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U.S. Supreme Court Issues Decision In Ninth Circuit FLSA Case

After a long and complicated procedural journey, the case of Encino Motorcars, LLC v. Navarro has finally been decided by the United States Supreme Court in favor of the employer. The Court ruled that “service advisors” employed by a car dealership are exempt from overtime under the Fair Labor Standards Act (FLSA).

Service advisors for this employer identify service needs and sell service solutions to the dealership's customers. The employer argued that these employees are exempt from overtime requirements under the FLSA exemption that applies to "any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles." The Supreme Court agreed with the employer. The Court explained that the service advisors were clearly “salesmen” -- those who sell goods or services -- because they sold services for vehicles. Moreover, they were “primarily engaged in . . . servicing automobiles” even though they did not perform service work themselves; instead, they were “integral to the servicing process.” Thus, dealerships are once again able to safely consider service advisors exempt from overtime, even in the Ninth Circuit.

What is most interesting about the Court’s decision for *all* employers is its determination that the FLSA’s exemptions should *not* be narrowly interpreted. This principle has guided the Department of Labor and the courts for years. But a majority of the Supreme Court surprisingly refused to follow it, stating: “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.’” Not surprisingly, the four dissenting Justices pointed out that this portion of the Court’s ruling “unsettles more than half a century of our precedent.”

Thus, the Court’s ruling will be useful to any employer arguing for the application of an FLSA exemption to its employees, and is a surprising piece of good news.