

THE NATIONAL LAW REVIEW

New Overtime Regulations Put On Hold – U.S. Federal Court Judge Enjoins Implementation of FLSA Regulations

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As we reported [previously](#), in September 2016, 21 U.S. states filed a lawsuit to enjoin the implementation of the long-anticipated **Fair Labor Standards Act** (“FLSA”) regulations, which were scheduled to go into effect on December 1, 2016. The states argued that the Department of Labor’s regulations (the “Final Rule”) would force states and businesses to substantially increase their labor costs, as the Final Rule would have nearly doubled the minimum salary required to qualify for most of the so-called “white collar” exemptions. A similar lawsuit was filed the same day by more than 50 business groups and was ultimately consolidated with the states’ lawsuit.

The plaintiffs in the lawsuit, captioned *State of Nevada et al. v. U.S. Department of Labor*, Civil Action No. 4:16-cv-00731-ALM, recently filed an emergency motion for preliminary injunction to enjoin the implementation of the FLSA regulations. On November 22, 2016, Judge Amos L. Mazzant of the U.S. District Court for the Eastern District of Texas granted the motion, temporarily barring the regulations from going into effect nationwide.

Judge Mazzant found that the plaintiffs had established standing and a ripe dispute for adjudication, as they faced imminent monetary loss traceable to the Department of Labor’s final rule. He also agreed with the plaintiffs that a plain reading of the FLSA demonstrates that Congress intended the “white collar” exemptions to apply to employees doing executive, administrative, or professional duties, without reference to a minimum salary level. He further held that the exemption language in the FLSA does not indicate that Congress intended the Department of Labor to define and delimit a minimum salary level to qualify for exempt status. Judge Mazzant therefore concluded that the Final Rule, raising the salary basis test to \$913/week and thus categorically excluding employees paid at lower rates from the exemption, exceeded the Department of Labor’s delegated authority and supplanted Congress’ preferred duties test. Judge Mazzant also struck down the provision of the Final Rule that would starting in 2020 automatically update the minimum salary level required to qualify for the exemption on similar grounds.

Judge Mazzant found that the plaintiffs were likely to suffer irreparable harm in the absence of preliminary relief, which could not be compensated by monetary damages. He further found that the balance of hardships favored an injunction, as the states would be required to spend substantial sums of unrecoverable public funds if the Final Rule were to go into effect, and implementation would interfere with government services and operations. Finally, Judge Mazzant found that the public interest would be served by an injunction, as implementation could significantly affect state budgets, cause layoffs, and disrupt governmental functions. He therefore concluded that a brief delay in implementation of the Final Rule—essentially, maintaining the *status quo* pending a trial in the merits—was warranted.

The injunction is expressly nationwide in scope, including applying to states that did not join in



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the lawsuit. Accordingly, pending further action, the December 1, 2016 implementation date of the Final Rule is postponed and employers need not adjust salaries upward in order to continue to claim exempt status.

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