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NEW CALIFORNIA SUPREME COURT RULING ON EMPLOYER LIABILITY
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Q: as to CA based employers, do CA's overtime laws apply to employees who are residents of other states, but who work part time here?

A: (from CA Supreme Court) **YES**.

Case Summary:

In *Sullivan v. Oracle Corporation*, a class of former Oracle employees, residents of Colorado and Arizona, worked as instructors for that company, specifically, instructing Oracle clients at their places of business in the use of Oracle products. In the course of such work these employees sometimes travelled to and worked in other states, including California. These employees sued Oracle in a class action in the United States District Court, Central District of California, alleging that they were covered by California's more generous overtime laws for the time they worked in California. The District Court granted a motion for summary judgment in Oracle's favor, but the Ninth Circuit Court of Appeals reversed, and then withdrew its decision, instead certifying certain questions to the California Supreme Court. In what might be considered an understatement, the Ninth Circuit remarked that the issues presented had "considerable practical importance" and could have "an appreciable economic impact on the overall labor market in California."

To the point, the California Supreme Court was asked to address this central question: do California's overtime laws apply to residents of other states for the days and weeks such employees worked in California. By unanimous decision, the Supreme Court answered "yes."

Dispensing with Oracle's arguments that application of California's overtime laws was overreaching and infringed upon the sovereignty of the states where plaintiffs' resided, the California Supreme Court stated, "That California would choose to regulate all nonexempt overtime work within its borders without regard to the employee's residence is neither improper nor capricious." Among other things, the Court noted that California, like all states, has the constitutional "police power" to regulate employment matters. With regard to a potential conflict of laws, the Court engaged in a comprehensive analysis and concluded that there was no actual conflict to resolve where California law, as to California-based employers, was applied to provide the employees at issue even greater protections than they would otherwise receive under the laws of their home states and under the Fair Labor and Standards Act.

The California Supreme Court then attempted to paint the limits of its decision by musing that "California law might not apply to nonresident employees of out-of-state businesses who enter California temporarily during the course of the workday," and noting that the claims at issue in the present case concerned only entire days and weeks. The Court also cautioned against extrapolating the logic of this decision to other aspects of California employment law such as mandatory meal and rest breaks: "one cannot necessarily assume the same result would obtain for any other aspect of wage law."

Insight:

It is clear that the Court's decision represents a sizeable shift, which, unlike the promulgation of a revised statute, affects not only employer payroll issues and liability issues prospectively, but also, in some sense, retroactively: companies with non-resident, non-exempt employees who have worked any number of days within the applicable statute of limitations (generally 3 years under the California Labor Code) could see a rise in wage and hour actions seeking unpaid overtime wages. Although every employer's situation is different and must be considered on the relevant facts, we recommend that you contact GGLTS to arrange for a consultation. Under such circumstances, it may be wise to be proactive: to conduct an internal audit of the payroll records of the affected employees—including an analysis of whether potentially affected employees are properly classified as exempt or non-exempt—and to take appropriate action based upon the audit results.

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