Employee Benefits Alert

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US Supreme Court Rules That Employers Are Not Liable For Untimely Pay Discrimination Claims

The US Supreme Court recently limited the time period for filing pay discrimination charges under Title VII of the Civil Rights Act of 1964 (Title VII). The Court's 5-4 decision in *Ledbetter v. Goodyear Tire & Rubber Co.* bars employees from filing a Title VII disparate pay claim if the employee fails to file a charge of discrimination with the Equal Employment Opportunity Commission (EEOC) within 180 (or in some cases 300 days) after the alleged violation.

General Background

The EEOC is the federal agency that enforces Title VII and other federal civil rights laws. The EEOC accepts written charges filed against an employer alleging an employment practice in violation of federal civil rights law. Title VII, and most of the other laws enforced by the EEOC, prohibit an aggrieved party from filing a private lawsuit unless that individual has first filed a charge of discrimination with the EEOC. There are strict time limits within which these charges must be filed – 180 or 300 days after the date of the alleged violation, depending on the state where the charge is filed. If an individual believes that an employment practice violates federal law, but does not file a timely charge with the EEOC, he or she is barred from challenging that employment practice in court under federal law.

The Case Background

Lilly Ledbetter worked as a manager for Goodyear Rubber & Tire Co. until her retirement in 1998. During the majority of Ledbetter's employment, her salary was determined annually based on her supervisor's ranking of her performance. Ledbetter claimed that in the early 1980s and mid-1990s, her male supervisor gave her poor evaluations based on her gender, which resulted in her pay being unfairly low. Because each year's raise was based on her then-current pay, by the time of her retirement, there was a large discrepancy between her compensation and that of male coworkers in comparable positions.

In July 1998, Ledbetter filed a charge of discrimination with the EEOC and later filed a lawsuit in federal court alleging, among other things, a Title VII pay discrimination claim.

In defending the claim, Goodyear argued that Ledbetter's claims were time-barred because none of the discriminatory evaluations or pay increases was completed within the 180-day period prior to the filing of Ledbetter's EEOC charge of discrimination. (Ledbetter was

in a state with a 180-day EEOC filing requirement.) Ledbetter argued that Goodyear engaged in a discrete discriminatory act each time it gave her a paycheck, as each paycheck resulted in her receiving less pay than her male counterparts.

The Supreme Court's Holding

The Supreme Court ruled in favor of Goodyear, holding that Ledbetter's claim was barred because she did not file a timely charge of discrimination with the EEOC. More specifically, the Court emphasized that the time to file an EEOC charge is triggered when an unlawful practice takes place. In this case, the alleged discriminatory acts – poor evaluations and small raises – took place in the early 1980s and mid-1990s. In order to be timely, Ledbetter should have filed a charge of discrimination with the EEOC within 180 days after each of those actions. The fact that the alleged discriminatory acts had discriminatory effects that continued past the end of the 180-day filing period did not make Ledbetter's EEOC charge timely.

In reaching its decision, the Court held that a new Title VII violation does not occur, and a new 180- or 300-day charging period does not commence, when an employer that previously discriminated subsequently takes nondiscriminatory actions that have adverse effects resulting from the past discrimination. The Court distinguished this case from an ongoing situation of discrimination by stating that a new paycheck impacted by a past discriminatory pay decision will trigger a new charging period only when an employer actually applies a discriminatory pay structure within the EEOC filing period.

Impact for Employers

The *Ledbetter* decision is a victory for employers, offering a new defense in pay discrimination cases. Prior to this decision, some courts held that pay discrimination claims were not barred by the 180-day (or 300-day) EEOC filing period. After *Ledbetter*, it is clear that an employee must file a charge of discrimination with the EEOC within 180 (or 300) days of a discriminatory pay decision. The ongoing effects of a discriminatory pay decision that occurred more than 180 (or 300) days before an employee's EEOC filing will not make the EEOC filing timely.

This decision is another reminder for employers of how important it is to keep accurate records detailing the specifics of employment decisions, including when those decisions are communicated to employees. Detailed records can provide an employer with valuable evidence in demonstrating that an employee failed to file a charge of discrimination with the EEOC in a timely manner, and, accordingly, bar their claim.

Willis' HR Partner is a team of specialists in the Willis Employee Benefits Practice offering a variety of services in HR and employment law compliance. Please contact your local Willis office for information on how HR Partner can assist you with your compliance needs.

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