

The Supreme Court - June 5, 2017

The Supreme Court of the United States issued decisions in five cases today:

Advocate Health Care Network v. Stapleton, No. 16-74: This case involves whether three church-affiliated nonprofits that run hospitals and offer defined-benefit pension plans to their employees are exempt from Employee Retirement Income Security Act of 1974 (“ERISA”) regulation. ERISA provides such an exemption for “church plans,” which includes certain plans for the employees of churches or church-affiliated nonprofits even though not actually administered by a church. 29 U.S.C. §1003(b)(2). Respondents are current and former employees of the petitioner hospitals, who filed separate class actions alleging that their pension plans do not fall within the church plan exemption because those plans were not established by a church. The District Courts held that the hospitals’ plans must comply with ERISA, and the Third, Seventh, and Ninth Circuits all affirmed. Today, the Court reversed, holding that ERISA does not impose the requirement that a church must have originally established a plan for it to qualify for the “church plan” exemption.

The Court's decision is available [here](#).

Kokesh v. SEC, No. 16-529: There is a five-year statute of limitations for any “action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise.” 28 U.S.C. §2462. Here, the Securities and Exchange Commission (“Commission”) brought an enforcement action against petitioner Charles Kokesh for a violation of various securities laws. As part of the judgment, the District Court ordered disgorgement in the amount of \$34.9 million over Kokesh’s objection that \$29.9 million of that amount resulted from violations outside the five-year limitations period. The Tenth Circuit affirmed the SEC, concluding that disgorgement is not a “penalty” or “forfeiture” for purposes of §2462. The Court today reversed, holding that disgorgement in the securities-enforcement context is a “penalty” within the meaning of §2462, and so disgorgement actions must be commenced within five years of the date the claim accrues.

Related Capabilities

- Appellate
- ERISA Litigation
- Securities & Financial Services Litigation & Enforcement

The Court's decision is available [here](#).

Town of Chester v. Laroe Estates, Inc., No. 16-605: A land developer, Steven Sherman, brought a suit against the Town of Chester, alleging that the Town's regulatory red tape amounted to a regulatory taking. Respondent Laroe Estates, Inc. moved to intervene of right under Federal Rule of Civil Procedure 24(a)(2), alleging that it had paid Sherman \$2.5 million in relation to the project, and that the equitable interest it held in the property would be impaired if it could not intervene in the suit. The District Court denied the motion for intervention on the basis that Laroe lacked standing to bring a takings claim, and the Second Circuit reversed, holding Article III standing was not required. Today, the Court vacated and remanded, holding that to intervene of right under Rule 24(a)(2), an intervenor must meet the requirements of Article III if the intervenor wishes to pursue relief not requested by a plaintiff, and remanding for a determination of whether the intervenor seeks such additional relief.

The Court's decision is available [here](#).

North Carolina v. Covington, No. 16-1023: Several North Carolina voters brought a challenge in May 2015 to new legislative districts redrawn after the 2010 census, alleging that the 28 majority-black districts in the new plan were unconstitutional racial gerrymanders. The District Court agreed with the plaintiffs, but in an order issued in August 2016, declined to require changes for the November 2016 election, instead ordering that the maps be redrawn before any future elections. After the election, the District Court further ordered that any legislator elected in the November 2016 election from one of the districts at issue would only serve a one-year term, rather than two, and that there would then be a special election for the remaining term. The District Court's explanation for this order was that, "[w]hile special elections have costs, those costs pale in comparison to the injury caused by allowing citizens to continue to be represented by legislators elected pursuant to a racial gerrymander." North Carolina appealed, and today, the Court held that the remedial order should be vacated for the simple reason that the District Court failed to meaningfully weigh any equitable considerations.

The Court's decision is available [here](#).

Honeycutt v. United States, No. 16-142: Petitioner Terry Honeycutt was convicted following a jury trial of conspiring to and knowingly distributing iodine used to make methamphetamine in violation of federal law. Terry was a salaried employee who managed sales and inventory for a hardware store owned by his brother Tony Honeycutt. That store, over a three year period, made a profit of \$269,751.98 from sales of an iodine-based water-purification product that could be used to manufacture methamphetamine. Terry's brother Tony, who owned the store, pleaded guilty and agreed to forfeit \$200,000 of the profit. The Government meanwhile, insisted that Terry be held jointly liable for the profit from the illegal sales, and sought a judgment for the remaining \$69,751.98, even though Terry had no controlling interest in the store and did not stand to benefit personally. The District Court refused to enter a forfeiture judgment, but the Sixth Circuit reversed, finding Terry and Tony were jointly and severally liable co-conspirators. The Court today reversed, holding that the forfeiture statute in question, 21

U.S.C. §853, is limited to property the defendant himself actually acquired as the result of the crime, and does not apply to Terry Honeycutt, who had no ownership interest in his brother's store and did not personally benefit from the sales.

The Court's decision is available [here](#).

The Supreme Court of the United States granted certiorari in one case today:

Carpenter v. United States, No. 16-402: Whether the warrantless seizure and search of historical cell phone records revealing the location and movements of a cell phone user over the course of 127 days is permitted by the Fourth Amendment.