GBS COMPLIANCE

U.S. Supreme Court Overrules *Chevron* Deference

On June 28, 2024, the U.S. Supreme Court issued a decision in *Loper Bright Enterprises v. Raimondo* and *Relentless Inc. v. Department of Commerce.* The Court overruled its 1984 decision in *Chevron, U.S.A. Inc. v. Natural Resources Defense Council Inc.,* which held that courts should defer to federal agencies to interpret ambiguities and gaps in the laws that the agencies implement (known as *Chevron* deference).

Background

Congress has the authority to pass laws that govern employers, and federal agencies have the authority to enforce those laws. To fill in any gaps or to remedy any ambiguities, federal agencies may issue more detailed guidance on how the laws should be interpreted and applied. For example, agencies may publish informal guidance, issue opinions or publish formal regulations. Under the doctrine of *Chevron* deference, courts are directed to defer to such agency guidance where the statute is ambiguous and the agency's interpretation is reasonable.

In *Loper* and *Relentless*, the plaintiffs argued that *Chevron* should be overruled. The plaintiffs contended that courts should have the authority to interpret ambiguous laws and should have no obligation to adhere to federal agency guidance.

Highlights

- On June 28, 2024, the Supreme Court overturned Chevron deference, a doctrine that requires courts to defer to federal agencies when interpreting legal ambiguities.
- In its opinion, the Supreme Court stated that "[c]ourts must exercise their independent judgment in deciding whether an agency has acted within its statutory authority."

Supreme Court Ruling

The Supreme Court overruled *Chevron* deference in a 6-3 decision. In its opinion, the Supreme Court held that the Administrative Procedure Act requires courts to exercise their independent judgment in interpreting the law, and consequently, "courts may not defer to an agency interpretation of the law simply because the statute is ambiguous." However, the Supreme Court noted that the holdings of prior cases that relied on *Chevron* deference remain lawful and may not be overturned solely because they relied on *Chevron*.

Impact on Employers

Chevron deference has had a meaningful influence on the interpretation and enforcement of employment laws. Federal employment agencies, including the U.S. Equal Employment Opportunity Commission, the Occupational Health and Safety Administration, the U.S. Department of Labor (DOL) and the National Labor Relations Board, have relied on *Chevron* deference in issuing and defending agency interpretations.

In light of the Supreme Court's ruling, federal agencies will not be able to rely on *Chevron* deference in existing litigation, including lawsuits that have been filed to challenge the DOL's independent contractor and overtime rules, and may be subject to additional legal challenges regarding existing rules. Federal agencies may also issue fewer regulations and take more moderate positions in the regulations they issue, and they may face greater difficulty in addressing policy issues.