jury could find a
15 hostile work environment existed even though plaintiff alleged the employer posted a racially
16 offensive cartoon, made racially offensive slurs, and targeted Latinos when enforcing rules);
17 *Manatt v. Bank of Am.*, 339 F.3d 792, 798 (9th Cir. 2003) (conduct was not severe or
18 pervasive even though plaintiff alleged her coworkers often made racially insensitive
19 comments such as “China man,” made derogatory comments regarding China and
20 communism, made fun of the plaintiff’s accent, and “pulled their eyes back with their fingers
21 in an attempt to imitate or mock the appearance of Asians”). Summary judgment in favor
22 of LSI is appropriate as to Day’s hostile work environment claim.

23 Additionally, Day argues LSI does not move for summary judgment on his state law
24 claim for discrimination and that summary judgment on discrimination claims under state law
25 is not appropriate. However, Day’s discrimination count in the Amended Complaint refers
26 to federal statutes without any reference to state law. The Court finds there is no state law
27 claim for discrimination pending.

28

1 XII. *Count IX: Retaliation*

2 LSI argues that Day’s retaliation claim fails because he failed to assert a retaliation
3 claim in his Charge of Discrimination that gave rise to this lawsuit. 42 U.S.C. § 2000e-5(f).
4 Discrimination claims are limited by the charge filed with the EEOC. *Freeman v. Oakland*
5 *Unified Sch. Dist.*, 291 F.3d 632, 636-38 (9th Cir. 2002). “Incidents of discrimination not
6 included in an EEOC charge may not be considered by a federal court unless the new claims
7 are like or reasonably related to the allegations contained in the EEOC charge.” *Green v.*
8 *L.A. Cty. Superintendent*, 883 F.2d 1472, 1475-76 (9th Cir. 1989) (citations omitted). In
9 deciding whether the allegations in a civil action are “like or reasonably related” to an
10 administrative charge of discrimination, a court must determine whether the original
11 investigation would have encompassed the new charges in the civil action. *Id.* (citations
12 omitted). “In determining whether the exhaustion requirement has been satisfied, it is
13 appropriate to consider such factors as the alleged basis of the discrimination, dates of
14 discriminatory acts specified within the charge, perpetrators of discrimination named in the
15 charge, and any locations at which discrimination is alleged to have occurred. The crucial
16 element of a charge of discrimination is the factual statement contained therein.” *Freeman*,
17 291 F.3d at 636 (internal quotations and citation omitted).

18 Here, in Day’s Charge of Discrimination, he “checked” the discrimination based on
19 color, national origin, and age boxes. He did not “check” the retaliation box. However, his
20 factual summary includes:

21 * * * * *

22 When this treatment continued, I reported the matter to Mr. Ian White, Director of
23 Human Resources. I also reported that a sexually offensive video was being played
24 at the company. After reporting these issues, nothing was done and my treatment
worsened. Instead it was suggested that I resign . . .

25 * * * * *

26 (Day Depo. Ex. 45). The Court finds the original investigation would have encompassed the
27 retaliation charge.

28 Title VII prohibits an employer from “discriminat[ing] against any of his employees

1 . . . because he has opposed any practice made an unlawful employment practice by this
2 subchapter.” 42 U.S.C. § 2000e-3(a). Title VII retaliation claims “require the plaintiff to
3 prove that the employer acted with conscious intent to discriminate.” *McDonnell Douglas*,
4 411 U.S. at 805-06; *see also Yartzoff v. Thomas*, 809 F.2d 1371, 1375 (9th Cir.1987) (citing
5 *Ruggles v. Cal. Polytechnic State Univ.*, 797 F.2d 782, 784 (9th Cir.1986)) (The *McDonnell*
6 *Douglas* framework and allocation of proof that governs disparate treatment claims also
7 governs retaliation claims.). Specifically, a plaintiff must show: (1) engagement in a
8 protected activity; (2) an adverse employment action; and (3) a causal link between the two.
9 *Brooks v. City of San Mateo*, 229 F.3d 917, 928 (9th Cir. 2000).

10 Day argues he has shown retaliation. Specifically, he asserts that LSI admittedly
11 stripped Day of his position at LSI, while failing to advise Human Resources of the actual
12 modifications in his “functional role.” Day Response to MSJ (Doc. 211, p. 28). Indeed, Day
13 asserts he was “relegated to a “debugability assistant” under an employee that he had
14 trained.” *Id.* at 28-29. Day argues that, after he reported discriminatory actions to Karnik,
15 Day was placed into a “special” role of reporting directly to Karnik *Id.* at 29. Day points out
16 that no one – not Karnik, Human Resources, or anyone else – advised of the new position
17 that was manufactured for Day. Further, Day argues that, when he complained to Bullinger
18 about Huber’s actions, LSI disconnected his access to the LSI network. Additionally, Day
19 asserts “Bullinger falsely reported, with the assistance of Paul Bento, that Day had ‘resigned
20 his position’ with LSI!” *Id.* Day argues these actions forced Day to resign as he had “finally
21 realized that he was never going to be treated fairly, and LSI’s ‘investigations’ were
22 smokescreens.” *Id.*

23 However, as to Bullinger falsely reporting Day had resigned being one of the actions
24 that forced Day to terminate his position, Day has not pointed to any evidence that establish
25 that Day knew of Bullinger’s actions prior to his resignation. Further, Day has not presented
26 any authority that termination of access to a network constitutes an adverse action. Here,
27 Day resigned his position, but there is no evidence that LSI took any adverse action against
28 Day between the reporting of the alleged discriminatory conduct on Friday, March 15, 2010,

1 and the resignation on the following Monday, March 18, 2010. Nor is there any evidence
2 that Day knew LSI took any adverse action against Day after he reported the alleged
3 discriminatory conduct but prior to the resignation. The Court finds there is no genuine issue
4 of material fact in dispute that LSI retaliated against Day for reporting the alleged
5 discriminatory conduct.

6 Moreover, to any extent Day’s retaliation claim is based on a March 2009 complaint
7 about a sexually offensive video, there is no sufficient basis to establish a causal connection.
8 Day reported to White in March of 2009 that a sexually offensive video had been shown to
9 Bullinger and Karnik in January of 2009. Day testified that he did not ask White to do
10 anything with the information, albeit because White was not interested. However, Day’s
11 alleged “demotion” did not occur until April 2010, more than one year after Day’s complaint.
12 This lengthy temporal gap between Day’s complaint and LSI’s alleged retaliation bars any
13 inference of a causal connection between the two events. *Cornwell v. Electra Cent. Credit*
14 *Union*, 439 F.3d 1018, 1035 (9th Cir. 2006) (finding that a seven-month gap between an
15 employee's initial complaint and an allegedly retaliatory employment action was too great
16 to support an inference of causation); *Manatt v. Bank of Am., NA*, 339 F.3d 792, 802 (9th Cir.
17 2003) (“While courts may infer causation based on the proximity in time between the
18 protected action and the allegedly retaliatory employment decision, such an inference is not
19 possible in this case because approximately nine months lapsed between the date of
20 [plaintiff]'s complaint and the [defendant]'s alleged adverse decisions.”).

21 Moreover, Day has not presented any evidence of a causal connection between Day
22 reporting his complaint and alleged adverse action. The Court finds Day has not established
23 a *prima facie* showing this activity caused the adverse action as required under *McDonnell*
24 *Douglas*. Summary judgment in favor of LSI as to this claim is appropriate.

25 As to Day’s argument that LSI has not addressed his retaliation claim under Arizona
26 law, a review of Day’s Amended Complaint clearly shows that Day refers to Title VII but
27 not any Arizona law. The Court finds there is not a state retaliation claim pending.
28

1 XIII. *30,000 Stock Grant*

2 Each party argues for summary judgment as to Day's claim for a breach of contract
3 as to the claim for recovery of the 30,000 Shares of LSI stock. Day argues the evidence
4 establishes that LSI promised a Stock Grant to Day of 30,000 RSUs associated with a
5 successful performance evaluation in January of 2009 and that, in March of 2009, an
6 additional Stock Option of 30,000 Shares was issued to Day as a result of his promotion. LSI
7 argues there is no evidence that establishes that a contract for the additional 30,000 RSUs
8 ever existed.

9 The evidence establishes there is a genuine issue as to material facts. Email
10 communications indicate LSI sought to find a January 2009 HRD document or other
11 confirmation that a separate stock award was made or promised to Day. The evidence is not
12 clear that such a document existed or that a separate stock award was made to Day.
13 Conversely, it is not clear that such a document did not exist and that such a separate stock
14 award was not made to Day (e.g., White's testimony could raise an inference a separate
15 document existed). Rather, the evidence establishes that Bullinger may have informed Day
16 of a separate award or Bullinger may have been referring to the promotion award rather than
17 a separate performance award. The evidence before the Court clearly presents a dispute
18 between the testimony of Bullinger and Day. Further, the award of 2,000 RSUs to Day may
19 raise an inference that LSI recognized some mistake or misunderstanding on its part may
20 caused the dispute. Additionally, the evidence establishes that LSI does not use specific
21 delineated definitions for its RSUs, shares, stocks, stock options, or stock grants, which may
22 have lead to a misunderstanding between Bullinger and Day or between Bullinger and other
23 LSI employees as to whether a separate stock award had been promised.

24 However, the Court agrees with LSI that Day has not timely filed this claim. Day first
25 informed Bullinger and White in February of 2010 that he believed he should have received
26 30,000 RSUs in addition to the stock option award of 30,000 Shares that he had received in
27 March of 2009. (Bullinger Dec. ¶ 5; White Dec. ¶ 2). Day testified that, on March 23, 2010,
28 he had a meeting with Bullinger in which he was informed that he was not going to receive

1 the additional 30,000 Shares. (Day Depo. 209:21 – 210:16). This action was not filed under
2 March 31, 2011. In Arizona, a claim for a breach of an oral or written employment contract
3 must be commenced within one year after the cause of action accrues. A.R.S. § 12-541. The
4 Court finds this claim is barred by the statute of limitations and summary judgment in favor
5 of LSI is appropriate.

6
7 Accordingly, IT IS ORDERED:

8 1. Defendant's original Motion for Summary Judgment (Docs. 176) is DENIED
9 AS MOOT.

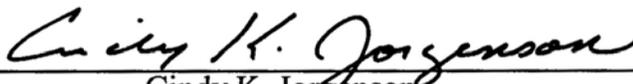
10 2. Plaintiff's Motion for Partial Summary Judgment (Doc. 184) is DENIED.

11 3. Defendant's Motion for Summary Judgment (Doc. 179) is GRANTED.

12 4. Summary Judgment is awarded in favor of Defendant as to Count I: Fraud,
13 Deceit, Misrepresentation and Fraudulent Inducement; Count II: Breach of Contract, as to
14 the claims regarding the employment agreement, the promotion to vice president or fellow,
15 and the 30,000 RSUs; Count III: Breach of Implied Covenant of Good Faith and Fair
16 Dealing; Count IV: Violation of Corporate Handbook Policies ; Count V: Intentional and/or
17 Negligent Infliction of Emotional and Physical Distress; Count VI: Interference with
18 Contractual Relations or Business Expectancy; Count VII: Constructive Discharge; Count
19 VIII: Discrimination as to Day's claim for specific discriminatory acts that occurred prior
20 to June 11, 2010, Day's claims for specific discriminatory acts that occurred on June 11,
21 2010, Day's claim of discrimination as to the "demotion" in July of 2010, and Day's claim
22 of a hostile environment, and; Count IX: Retaliation.

23 6. Summary judgment is awarded in favor of LSI and against Day. The Clerk of
24 Court shall enter judgment and shall then close its file in this matter.

25 DATED this 28th day of March, 2016.

26
27 
28 _____
Cindy K. Jorgenson
United States District Judge