

Legal Update

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BREAKING NEWS: Federal Court Temporarily Blocks New Overtime Rule

By Cecilia M. Suh

A federal judge has granted a nationwide preliminary injunction blocking implementation and enforcement of the new [Overtime Rule](#) issued by the U.S. Department of Labor (DOL). The Rule was scheduled to take effect on December 1, 2016, and would have increased the minimum salary level for exempt employees under the Fair Labor Standards Act (FLSA) from \$455 per week (\$23,660 annually) to \$913 per week (\$47,476 annually) with automatic salary updates every three years. As a result of the injunction, employers will not be required to comply with the Rule's new salary requirements for exempt employees unless and until the injunction is lifted.

In response to the Rule, 21 states—not including Illinois—filed a lawsuit in federal court challenging the Rule and seeking emergency preliminary injunctive relief to block implementation of the Rule. The states questioned the lawfulness of the Rule, including its automatic updating mechanism for salary increases and the DOL's authority to promulgate the Rule. They argued that the overtime requirements unconstitutionally regulated the states and coerced them to adopt wage choices that adversely affected their priorities, budgets, and services. The states also claimed that the Rule displaced their independence to set employee compensation. Judge Mazzant of the U.S. District Court for the Eastern District of Texas rejected this argument, finding that the U.S. Supreme Court has held that Congress has the authority to impose minimum wage and overtime requirements.

The judge nevertheless concluded that the Rule was unlawful because it created “essentially a de facto salary-only test,” which he found to be inconsistent with the intent of Congress in passing the FLSA. The judge held that the DOL did not have the statutory authority under the FLSA to utilize a salary-level test or an automatic updating mechanism. The judge therefore ruled that a preliminary injunction on a nationwide basis would preserve the status quo, pending a decision whether the DOL had the authority to make the Rule as well as the Rule's validity.

Accordingly, if the court ultimately rules that the DOL lacks the authority to promulgate the Rule, then the Rule would be rendered invalid. (Although the judge expressly stated that he was limiting his ruling to the salary-level test as amended under the new Rule, it remains unclear whether this ruling may open the way for challenges to the lawfulness of the existing salary-level test.) If, however, the Rule is later found to be valid, then the current preliminary injunction would only delay the Rule's implementation. In the meantime, while the Rule's future remains in limbo, employers do not need to adopt new measures or policies to comply with the Rule to claim exempt status for employees.

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