

Employment Law Alert: Federal Court Issues Nationwide Injunction Against Implementation and Enforcement of the New Federal Overtime Rules

November 23, 2016

On November 22, 2016, a federal district court in Texas enjoined the U.S. Department of Labor (DOL) from implementing and enforcing the new federal overtime pay rules set to go into effect on December 1, 2016. As such, employers who were busily preparing to comply with those rules have a reprieve - at least for now - from having to comply.

Legal challenges to the new rules were brought in the federal district court in Texas in September of this year by 21 states and a number of business organizations. The parties in those actions moved the court to issue a preliminary injunction to enjoin the DOL's implementation and enforcement of the new rules pending a review of the cases on their merits. In the court's decision on this motion, Judge Mazzanti concluded that the plaintiffs established a prima facie case that the increased exempt employee salary levels and the automatic salary updating mechanism in the new rules were set without statutory authority. In other words, the plaintiffs presented enough proof to establish a rebuttable presumption that the DOL did not have statutory authority to issue the regulations.

So what happens now? A nationwide preliminary injunction was entered by the Texas court prior to a final determination on the merits. At this point, implementation of the new regulations is merely delayed. As the case moves forward, the DOL will have the opportunity to rebut the presumption that it lacked authority to issue the new rules. After hearing the evidence and argument of the parties, the court could either confirm its preliminary decision or conclude that the DOL did, in fact, have authority to issue the regulations. The delay in rule implementation may also mean that Congress or the new Trump administration will have time to pursue retraction or retrenchment of the overtime rules. While employers should not assume that the new regulations will never be implemented, at this point compliance obligations are on hold and implementation of the rules as issued by the DOL is uncertain.