The Supreme Court Gives Employers the Green Light, Will No Longer Narrowly Construe FLSA Exemptions

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On April 2, 2018, the United States Supreme Court in *Encino Motor Cars, LLC v. Navarro*, Justice Thomas writing for the majority, held that car dealership "service advisors" are "salesm[e]n… primarily engaged in… servicing automobiles" and therefore are exempt from the FLSA's overtime requirements under 29 U.S.C. § 213(b)(10)(A). Significantly, in addition to issuing a ruling that is favorable to auto dealerships, the Court also provided useful language to all employers based on its view of how FLSA overtime exemptions should be construed.

In its ruling, the Court held that the service advisors' activity of selling services makes them salesmen in the "ordinary meaning" of the term. Even though they don't directly service automobiles, the Court pointed to the broad range of tasks they perform and that they "are integral to the servicing process." Although "service advisors do not spend most of their time physically repairing automobiles," the Court noted that the same is true of partsmen. The inclusion of partsmen in the statute means that "the phrase 'primarily engaged in… servicing automobiles' must include some individuals who do not physically repair automobiles themselves but who are integrally involved in the servicing process."

Relying on longstanding precedent, the Ninth Circuit Court of Appeals denied the auto dealership's exemption for its auto service advisors under Section 213(b), stating that exemptions should be "construed narrowly." The Supreme Court rejected this canon of construction, noting that nothing in the FLSA mandates this narrow construction and thus there is "no reason to give [the exemptions] anything other than a fair interpretation." The Court also noted that "the FLSA has over two dozen exemptions in § 213(b) alone… Those exemptions are as much a part of the FLSA's purpose as the overtime pay requirements." The Court also rejected the notion that the "remedial purpose" of the FLSA was paramount to its other provisions or that it should be pursued at all costs. Rather, the FLSA's exemptions should be construed plainly, and without favor to grant or deny any such exemption.

The Supreme Court's pronouncement lies in stark contrast to judicial opinions from lower courts premised on the "narrow construction" of the FLSA's exemptions while expanding the statute's remedial purposes to its outer limits. This narrow interpretation often resulted in an unpredictable and unfair bent against employers. In *Encino Motor Cars, LLC*, the Supreme Court puts to rest once and for all the argument that the FLSA's exemptions should be construed narrowly. Even further, the Court's decision may be used to reign in the canons of construing statutes liberally or using legislative history to achieve a preordained result, versus simply relying on a fair reading of the statutory text.

The best reading of the FLSA is a fair reading, not a liberal construction in favor of employees, particularly where the sole justification for such liberal construction is based on amorphous canons or legislative history. With this case, the Supreme Court has dispensed with an oft-cited but critically flawed canon for construing the FLSA's exemptions under § 213(b) narrowly to favor employees. In doing so, employers have been provided with a strong rebuttal to litigants seeking to apply the FLSA broadly, where the statutory text would not otherwise allow.

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