

L a b o r & E m p l o y m e n t  
A L E R TJUNE  
2007SUPREME COURT UPHOLDS STRICT TIME  
LIMITS FOR PAY DISCRIMINATION CLAIMS

In a recent 5-4 decision that could significantly impact the viability of many discrimination lawsuits going forward, the U.S. Supreme Court ruled that the legal stopwatch for an employee claiming discriminatory pay starts to run at the time the employer makes the decision to pay the employee differently, and does not reset with the employee's receipt of each deficient paycheck.

In *Ledbetter v. Goodyear Tire & Rubber Co., Inc.*, the employee claimed that she was paid differently than similarly situated men, and that the pay discrepancy was related to her gender. She filed a charge of discrimination with the Equal Employment Opportunity Commission (EEOC) more than 180 days after Goodyear made the decision that set her pay rate. At trial, the jury found that she had suffered illegal pay discrimination and awarded her \$223,776 in backpay, plus punitive damages.

**When Does The 180-Day Meter Begin To Run?**

On appeal, Goodyear argued that the employee filed her EEOC claim too late, and therefore, her jury verdict should be thrown out with the rest of her case. Under Title VII (the applicable federal law in this case), employees cannot file a discrimination lawsuit unless they have first filed a charge with the EEOC within 180 days "after the alleged unlawful employment practice occurred" (or within 300 days where the employee has initially instituted proceedings with a state or local agency with jurisdiction over similar claims). The

employee argued that every time she received a deficient paycheck, the 180-day meter was reset. The Supreme Court rejected the employee's argument, reasoning that the alleged discriminatory pay decisions occurred more than 180 days before the employee filed her EEOC charge.

**Possible Future Developments**

Significantly, the Court did not address whether the "discovery rule" is applicable in discrimination cases. Where applicable, this rule postpones the running of time within which a person can file a claim until the harmed party knows or reasonably should know: (1) that he or she has been harmed, and (2) that the harm was caused by another party's conduct. In *Ledbetter*, the employee did not raise the discovery rule, and the Court pointedly noted that it had never decided whether the discovery rule applied to Title VII cases. Thus, one can expect plaintiffs in future cases to rely on the discovery rule in attempting to avoid the *Ledbetter* ruling.

In addition, several prominent members of Congress (including Senators Clinton and Kennedy) have already stated that they will soon introduce legislation to overturn the Court's decision, asserting that the ruling is unfair because, in many cases, pay disparities are not obvious to the employee until years after the employer's decision where pay information regarding

*(continued on page 2)*

---

*(continued from page 1)*

other employees is kept confidential. Thus, the long-term significance of the *Ledbetter* decision is uncertain.

The Court also noted that its decision would not affect its prior decision in *Bazemore v. Friday*, which ruled that an employer triggers a new EEOC charging period whenever the employer issues paychecks using a discriminatory pay structure. However, because *Ledbetter* did not have any evidence that Goodyear initially adopted its performance-based pay system in order to discriminate based on gender or that it later applied this system to her within the 180-day period with discriminatory intent, the Court held that *Bazemore* was of no help to her.

### **Impact On Employers**

For the time being, this decision is good news for employers and could result in fewer pay discrimination claims being brought and smaller awards and settlements. Of course, employers should continue to base all employment actions, including pay decisions, on reasonable, objective factors that are readily supportable in order to avoid these types of claims. Also, other federal and state anti-discrimination statutes apply different standards and timeframes than Title VII. Pay discrimination claims time barred for Title VII purposes may still be viable under different federal or state laws.

---

*For further information, please contact  
Schnader attorneys:*

*Gregory H. Teufel*

*(412) 577-5289*

*gteufel@schnader.com*

*Michael J. Wietrzychowski*

*(856) 482-5723 or (215) 751-2823*

*mwietrzychowski@schnader.com*

\* \* \*

*This document is a basic summary of legal issues. It should not be relied upon as an authoritative statement of the law. You should obtain detailed legal advice before taking legal action.*