

## Supreme Court Adopts More Expansive View of FLSA Exemptions

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Since the 1950s, the U.S. Supreme Court has taken the view that the exemptions to the Fair Labor Standards Act (“FLSA”), which exempt employees from the FLSA’s minimum wage and overtime requirements, should be interpreted narrowly. In its April 2, 2018 decision in *Encino Motorcars v. Navarro*, however, the Supreme Court reversed course and rejected this principle. As a result, the decision allows courts to give broader interpretations to the FLSA exemptions, increasing the likelihood that employers can win legal disputes involving the exemptions.

In *Encino Motorcars*, the Supreme Court reversed a decision by the Ninth Circuit and held that auto service advisors are exempt from the overtime provisions of the FLSA. In so holding, the Court rejected the principle, cited by the Ninth Circuit, that the FLSA exemptions should be construed narrowly. According to the Court, the principle did not serve as “a useful guidepost for interpreting the FLSA.” Instead, the Court ruled, courts are only obligated to give the exemptions a “fair reading.”

While the exemption at issue in the case applied narrowly (to auto service advisors only), the Court’s instruction to construe the FLSA exemptions more broadly should portend a major change in how federal courts will approach the FLSA exemptions. Courts have routinely relied upon case law requiring that the FLSA exemptions be interpreted narrowly to reject employer arguments that certain groups of employees should be classified as exempt. Under *Encino Motorcars*, courts are only required to give the exemptions a “fair reading,” and thus are permitted to interpret the requirements of the exemptions more broadly than they have been in the past. As a result, the decision will make it much easier for courts to find employees exempt in close cases, thereby making it more likely that employers can successfully litigate disputes over the FLSA exemptions in federal court.

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