

Employment Update:

Federal Appeals Court Limits NLRB's Authority on Monetary Remedies

In a significant decision, the 3rd Circuit Court of Appeals has restricted the National Labor Relations Board's (NLRB) authority to impose monetary remedies against employers. The Court ruled on December 27, 2024, that Starbucks is not obligated to pay consequential damages for alleged labor law violations unrelated to lost wages or benefits. This ruling challenges the NLRB's controversial 2022 decision to expand employer liability and marks a potential shift in labor law enforcement.

Case Overview

The case arose from the termination of two Philadelphia baristas who alleged they were fired for union activity. While the NLRB ordered reinstatement and back pay, it also mandated Starbucks cover additional damages for "direct or foreseeable pecuniary harms," citing its 2022 *Thryv* precedent. Starbucks appealed, arguing these damages exceeded the NLRB's authority.

Key Court Findings

The court unanimously sided with Starbucks, stating:

- The NLRB's order exceeded its statutory authority under the NLRA.
- Remedies must directly relate to lost wages or benefits, not broader consequential damages.

This decision vacates the monetary damages award and reinforces limits on the NLRB's scope.

Implications for Employers

For businesses in Pennsylvania, New Jersey, and Delaware, the ruling provides clarity on the NLRB's constrained remedial authority. Employers in other jurisdictions may also use this decision to challenge expansive remedies, though outcomes may vary until other courts weigh in.

What to Watch

- **Judicial Trends:** Other circuit courts, including the 6th Circuit, are reviewing similar cases. A split in rulings may prompt Supreme Court review.
- **NLRB Shifts:** With potential changes in leadership, the NLRB's enforcement priorities and interpretations of *Thryv* could evolve.



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Employer Guidance

To navigate this shifting landscape:

- **Update policies:** Ensure compliance with NLRA requirements.
- **Train supervisors:** Educate managers on handling protected activities appropriately.
- **Conduct audits:** Regularly review HR practices to identify and mitigate risks.
- **Document actions:** Maintain detailed records to justify employment decisions lawfully.

Questions

If you have questions on this topic or any other employment issue, please contact one of the employment attorneys listed below.

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