



Supreme Court Overturns 40 Year Precedent: New Legal Challenges to Agency Regulations Likely

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On Friday, June 28th, the Supreme Court issued a landmark decision that severely limits the power of federal agencies to interpret the laws they enforce. The decision in *Loper Bright Enterprises v. Raimondo* requires courts to rely on their discretion in cases involving ambiguous statutes rather than routinely deferring to agency actions. The decision is likely to have a significant impact on many industries, potentially effecting labor and employment laws, environmental regulation, and agency actions that impact the cost of healthcare.

In a 6-3 decision, the justices overturned the 1984 *Chevron v. Natural Resources Defense Council* decision, which had enshrined the long-standing Chevron doctrine. The Chevron doctrine instructed courts to defend an agency's interpretation of ambiguous statutes so long as that interpretation was reasonable. However, in a comprehensive opinion by Chief Justice John Roberts, the justices declared that the Chevron doctrine is "fundamentally misguided."

According to the Court, Chevron's deference is irreconcilable with the Administrative Procedure Act's mandate that courts "decide legal questions by applying their judgment." No agencies, he argued, may interpret statutes, even in cases of ambiguity involving technical or scientific matters of the agency's expertise.

This is a move away from Chevron's deference. Courts may no longer uphold agency interpretations based simply on reasonableness. They will now be required to decide what the ambiguous laws mean. The effect of this is that litigation is bound to rise with increased rates of challenging agency interpretations.

This Supreme Court decision to overturn the Chevron's deference will significantly impact agencies such as the Department of Labor (DOL) and the Federal Trade Commission (FTC). Both agencies often exercise their interpretative authority regarding the force of rules and the issuance of guidance on ambiguous statutory provisions, including recent activity affecting overtime rules and non-compete agreements.

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This decision may also affect environmental regulations, healthcare policy, and financial oversight. Aggrieved parties may often challenge the regulatory powers of agencies like the Environmental Protection Agency and the Food and Drug Administration. Decisions concerning environmental protections or stock drug approvals would receive a more searching judicial review, where most of those acts depend on properly constructing complex legislation for their validity.

The Supreme Court has significantly changed administrative law by requiring courts to do their job by not just letting an agency interpret laws, but to do what the constitution requires them to do, and to interpret federal regulations from the bench. While the Supreme Court stated that agency laws that had previously been adopted under the old Chevron doctrine are not automatically invalid, questions now exist as to the enforcement of many recently issued regulations, including those affecting overtime and non-compete agreements. Employers should now revisit those issues with their legal counsel and develop strategies for complying with the applicable laws.

The attorneys of Foster Swift's Labor & Employment practice group strive to keep you informed on the latest updates. This latest decision will have a wide-reaching impact on agencies across multiple industries. If you have further questions or concerns on the impact this will have on your organization, contact Michael Blum (mblum@fosterswift.com/248-785-4722) or another member of our team.