EMPLOYMENT LAWSCENE ALERT: SUPREME COURT SETS STANDARD FOR EEOC CONCILIATION EFFORTS

On Wednesday, April 29, 2015, the U.S. Supreme Court issued its unanimous decision in *Mach Mining LLC v. Equal Employment Opportunity Commission*, addressing the issue of the level of judicial review allowed regarding the EEOC's duty to conciliate charges of discrimination prior to litigation. We have discussed this decision in this blog from its early stages (here, here, and here), and the Supreme Court has finally proven what we said in July 2013, that the EEOC's conciliation efforts are indeed subject to judicial review, to be true. However, the Supreme Court did not choose to hold the EEOC to the "good faith" standard that many employers had hoped for or the mere facial examination that the EEOC had championed, instead striking a balance between the two by limiting the court's review to a "narrow" one. In rendering its decision, the Supreme Court recognized the EEOC's extensive discretion to determine the kind and amount of communication necessary with any employer to satisfy its statutory duty to engage in conciliation efforts prior to filing suit. Under this new standard, a court's review is limited to reviewing only that the EEOC gave the employer notice of the charge and an opportunity to achieve voluntary compliance.

It has always been the law under Title VII that, prior to the EEOC suing an employer for discrimination, it must first engage in conciliation. Not until after efforts at conciliation have failed may the EEOC file a lawsuit in federal court. The Supreme Court held that Congress meant to allow judicial review of administrative actions, including the duty to attempt to conciliate. The Court obviously rejected the EEOC's "just trust us" method of review.

According to the Supreme Court, in order to show that the EEOC has met its statutory burden to conciliate, it must notify the employer of the claim and give the employer an opportunity to discuss the matter. The judicial review is limited to those elements. Simply, the EEOC must inform the employer about the specific discrimination alleged by describing what the employer has done and which employees have suffered. The EEOC must then try to engage the employer in a discussion in order to give it a chance to remedy the alleged discrimination, although the EEOC is still allowed substantial flexibility in the process. The Court found that delving into whether or not the EEOC had conciliated in good faith conflicted with the latitude Title VII gives the EEOC, imposed extra procedural requirements, and was in conflict with Title VII's protection of the confidentiality of conciliation efforts. It is still within the discretion of the EEOC to accept a settlement or bring a lawsuit. Typically, a sworn affidavit from the EEOC that it has performed these obligations will be sufficient.

If the employer alleges through concrete evidence, either through its own affidavit or otherwise, that the EEOC has failed in its duty to conciliate, courts are allowed to engage in

necessary fact-finding to decide the issue. If a court decides that the EEOC did not meet its statutory duty to conciliate matters prior to filing suit, the appropriate remedy is to stay the action, rather than dismissal, and order the EEOC to undertake the mandated conciliation efforts.

Although the EEOC will likely still be aggressive in its litigation efforts, the Supreme Court's decision will ensure that the EEOC must engage in some form of articulable conciliation efforts, even if it is just a minimal effort, before commencing suit against an employer. Employers who believe that the EEOC has not met its statutory obligation to engage in conciliation will still have, thanks to the Supreme Court's decision, the "failure-to-conciliate" defense in its quiver.

EMPLOYMENT LAWSCENE ALERT: HONESTY IS THE BEST POLICY IN PERFORMANCE REVIEWS

On February 10, 2015, the *Wall Street Journal* published an article entitled "Everything Is Awesome! Why You Can't Tell Employees They're Doing a Bad Job" extolling the virtues of praising employees' strengths and scaling back on criticism. Although this may be good for employees' confidence levels, it is bad for companies when they have to defend a discrimination lawsuit or oppose a bid for unemployment benefits.For example, in September 2011, a New York woman sued in federal court claiming that her employer "mommy-tracked" her by attempting to demote her, refusing to promote her, and cutting her bonus after she took maternity leave, despite repeatedly earning positive performance ratings during her career with the company. The company argued that she was lawfully terminated because her reviews were done by an "easy grader" and she was not meeting the company's other metrics. In January 2015, the federal judge overseeing the case stated that the case looked strong enough to go to trial due in part to the questions of fact presented by the positive performance reviews.

Performance reviews are valuable tools for employers. While they may be used to boost an employee's self-esteem and confidence, employers should carefully train their supervisors and manager to give honest feedback and critiques when necessary. Problems should not be sugar-coated; the issue, the steps to correct the issue, and the consequences for failing to correct the issue need to be included in evaluations and reviews. These honest assessments on an employee's performance are essential to being able to discipline and terminate an employee if that becomes necessary, as well as defending the company from a lawsuit or claim for unemployment compensation.

EMPLOYMENT LAWSCENE ALERT: NLRB GENERAL COUNSEL ISSUES GUIDANCE ON EMPLOYEE HANDBOOKS

On March 18, 2015, the NLRB General Counsel issued a report concerning recent cases that raise significant legal and policy issues regarding employee handbook rules. Recently, the NLRB has been focusing on non-union employer's handbooks and whether they violate Section 7 of the NLRA, which permits employees to discuss wages, hours, and other terms and conditions of employment and to otherwise engage in protected concerted activity. The most clear violation of Section 7 would be a ban on union activity; however, if an employee could reasonably construe a rule or policy to prohibit activities protected by Section 7, the NRLB will find that it is in violation of the law. The report gives specific examples of handbook policies that were found lawful and unlawful and why. The report specifically states that even well-intentioned rules that would inhibit employees from engaging in activities protected by the Act are not allowed under the law. The rules and policies that are most frequently called into question are those covering confidentiality, professionalism, anti-harassment, trademark, photography/recording, and media contact.

Confidentiality policies cannot specifically prohibit employees from discussing the terms and conditions of their employment (e.g., wages, hours, workplace complaints), nor can the policies be reasonably understood to prohibit such discussions. Policies cannot broadly define "employee" or "personnel" information as confidential. However, the NLRB does recognize that employers have a substantial and legitimate interest in maintaining the privacy of certain business information.

Employee conduct policies will run afoul of the NLRA if they prohibit employees from engaging in disrespectful, negative, inappropriate, or rude conduct toward the employer or management absent sufficient clarification or context. Even false or defamatory statements can find protection under Section 7 unless they are "maliciously false." Employers can promulgate blanket rules that require employees to be respectful and professional to clients and competitors because there is a sufficient business interest in that behavior. Employers are also permitted to ban insubordinate behavior. However, employers cannot ban employees from negative or inappropriate discussions with their fellow employees because employees have the right to argue and debate with each other about unions, management, and the terms and conditions of employment, which can sometimes be contentious. Therefore, anti-harassment rules cannot be overly broad either. Employers cannot ban employees from discussing terms and conditions of employment with third parties, including news media. Although employers may designate who can make official statements to the

media on behalf of the company, they cannot ban employees from speaking to third parties on their own behalf or on behalf of other employees.

Although employers have an interest in protecting their intellectual property, the NLRB has taken the stance that rules prohibiting employees' fair use of that property are unlawful. This "fair use" includes using things such as company names and logos on picket signs, leaflets, and other protest material because these are non-commercial uses. According to the report, employees have a Section 7 right to photograph and make recordings in furtherance of their protected concerted activity, including the right to use personal devices to take such pictures and recordings. Therefore, a total ban on photography, recordings, or use of personal devices is overbroad if it can be read to prohibit use during breaks and other non-work time.

Employer rules regulating when employees can leave work are unlawful if employees could reasonably read them as forbidding protected strikes and walkouts, as the right to go on strike is a fundamental Section 7 right. Policies should reflect that leaving their posts for reasons unrelated to protected activity will subject employees to discipline.

Because Section 7 allows employees to engage in activity to improve their terms and conditions of employment, which may be in conflict with the interests of an employer, broad conflict-of-interest policies are unlawful. Employer policies should be limited to legitimate business interests.

The differences between what is lawful and what is not are incredibly nuanced, and the General Counsel's report did not present what could be considered "bright line" rules. The NLRB has stated that it will read rules in context with other rules and not in isolation, which could lead potentially unlawful policies to be held lawful in context. Overall, the emphasis is that rules need to be narrowly tailored and include context and examples in order to steer clear of violating the NLRA.

It should be noted that the General Counsel's report is not law but, instead, represents the current enforcement policy of the NLRB. However, given the NLRB's recent aggressive position relative to enforcing Section 7 rights in non-union workplaces, employers should review their handbooks to determine if any of their rules or policies may run afoul of the NLRB's current set of enforcement policies concerning employee handbooks.

EMPLOYMENT LAWSCENE ALERT: SUPREME COURT ISSUES RULING ON ACCOMMODATING

PREGNANT EMPLOYEES

On Wednesday, March 25, 2015, a divided U.S. Supreme Court issued a ruling in *Young v. UPS*. The Supreme Court was asked to decide whether the Pregnancy Discrimination Act ("PDA"), which amended Title VII of the Civil Rights Act of 1964, allows an employer to have a policy that accommodates some, but not all, workers with non-pregnancy related disabilities but does not accommodate pregnancy-related conditions. We covered the background of the case here. The majority opinion from the Supreme Court overturned the Fourth Circuit's decision to affirm summary judgment for the employer and returned the case to the Fourth Circuit.

The employer argued that the PDA Act doesn't require accommodations or special treatment for pregnant employees and that it was, therefore, entitled to treat pregnant employees the same as it treated employees with restrictions stemming from off-the-job injuries. The employee argued that employers who provide work accommodations to non-pregnant employees must do the same for pregnant employees who are similarly restricted in their ability to work. The majority opinion did not find either the employee or the employer's interpretation of the PDA persuasive.

The majority opinion rejected the employee's interpretation of the PDA because it essentially gave pregnant employees an unconditional "most-favored-nations" status because pregnant employees would have to receive the same accommodations that any other employee received for any reason. The majority agreed with lower courts that this was not Congress' intent in passing the PDA. Although the EEOC had supported the employee's position and published guidelines in line with her arguments, the majority stated that the guidelines were promulgated after certiorari was granted, took a position on which previous EEOC guidance had been silent, were inconsistent with positions long advocated by the government, and the EEOC did not explain the basis for the guidance; therefore, they found such guidance unpersuasive.

The Supreme Court's majority opinion disagreed with the employer's interpretation as well, holding that it would cause the first clause of the PDA to be superfluous and would fail to carry out a key objective in passing the PDA.

The majority laid out that a pregnant employee can still use the *McDonnel Douglas* framework to prove a case of disparate treatment under the PDA by showing that she belongs to a protected class, that she sought an accommodation, that the employer did not accommodate her, and that the employer did accommodate others similar in their ability or inability to work. The employer may then justify its refusal to accommodate by relying on legitimate, nondiscriminatory reasons, although claims that it is more expensive or less convenient will generally not suffice. The employee may then show that the alleged

legitimate, nondiscriminatory reason is pretextual. The Supreme Court sent the case back to the Fourth Circuit to determine whether there were genuine issues of material fact as to whether the employer's reasons for not accommodating her were pretextual.

The majority did make an interesting note that their holding may be of limited significance because of the change in the Americans with Disabilities Act expansion in 2008 and the EEOC's guidance that employers are required to accommodate employees whose temporary lifting restrictions originate off the job. Although the Court expressed no view on the statutory or regulatory changes and although pregnancy is generally not considered a disability but conditions related to pregnancy can be, this could cause employees to raise ADA claims when denied accommodations related to their pregnancies and pregnancy-related conditions.

Employers should carefully consider their policies on how to handle employee requests for accommodations. Although the ruling did not fully side with either party, it is likely to lead to additional litigation on accommodation requests by pregnant employees.

EMPLOYMENT LAWSCENE ALERT: GOVERNOR WALKER SIGNS RIGHT-TO-WORK BILL

Wisconsin Governor Scott Walker has officially signed Right-to-Work legislation, which, as discussed in last Friday's blog, will allow workers covered by union representation to not pay union dues if they do not wish to. Although the union will still have the right to collectively bargain on behalf of all private-sector employees in a bargaining unit, employees can elect not to pay the union dues or fees. This law affects new collective bargaining agreements, as well as the renewal, modification, or extension of a current collective bargaining agreement. However, employees who are currently under a collective bargaining agreement will have to continue paying union dues until that agreement expires or is renewed, modified, or extended. The full text of the bill can be found here.

EMPLOYMENT LAWSCENE ALERT: WISCONSIN ASSEMBLY PASSES RIGHT-TO-WORK BILL —

GOVERNOR WALKER EXPECTED TO SIGN BILL ON MONDAY

Today, Friday, March 6, 2015, the Wisconsin State Assembly after a marathon session passed right-to-work legislation by a vote of 62 to 35. The State Senate had previously approved the right-to-work legislation by a vote of 17 to 15 the previous week. The votes were cast according to party lines. The fast-tracked bill will be sent to Governor Scott Walker for signature, which could occur as early as Monday. The bill is aimed at making Wisconsin more attractive to businesses by prohibiting as a condition of employment membership in a labor organization, and, accordingly, provides employees the freedom to choose as to whether they want to pay union dues. Union supporters strongly opposed the bill arguing that the bill harms unions and slows job growth. However, Republican Assembly Speaker Robin Vos said that in Indiana, which passed a similar bill in 2012, unions have not shrunk and jobs have grown.

Once Governor Walker signs the bill, Wisconsin will become the 25th right-to-work state in the country following recent right-to-work legislation passed in Indiana and Michigan. The right-to-work legislation will affect only private-sector workers. The Wisconsin bill would make it a crime punishable by up to nine months in jail to require a worker who is not in a union to pay dues.

Right-to-work is an often misinterpreted concept, as it does not guarantee any right to employment. Under federal labor law, a union that is elected to represent a bargaining unit must represent all workers, even those who have voted against the union. In states that do not have right-to-work laws, all employees in the bargaining unit are required to pay their fair share of union dues for that representation, even if they voted against the union and do not wish to pay union dues. In right-to-work states, however, which Wisconsin will soon be, employees cannot be compelled to pay any union dues or fees in a workplace where an union represents employees through a collective bargaining agreement even though such employees will be covered by the collective bargaining agreement. Wisconsin's right-to-work legislation also makes it unlawful to require any individual to become or remain a member of an union.

Once Governor Walker signs the bill, the new right-to-work law will apply upon the renewal, modification, or extension of any private sector collective bargaining agreement. This means that for collective bargaining agreements currently in place as of the time of enactment of the law, employees would still be required to pay their fair share of union dues and remain members of the union for the remaining term of the agreement. However, for any collective bargaining agreement entered into, renewed or modified after enactment of the legislation, any union security clause requiring employees to be members of the union or any

requirement for employees to pay union dues would no longer be enforceable.

EMPLOYMENT LAWSCENE ALERT: THE FMLA, WFMLA, AND SAME-SEX SPOUSES

On February 25, 2015, the Department of Labor (DOL) issued a Final Rule revising the definition of "spouse" under the FMLA. Currently, a "spouse" is defined as "a husband or wife as defined or recognized under State law for purposes of marriage in the State where the employee resides, including common law marriage in States where it is recognized." The Final Rule amends the FMLA definition of "spouse" to include eligible employees in same-sex marriages, even in states that do not recognize same-sex marriages. Importantly, same-sex marriages will be deemed valid based on the place in which the marriage was entered into, instead of the state in which the employee lives or works. Marriages will be valid if they are performed in any state or country that deems the marriage legal. Wisconsin, through a series of recent federal court decisions, recognizes same-sex marriages. Therefore, if an employee in a same-sex marriage was married in a place that legally recognizes same-sex marriages, an employer in any state, even those that do not currently recognize same-sex marriages, must grant that employee FMLA leave for the care of a same-sex spouse if the employee is otherwise eligible for that leave.

The amendment to the meaning of "spouse" under the federal FMLA does not affect the Wisconsin Family Medical Leave Act (WFMLA). The WFMLA is broader in scope than the federal FMLA as it not only recognizes the right of an employee to take a leave of absence for the serious health condition of a "spouse," defined as "an employee's legal husband or wife" (including a same-sex spouse), but also provides leave rights to employees engaged in domestic partnerships. The WFMLA defines "domestic partner" in one of two ways. First, domestic partner can mean two individuals who: (i) are 18 years or older and competent to enter into a contract; (ii) are not married to or in a domestic partnership with anyone else; (iii) are not related by blood in a way that would prohibit marriage; (iv) consider themselves each other's immediate family; (v) agree to be responsible for each other's basic living expenses; and (vi) share a common residence. Second, domestic partners can be those who have signed and filed a declaration of domestic partnership in the office of the registrar of deeds of the county in which they reside. In Wisconsin, domestic partnerships can apply to same-sex couples who are not married as well as to opposite-sex couples who are not married. Therefore, even employees who are not legally married can be eligible for up to two weeks of WFMLA leave if they are part of a domestic partnership recognized under state law.

The new FMLA regulation goes into effect on March 27, 2015 and the WFMLA is already in

effect for Wisconsin employers, so employers should review their policies and educate supervisors, managers, and human resources personnel on the Final Rule as well as Wisconsin law so that they can be applied properly.

EMPLOYMENT LAWSCENE ALERT: HOW FMLA LEAVE SHOULD—AND SHOULD NOT—AFFECT YOUR EMPLOYEES' PERFORMANCE EVALUATIONS

Under the Family Medical Leave Act, employers are not permitted to take an employee's FMLA-protected absences into consideration when making employment decisions such as discipline and termination. However, if performance deficiencies are discovered while an employee is on FMLA leave and would have resulted in termination or discipline had the employee not been on leave, the employer is permitted to follow through with the same discipline or termination. Determining which category an employee's performance issues fall into can be very challenging.

For example, in a recent decision out of the United States District Court for the Eastern District of Michigan, the period in which the employee was on FMLA leave factored into the employer's calculation of her achievement of performance goals, which eventually led to her termination. As an Account Executive, the employee was assessed based on her revenue-to-budget figure, which was calculated on a three-month rolling average. Because the employee was on leave for five weeks, the court found that her numbers were affected for not only those specific weeks but also the following five months in which the revenue that could have been generated in those weeks would have shown up as part of her assessment. Because of this, the Court granted summary judgment to the employee finding that "no reasonable juror could conclude that [the employer] did not use [the employee's] FMLA leave as a negative factor in its decision to discipline and then terminate [the employee]."

However, employees who take FMLA are not entitled to greater rights than they would have been if they had been continuously working. "Therefore, if, while the employee is on leave, an employer happens to discover a performance issue or other offense for which the employee would have been disciplined or terminated had he or she been working at the time, the employer is still entitled to terminate or discipline that employee." As the Seventh Circuit Court of Appeals has said "the fact that the leave permitted the employer to discover the problems cannot logically be a bar to the employer's ability to fire the deficient employee."

Employers need to be very careful in handling how they discipline and terminate employees who are either taking or have recently taken FMLA leave. If the employee's FMLA leave could affect an objective performance criterion in a negative way, employers need to be cautious of using that criterion to terminate an employee. However, if the employer can show that they would have taken the action independent of the leave and merely discovered the issue while the employee was on leave, it will have a solid defense to an FMLA claim.

EMPLOYMENT LAWSCENE ALERT: SEVERANCE AGREEMENTS REMAIN IN EEOC'S CROSSHAIRS

In February 2014, the EEOC filed suit in Illinois federal court against CVS Pharmacy, Inc. alleging that the company's separation agreements constituted a pattern or practice of unlawfully discouraging employees from exercising their rights under Title VII of the Civil Rights of 1964 to communicate with the EEOC or to file discrimination claims. The EEOC's complaint stated that CVS had used a five-page, single-spaced separation agreement that included, among other things, a requirement that employees notify CVS if they became part of an administrative investigation, a promise to not disparage the company or its officers, directors, or other employees, a non-disclosure agreement, a release of claims, and a covenant not to sue. Although the agreements contained express language stating that nothing in the agreement was meant to interfere with the employee's right to participate in any legal proceedings or cooperate with an agency's investigation, the EEOC claimed that that language was not sufficient because the non-disparagement and nondisclosure provisions made cooperation impossible.

In April 2014, CVS filed a Motion to Dismiss the EEOC's complaint calling their severance agreements "run-of-the-mill" and stating that they did not violate the law. CVS further argued that the agreements, even if they restricted employees unlawfully, were not a pattern or practice of interfering with employees' rights but merely constitute unenforceable contracts. CVS' Motion to Dismiss was given support by an *amicus* brief filed by the Retail Litigation Center, Inc., which said that the language used by CVS was substantially similar to agreements used by employers nationwide and a ruling for the EEOC could result in the invalidation of agreements far beyond CVS and result in a flood of litigation.

The federal district court judge dismissed the EEOC's suit, however, not on its merit. The EEOC's case was dismissed because the EEOC failed to meet its pre-suit conciliation efforts before bringing the lawsuit. The federal district court found that the EEOC did not engage in any conciliation procedure and, as a result, was not legally authorized to commence suit. The EEOC, in response, acknowledged that it had not engaged in any pre-suit conciliation efforts

but argued that it was proceeding under a portion of Title VII that did not require the agency to conciliate.

The EEOC has appealed the district court's decision to the Seventh Circuit, which oversees the federal district courts in Illinois, Indiana, and Wisconsin. Given that the federal district court dismissed the case on procedural grounds, it is very unlikely that the Seventh Circuit, on appeal, will address the merits of the EEOC's claim regarding the legality of CVS's severance agreements. If the EEOC is successful with its appeal at the Seventh Circuit, then it would be most likely that the case will be remanded back to the district court for further proceedings.

This leaves the question open of whether the EEOC will stay the course and continue to press its case against CVS or whether it will select another employer as its target in pursuing its claim that "run-of-the-mill" severance agreements violate Title VII in preventing individuals the full enjoyment of rights afforded by Title VII.

Until a decision on the merits is reached on this issue, it is recommended that employers include explicit and express provisions in their severance agreements that make clear (i) that employees are allowed to participate in agency proceedings that enforce discrimination laws; (ii) that the waivers and releases are not to be construed to interfere with the EEOC's rights and responsibilities to enforce federal anti-discrimination statutes under its jurisdiction or those rights of any state administrative agency; and (iii) that the employee has the protected right to file a charge or participate in an investigation or proceeding conducted by the EEOC or any state administrative agency charged with the authority to enforce anti-discrimination laws.

EMPLOYMENT LAWSCENE ALERT: ACCOMMODATING EMPLOYEES UNDER THE ADA — THE EFFORT DOESN'T HAVE TO BE PERFECT, IT JUST HAS TO BE MADE

The Americans with Disabilities Act requires employers to make reasonable accommodations for employees with disabilities. This process requires that employers and employees engage in an interactive process to discuss potential reasonable accommodations. The interactive process requires an informal dialogue between the employer and the employee in which the parties discuss reasonable accommodations for an employee's disabilities. A recent case out of the First Circuit shows that the process does not have to be perfect to be adequate and

that both the employee and the employer have to engage in the interactive process in good faith.

In *EEOC v. Kohl's Department Stores, Inc.*, No. 14-1268, the employee suffered from Type I diabetes and claimed that her unpredictable work schedule as a sales associate was aggravating her condition and endangering her health. When the employee supported her request for accommodation with a doctor's note, her supervisor spoke with human resources. When the employee and the supervisor met, the employee requested a consistent schedule, which the supervisor said she could not give her. This was a valid decision by the employer as the accommodation given does not have to be the accommodation the employee specifically requests. Instead of proposing another accommodation or discussing the options, the employee got upset and quit. While the employee was leaving, the supervisor asked that she reconsider her resignation and asked to discuss other potential accommodations. The employee refused and left the premises. A week later, the supervisor again called the employee and requested that she come back to work and they could discuss accommodations. The employee did not accept this offer.

The interactive process requires bilateral cooperation and communication and, because the employee did not cooperate in the process and was responsible for the breakdown of communication, the court found that the employer could not be held liable for failure to provide a reasonable accommodation. The lesson for employers is that their efforts do not need to be perfect to fulfill their requirements under the Americans with Disabilities Act; employers simply need to engage in the interactive process in good faith, be willing to discuss potential accommodations with the employee, and, if appropriate, provide the employee with a reasonable accommodation, not necessarily the employee's preferred accommodation, that permits the employee to perform his or her job.