Contractual Limitation Period Inapplicable To Wage Claims

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The Sixth Circuit Court of Appeals recently held that six-month contractual limitations periods agreed to by employees are inapplicable to claims under the Fair Labor Standards Act (FLSA) and the Equal Pay Act (EPA). The FLSA is the federal law establishing minimum wage and overtime requirements and the EPA is the federal law prohibiting wage discrimination based on sex.

The U.S. Supreme Court long ago recognized that an employer can gain an unfair advantage over competitors by having its employees waive rights under the FLSA. *Brooklyn Savings Bank v O'Neil.* "Such waivers, according to the Court, would 'nullify' the Act's purpose of 'achiev[ing] a uniform national policy of guaranteeing compensation for all work or employment engaged in by employees covered by the Act.'" *Jewell Ridge Coal Corp v Local No 6167, United Mine Workers of America.*

In *Boaz v FedEx Customer Information Services* (MiLW No. 01-82835), the defendant argued that a contractual limitation is enforceable regarding claims under Title VII (federal civil rights law). However, the appellate court was not persuaded since employees can waive rights under that Act, and the same competitive advantage does not exist for an employer refusing to hire African Americans or some other protected group.

The appellate court noted that the statutory limitations period of the FLSA is two years (three if the violation is willful). If it was applied to the claims brought by the plaintiff in the *Boaz* case, her claims were timely brought. However, if the six-month contractual limitations applied, her claims were untimely and barred. Therefore, application of the six-month limitations period would have operated as a waiver of her rights and was unenforceable.

Next, the appellate court determined whether a contractual limitations period could apply to claims under the EPA. It assumed that the U.S. Congress was aware of the Supreme Court's ruling above when it enacted the EPA and folded it into the FLSA as an amendment. Therefore, Congress must have meant for rights under the EPA to be unwaivable as well. Moreover, the same economic advantage could be obtained by an employer who pays women less than men. Therefore, the same policy reason exists for holding those rights under the EPA cannot be waived, thus precluding the application of the shortened limitations period.

Although employers in the Sixth Circuit are now unable to enforce a contractual limitations period for claims brought under the FLSA or the EPA, they should still require employees to agree to a six-month limitations period since it will be enforceable for many other employment-related claims. If you need assistance preparing a limitations agreement, please contact the author or another experienced

employment attorney at Plunkett Cooney.