

Puerto Rico Labor & Employment Alert

US SUPREME COURT HOLDS THAT OVERTIME AND MINIMUM WAGE EXEMPTIONS IN THE FLSA MUST BE GIVEN A “FAIR READING”, NOT A NARROW INTERPRETATION AS PREFERRED BY THE DEPARTMENT OF LABOR.

April 3, 2018.

On April 2, 2018, the US Supreme Court held in Encino Motorcars, LLC v. Navarro et al. that service advisors at car dealerships are exempt from the payment of overtime under Section 13(b)(10)(A) of the Fair Labor Standards Act (“FLSA”), which applies to “any salesman, partsman, or mechanic primarily engaged in selling or servicing automobiles, trucks, or farm implements.”

Although the case dealt with an exemption that is limited to car dealerships only, the Court’s more expansive “fair reading” interpretation (and the rejection of the Department of Labor’s restrictive view) is significant for all industries because it extends to other, more widely applicable, exemptions under the FLSA, such as those for “administrative”, “executive”, “professional” and “outside salesmen”.

The Court rejected a 2011 Department of Labor rule that interpreted “salesman” to exclude service advisors arguing that the Act only exempted salesmen who sell vehicles (not services) or service technicians who do the actual service work on the vehicles. The Court based its decision on the plain language of the statute.

The service advisors’ duties included meeting customers who come into the service area; listening to their concerns about their cars; suggesting repair and maintenance services; selling new accessories or replacement parts; recording the service orders made; following up with customers as the services are performed; and explaining the work performed when customers pick up their vehicles. Thus, they are integral to the operation of the service department and comply with both the sales and servicing requirements of the exemption, the Court found.

Contact us

Please feel free to call us to clarify any doubts on the above.

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