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INFORMATION MEMO
LABOR AND EMPLOYMENT LAW

APRIL 6, 2018

U.S. Supreme Court Rejects Narrow Construction of FLSA Exemptions

On April 2, the U.S. Supreme Court held, in *Encino Motorcars, LLC v. Navarro*, that service advisors at automobile dealerships are exempt from the overtime requirements of the Fair Labor Standards Act. The Court was divided 5-4 on this issue, with Justice Thomas writing the opinion on behalf of the majority and Justice Ginsburg writing the opinion on behalf of the 4 dissenting Justices. The Court reversed a Ninth Circuit Court of Appeals' decision, which found that service advisors were non-exempt employees who were eligible for overtime pay.

One of the exemptions from the overtime pay requirements of the FLSA is an exemption for "any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles . . . if he is employed by a nonmanufacturing establishment primarily engaged in the business of selling such vehicles . . . ." A group of automobile service advisors employed at Encino Motorcars, a Mercedes Benz dealership in California, filed a lawsuit against their employer alleging that they did not fall within this exemption and that they were entitled to overtime pay for hours worked over 40 in a work week.

The general responsibilities of automobile service advisors are to meet with customers, suggest repair and maintenance services, sell new accessories or replacement parts, and follow up with customers after the services are performed. The Court majority found that service advisors are salesman who are primarily engaged in servicing automobiles, because they sell automobile maintenance and repair services. The majority found it to be irrelevant that service advisors do not actually spend most of their time physically repairing automobiles, holding that "the best reading of the statute" is that service advisors fall within the exemption.

What is most notable about the majority opinion is that the Court rejected the view that the exemptions to the FLSA must be construed narrowly. The Court stated:

> The Ninth Circuit also invoked the principle that exemptions to the FLSA should be construed narrowly. We reject this principle as a useful guidepost for interpreting the FLSA. Because the FLSA gives no "textual indication" that its exemptions should be construed narrowly, "there is no reason to give [them] anything other than a fair (rather than a 'narrow') interpretation."

Thus, the *Encino Motorcars* decision might prove useful to employers in arguing in favor of the applicability of other FLSA exemptions even outside the automobile industry.

If you have any questions about this Information Memo, please contact Subhash Viswanathan, Stephanie H. Fedorka, any of the attorneys in our Labor and Employment Law Practice, or the attorney in the firm with whom you are regularly in contact.

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