FEDERAL LEGAL UPDATES

NOTABLE CASES & REGULATIONS

U.S. SUPREME COURT CASES

***E.M.D. Sales, Inc. v. Carrera*, 604 U.S. 45, 145 S. Ct. 34 (2025)**

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CASE BACKGROUND

E.M.D. Sales, a food distribution company, classified three sales representatives as "outside sales" employees, exempting them from the minimum wage and overtime protections in the Fair Labor Standards Act (FLSA). As a result, these individuals were not entitled to overtime compensation for work exceeding 40 hours per week. The workers challenged that classification, arguing that their duties—such as stocking, removing expired items, and issuing credits—were more like order-taking than sales.

The district court, applying Fourth Circuit precedent, ruled in the employees' favor, finding that E.M.D. had failed to show that the employees were exempt from the FLSA under the "clear and convincing evidence" standard. The Fourth Circuit affirmed.

HOLDING

The Supreme Court unanimously reversed, holding that employers must prove FLSA exemptions under the standard that ordinarily applies to civil matters—a preponderance of the evidence—rather than the more demanding "clear and convincing" standard.

KEY TAKEAWAYS

Oregon and Washington employers should note that this ruling does not change their existing obligations. The Ninth Circuit has long applied the preponderance standard; the decision eliminates the Fourth Circuit's stricter approach and reduces the likelihood of forum shopping.

Employers should continue to audit job classifications to ensure that exempt positions satisfy the statutory criteria. While the evidentiary burden employers face is lighter, the risk of misclassification remains, especially with jobs that may not fall cleanly into exempt categories. Employers should continue to maintain accurate, written job descriptions and consider how they may fit into FLSA exemptions.

***Stanley v. City of Sanford*, 145 S. Ct. 2058 (2025)**

CASE BACKGROUND

Karyn Stanley began working as a firefighter in Sanford, Florida in 1999. When Stanley was hired, the City offered health insurance until the age of 65 for individuals who both retired early due to disability or who provided more than 25 years of service. In 2003, the City changed its policy to provide individuals who retired due to disability only 24 months of coverage. Stanley was forced to retire in 2018 after developing Parkinson's disease and received only 24 months of coverage. Stanley sued her former employer, alleging discrimination under Title I of the Americans with Disabilities Act (ADA), for reducing her post-retirement health benefits.

The lower courts dismissed her ADA claim, holding that she did not qualify for protection under the ADA because she did not "hold or desire" a job and could no longer perform the essential functions of the job at the time the alleged discrimination occurred.

HOLDING

The Supreme Court affirmed, holding that Title I protects only current employees or job applicants who can perform the essential functions of the job with or without a reasonable accommodation. Once a worker has retired or permanently left employment, the ADA does not protect them against changes in post-employment benefits.

KEY TAKEAWAYS

Once an employee retires, they cannot bring a claim under the ADA for adjustments to retiree health or pension benefits. Other federal and state laws, including the Employee Retirement Income Security Act (ERISA), though, still govern benefit changes. Employers should carefully review any modifications affecting current employees for ADA compliance. Employers should clearly document when benefits apply only to active employees rather than retirees.

***Ames v. Ohio Department of Youth Services*, 605 U.S. 303, 145 S. Ct. 1540 (2025)**

CASE BACKGROUND

Marlean Ames, a heterosexual woman, was employed by the Ohio Department of Youth Services. In 2019, she applied for, but was not awarded, a management position. The Department ultimately hired a different candidate—a lesbian woman. Shortly thereafter, Ames was demoted, and the Department hired a gay man to fill Ames' prior position. Ames filed a discrimination claim against her employer under Title VII, alleging that she was subject to "reverse discrimination."

The Sixth Circuit applied a higher evidentiary burden to Ames, as a member of a majority group, requiring her to submit "background circumstances" showing that the Department was "that unusual employer who discriminates against the majority."

HOLDING

The Supreme Court unanimously rejected the heightened "background circumstances" rule, holding that Title VII prohibits discrimination against any employee because of race, sex, or other protected characteristics, without distinction between minority and majority groups. The Court emphasized that Title VII must be applied symmetrically and that courts should not impose extra burdens on plaintiffs depending on their identity. This holding simplifies the pleading standards for discrimination claims and opens the door for more majority-group claims.

KEY TAKEAWAYS

For employers in the Ninth Circuit, this ruling does not represent a change in the law—the Ninth Circuit already applied Title VII symmetrically to majority and minority discrimination claims—but employers should anticipate the current trend towards greater scrutiny of diversity, equity, and inclusion programs. Organizations should ensure that employment decisions are based on legitimate, job-related reasons and that documentation clearly reflects nondiscriminatory motives, business necessities, and equal treatment across protected classes.

***Catholic Charities Bureau, Inc. v. Wisconsin Labor & Industry*, 605 U.S. 238, 145 S. Ct. 1583 (2025)**

CASE BACKGROUND

This case arises out of Catholic Charities' challenge of a Wisconsin law that exempts religious nonprofit organizations from paying unemployment compensation taxes provided that the religious nonprofit is "operated primarily for a religious purpose." Catholic Charities is an arm of the Diocese of Superior, Wisconsin, the Superior bishop serves as its president, and its mission is "in compliance with Principles of Catholic social teaching."

Catholic Charities, though, does not limit its outreach to members of the Catholic Church. It provides charitable services to all people, regardless of their faith. Moreover, Catholic Charities employs individuals and appoints board members of all faiths. Proselytism in the context of service is not a goal of Catholic Charities and is antithetical to Catholicism. The service work of Catholic Charities, though, as it reaches out into the community is a core tenet of the Catholic faith. Because of its openness and outreach to all individuals, regardless of faith, Wisconsin denied the exemption because it found that Catholic Charities was not "operated primarily for religious purposes."

HOLDING

The Supreme Court examined Wisconsin's interpretation of the statute and found that it imposed a "denominational preference" and differentiated between religions. The statute could not survive the highest level of scrutiny—strict scrutiny—because Wisconsin could not identify a compelling governmental interest for the distinction. In fact, the proffered governmental reason for not allowing the exemption (aiding unemployed workers) was inapposite; the reason that Catholic Charities sought the exemption was to allow it to participate in a self-insured program run by the diocese that was equivalent to (if not more favorable to employees than) the state system in ensuring unemployment coverage for Wisconsin's citizens.

KEY TAKEAWAYS

Unlike Wisconsin, Oregon does not have an exemption for its unemployment compensation tax for religious organizations. California, Washington, and Idaho, though, have laws like Wisconsin's. Religious institutions and organizations that seek to take advantage of the exemption should expect that courts will interpret these exemptions broadly.

While this case is specific to religious institutions, its holding reflects a continuation of a series of cases where this current Supreme Court rules in favor of broad protection of religious freedom under the First Amendment. In another case this term, Mahmoud v. Taylor, the Supreme Court held, in the education setting, that the First Amendment protected the rights of parents who raised religious objections to elementary school storybooks with LGBTQ+ storylines, requiring the Board of Education to provide parents with notice and an opportunity to opt their children out. In short, the trend toward favoring religious liberty will likely continue with this Court into next term.

***Trump v. CASA, Inc.*, 145 S. Ct. 2540 (2025)**

CASE BACKGROUND

Several immigrant rights groups, including CASA de Maryland filed separate lawsuits to enjoin President Trump's Executive Order 14160, which attempted to limit birthright citizenship. Three district courts (Massachusetts, Washington, and Maryland) concluded that the Executive Order was unlawful and issued nationwide injunctions to halt its enforcement. The Trump Administration appealed, arguing that such universal injunctions exceeded the authority of federal courts, which traditionally provide relief only to the parties before them.

HOLDING

In a 6–3 decision, Justice Amy Coney Barrett (joined by Justices Roberts, Thomas, Alito, Gorsuch, and Kavanaugh) held that universal injunctions likely exceed the equitable authority granted to federal courts by the Judiciary Act of 1789. Instead, lower courts should issue injunctions only to the extent necessary to grant "complete relief" to the plaintiff—and only grant universal or nationwide relief where absolutely required. The Court emphasized that historical practice limited remedies to the parties before the court. The nationwide injunctions against EO 14160 were, therefore, vacated. In dissent, Justices Sotomayor, Kagan, and Jackson warned that restricting universal injunctions would weaken judicial checks on executive action by forcing challenges to proceed piecemeal.

KEY TAKEAWAYS

Employers, contractors, and public institutions should expect challenges to federal executive orders or regulations to result in geographically or plaintiff-specific injunctions, rather than sweeping nationwide blocks. With injunctions no longer automatically nationwide, organizations may face regional variation in enforcement—for example, a rule might be enjoined in the Ninth Circuit but still apply elsewhere. HR and compliance teams should track enforcement by jurisdiction and be prepared to implement different compliance approaches depending on where employees or contracts are located.

NINTH CIRCUIT COURT OF APPEALS CASES

***Perez v. Rose Hills Co.*, 131 F.4th 804 (9th Cir. 2025)**

CASE BACKGROUND

Elizabeth Perez, a former Rose Hills Company employee, attempted to file a class action in California state court alleging various wage and hour violations, including unpaid wages, overtime, and missed rest or meal breaks. The complaint did not assert an amount of damages or describe the frequency with which Rose Hills committed the alleged violations.

Rose Hills removed the action to federal court under the Class Action Fairness Act (CAFA). CAFA requires the removing party to show that the amount in controversy exceeds $5 million. Rose Hills attempted to satisfy that threshold by multiplying the number of its employees by an assumed violation rate of one hour of regular time, one hour of overtime, one meal break, and one rest break missed per week per employee.

The district court remanded the case to state court, finding that Rose Hills could not meet its evidentiary burden by relying on assumptions about the violation rate. The court found that Rose Hills failed to provide sufficient evidence supporting its amount in controversy estimate.

HOLDING

The Ninth Circuit reversed and vacated the remand, allowing the case to stay in federal court. The Ninth Circuit held that, under CAFA, a removing defendant is permitted to rely on reasonable assumptions, including assumptions about the violation rate, to estimate the amount in controversy. The Ninth Circuit instructed the district court to determine whether Rose Hills' assumptions were reasonable interpretations based on the complaint.

KEY TAKEAWAYS

This decision reinforces that employers have flexibility at the removal stage (i.e. trying to move a case from state court to federal court)—defendants may use plausible, defensible assumptions to meet jurisdictional thresholds. Maintenance of accurate employment and payroll records remains important, even if not required at the removal stage, to strengthen the justification for removal.

Lui v. DeJoy, 129 F.4th 770 (9th Cir. 2025)

CASE BACKGROUND

Dawn Lui, a longtime United States Postal Service (USPS) employee of Chinese ethnicity, was demoted to a lower-paying position and was replaced by a white male colleague with less experience. Lui brought a discrimination claim under Title VII of the Civil Rights Act, alleging that she was subject to disparate treatment, hostile work environment, and retaliation because of her race.

The district court granted summary judgment in favor of the USPS. The district court found that Lui had failed to establish that she was treated less favorably than "similarly situated" employees. Furthermore, the district court held that USPS's investigation into alleged misconduct on Lui's part showed that the USPS had a nondiscriminatory reason for the demotion.

HOLDING

The Ninth Circuit reversed as to Lui's disparate treatment claim. Applying the McDonnell Douglas burden-shifting framework, the court explained that Lui met her prima facie burden by showing (1) she was a member of a protected class, (2) qualified for her position, (3) she suffered an adverse employment action when she was demoted, and (4) she was replaced by someone outside her protected class. Notably, the court clarified that plaintiffs are not required to present evidence of a "similarly situated" individual to establish the fourth element of a disparate treatment claim. Rather, the plaintiff need only show "circumstances giving rise to an inference of discrimination." The court next determined that USPS had articulated a legitimate, nondiscriminatory reason for its actions—alleged misconduct by Lui, identified through an internal investigation. At the pretext stage, however, the Ninth Circuit found the investigation inadequate and potentially biased. The investigator never interviewed the employees whose complaints were central to the allegations, relied solely on written materials provided by subordinates, and ignored warnings from Lui's supervisor about possible racial bias among those employees. Viewed in this light, a reasonable jury could find that the stated justification was pretextual. Because Lui had raised a triable issue of fact, summary judgment on her disparate treatment claim was improper.

KEY TAKEAWAYS

Employers should ensure that employment decisions and internal investigations are thorough, independent, and well-documented. When replacing employees, organizations must document objective reasons for selection. Employers should monitor workplace dynamics that could support discrimination claims and provide training and oversight to address biased or hostile behaviors.

Nebraska v. Su, 121 F.4th 1 (9th Cir. 2024)

CASE BACKGROUND

Five states, including Idaho and Nebraska, challenged a Biden-era Executive Order 14026 and its Department of Labor (DOL) rule mandating a $15-per-hour minimum wage for federal contractors. The states argued that the President lacked authority to issue the rule under the Federal Property and Administrative Services Act (FPASA), which establishes guidance for federal contracting, and that the rule violated the Administrative Procedure Act (APA) because the DOL failed to consider alternatives.

The district court declined to preliminarily enjoin the enforcement of the rule.

HOLDING

In a split decision, the Ninth Circuit reversed. The court held that the FPASA does not authorize the President to unilaterally impose a contractor minimum wage. Additionally, it reviewed the DOL's implementation under an arbitrary-and-capricious standard and determined that the DOL had not properly considered alternatives to the flat wage increase. Thus, the rule was invalid pending further proceedings. The ruling created a circuit split with the Tenth Circuit, which upheld the rule. Despite this inconsistency, the Supreme Court has declined to hear the case.

Subsequent Developments: In March 2025, President Trump rescinded EO 14026 and issued Executive Order 14236 "Additional Rescissions of Harmful Executive Orders and Actions," which reverted the contractor minimum wage back to the Obama-era standard of $13.30 per hour. While that action mooted some aspects of the litigation, uncertainty remains given the ongoing circuit split over the scope of presidential authority under FPASA.

KEY TAKEAWAYS

Federal contractors operating in the Ninth Circuit are not bound by EO 14026's $15 mandate. Contractors must still comply with state and local minimum wage laws, which in Oregon and Washington already exceed $15/hour, making federal contractor wage rules less impactful in those jurisdictions. Employers should monitor DOJ or DOL guidance and subsequent executive orders that may affect contractor minimum wage, as both executive branch policy and judicial interpretations of FPASA remain unsettled. Employers should consider adopting flexible wage-setting practices (e.g., maintaining pay above local minimums, using adjustable pay bands, and including contract clauses anticipating changes) so they can respond quickly to shifts in federal or state wage requirements.

***Jensen v. Brown*, 131 F.4th 677 (9th Cir. 2025)**

CASE BACKGROUND

Lars Jensen, a math professor at Truckee Meadows Community College, publicly criticized new policies adopted by the community college's board of regents that lowered the academic level of certain math classes. Prof. Jensen shared his opinions in an email to the math department faculty, in a handout to meeting participants, and in an email to all Truckee Meadows faculty. Shortly thereafter, the Dean of Sciences pressured Prof. Jensen to resign from a faculty tenure committee and gave him two years of negative performance evaluations, in contrast with excellent evaluations from the math department chair.

Prof. Jensen sued the Truckee Meadows' administrators in their personal and official capacities for First Amendment retaliation, along with procedural due process and equal protection violations. The trial court dismissed the case against the administrators at the outset finding the claims were barred by qualified and sovereign immunity.

HOLDING

The Ninth Circuit reversed this decision, allowing Jensen's First Amendment claims to proceed. The Ninth Circuit first considered whether the administrators were entitled to qualified immunity, which depends on (1) whether the plaintiff has alleged a constitutional violation, and (2) whether the right at issue was "clearly established" at the time. Using the test established by the Supreme Court in Pickering v. Board of Education, the Ninth Circuit first concluded that Prof. Jensen's speech addressed a matter of public concern, as it focused on the impact of the changes on students and the broader community. Next, because Prof. Jensen's speech was related to scholarship and teaching, the Court found that, under Garcetti v. Ceballos, Prof. Jensen was speaking as a citizen rather than pursuant to his official duties, placing his speech outside the bounds of employer discipline. The Court weighed the state's interest in efficient operations against Prof. Jensen's right to speak and found no indication that Prof. Jensen's speech interfered with the functioning of Truckee Meadows. In fact, Prof. Jensen showed discretion and behaved professionally in communicating his concerns. Given that Prof. Jensen alleged adverse actions such as negative evaluations and removal from a committee, the Ninth Circuit concluded that Prof. Jensen had pleaded a constitutional violation and that the administrators were not entitled to qualified immunity to allow the case to be dismissed this early.

The Court also found that the administrators were not protected by sovereign immunity under the 11th Amendment. A state or administrator cannot invoke sovereign immunity when the relief sought is prospective. The Ninth Circuit found that even though the administrators' actions occurred in the past, Prof. Jensen sought an expungement of his personnel records which was forward-looking. The retaliation based on the First Amendment continued as long as the negative performance reviews remained in his personnel file. The case will now return to the trial court for further proceedings on the merits of Prof. Jensen's claims.

KEY TAKEAWAYS

This case is significant for public entities who may react to or limit the speech of their employees. Employers should thoughtfully examine the content and nature of the speech before subjecting the employee to discipline. Moreover, when an educator speaks on matters of scholarship and teaching, courts treat this as citizen speech under Garcetti, giving it broad constitutional protection. Qualified immunity will not apply where established precedent clearly protects the speech at issue, and sovereign immunity will not bar claims seeking prospective remedies such as the expungement of negative performance evaluations.
