ShortCircuit346

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Bochner v. City of New York, Contract Clause, landlord-tenant dispute, standing, sovereign immunity,
age verification law, Free Speech Coalition, private enforcement, First Amendment,
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SPEAKERS

Erica Smith Ewing, Paul Sherman, Anthony Sanders

Anthony Sanders 00:00

"There was an important job to do, and everybody was asked to do it. Everybody was sure that somebody would do it, anybody would have done it, but nobody did it. Somebody got angry, because it was everybody's job. Everybody thought anybody would do it, but nobody realized anybody wouldn't do it." Well, that is "The Responsibility Poem" by the late Charles Osgood, and I think it relates very much to a couple cases we'll be discussing today. They both are about the responsibility of enforcing the law, which I thought was the government's job. But apparently that's not the case anymore. So we'll discuss that and more today on Short Circuit, your podcast on the Federal Courts of Appeals. I'm your host, Anthony Sanders, Director of the Center for Judicial Engagement at the Institute for Justice. We're recording this on Wednesday, October 9, 2024 and we'll be discussing two cases from the Second Circuit and the Tenth Circuit with two big time IJ attorneys. They are old friends to Short Circuit, but this is their first time when we've been doing YouTube. So I'd like to welcome both of them, and as we—my wife and I—tell our children, you can either say hi or just wave. And that's Paul Sherman and Erica Smith Ewing.

- P Paul Sherman 01:51 Hi Anthony.
- Erica Smith Ewing 01:52
 Thanks for having us.
- Anthony Sanders 01:53

Oh they both snoke up. That's great I was gonna say for our audio audience, they both wayed

on, they both spoke up. That's great. I was gornia say for our addio addictice, they both waved.

That's very kind of you. But they both said hi as well, and we will get to them in just a moment. First, I would like to say, for everyone's benefit, though, that we have had a podcast that has kind of slipped into the Short Circuit feed the last few months every now and then, and that is our podcast, Unpublished Opinions, which is where IJ attorneys talk about things beyond just the Federal Courts of Appeals. So that was going for a little while; we've now had some some technical work we had to do to make things right. But now, going forward, Unpublished Opinions has flown away from the nest, and it's on its own feed and web page now, so it's not going to be part of the Short Circuit feed. So if you want to reach out, or you liked those episodes when they came out, you want to reach out for more of the Unpublished Opinions variety—you can find it wherever: you can find it on Spotify, Apple Podcasts, just search "Unpublished Opinions." You can also find it on its own web page, which is at ij.org. We'll put a link in the show notes to the latest episode on the web page, which just dropped a few days ago. And going forward, it will be on our YouTube selections as well as an audio podcast. So want to make sure it gets a little love, if you want to check it out, maybe subscribe, hear what IJ attorneys have to say beyond the Federal Courts of Appeals. But here on Short Circuit, we're sticking with our bread and butter, the Federal Courts of Appeals. And first we're going to go to one of the biggest circuits, some would say, the Second Circuit, the Big Apple's circuit, where Eric is going to bring us a case from New York City itself. So it's a big case. And it turns out it's a big case about how big cases get vacated and die. [Laughter]. Would you tell us the news?

Erica Smith Ewing 03:53

Sure. So this is Bochner v. City of New York, which the Second Circuit just released. And I'm going to set this up a little bit before I say what the ruling is. This case was a challenge to a law that New York City passed in response to the pandemic, and the law allowed many of the city's businesses to simply just stop paying rent: doesn't matter if they could afford to pay, they didn't have to pay anymore. What the law specifically said is, if you're a certain type of commercial tenant, often a small business, and you defaulted on your lease during the pandemic, your lease was permanently unenforceable and the landlord could never recover from you. So the landlord sued the city and city officials, and they claimed the law was unconstitutional under several provisions of the Federal Constitution, including the Federal Contract Clause. And this case was litigated for years, going up and down in the courts, and the landlords were actually winning. That was a surprising turn, but they were winning, and just as they were about to seize victory, the city said, wait, hold on a second. You can't win because you don't actually have standing. And the reason you don't have standing is because we never enforced this law, and we have no intention of ever enforcing the law. All the law does is affect the private relationships between landlords and tenants, so you should just sue your tenant. We have nothing to do with it. Even more shocking, the Second Circuit agrees and directs the district court to dismiss the case. This is an extremely frustrating opinion, least of all for the landlords who spent God knows how much money litigating this case. So what happened, and can the government get away with this? Are they going to be sanctioned? Stay tuned. We'll get into the details. So initially, the trial court had dismissed the claims on the merits, when this case first started. This wasn't surprising. The Contract Clause is considered by many people to be a dead letter, but the plaintiffs appealed to the Second Circuit, and in a really remarkable opinion, the Second Circuit says, actually, we do have really serious concerns about this law. The Contract Clause requires a law to be reasonable and necessary, and here, this law is applying regardless of the tenant's financial circumstances, regardless of whether or not they can pay, regardless of the landlord's financial circumstances. You could be a grandma who's relying on this rent to feed yourself, and you still could be out of luck because of this law. So

the Second Circuit reverses and remands, it goes back to the trial court, and at that point, the writing's on the wall. We all know what the trial court is going to do. We have a few more months of discovery, and the trial court grants summary judgment to plaintiffs declaring the law is unconstitutional under the Contracts Clause. Wow. So why was this back at the Second Circuit? Well, because at the eleventh hour, right when the city realizes that they're going to lose, they put a final paragraph in their summary judgment brief. It's a 25 page brief, and there's one paragraph the very end saying there's no standing because we're not going to enforce this law. Now this is after they had already conceded that the plaintiffs had standing, and they still made this argument. So the trial court orders more briefing, rejects the standing argument, and the city appeals. Interestingly, they don't even appeal on the merits at that point, they just appeal on the standing argument. The Second Circuit is not happy. They are really ticked off. But as some listeners may realize, standing is not a waivable defense—it's a jurisdictional requirement. So the Second Circuit has to address this late argument. To have standing, there's three requirements: you have to have injury, causation, and redressability. And the city is saying, well, there's no injury—there's no risk of injury, because we're not going to enforce this law against the landlords. So there's no risk that we're going to go after you, fine you, put you in jail, nothing. So the plaintiffs changed their strategy, because up until this point they were bringing this pre-enforcement challenge. Now they're saying, well, we actually already were injured. We were injured the second you passed this law, because this law invalidated our contracts, our leases, and as a result, our tenants stopped paying rent to us. They actually even submit evidence of their tenant sending them an email saying, because of this law, I am not going to pay you. So there is clear evidence of injury—this is not a speculative injury. The problem is that because the plaintiffs are forced to shift the focus of their lawsuit from looking for future-looking relief to now talking about backwards-looking relief for a past injury, they create a redressability issue. This is not their fault. The city is making them do this with their new position, but it puts plaintiffs in a hard spot, because plaintiffs never asked for damages. They only asked for forward-looking relief. They were asking for an injunction to prevent the city from enforcing the law, and declaratory judgment to say that the law is unconstitutional. They never asked for nominal damages, no damages for their lost rent, nothing. And you can't sustain a retrospective lawsuit just with a declaratory judgment. That's not enough, because there's it's not redressable. It's not enough for the court to say you were wronged—the court has to be able to fix your injury, and here the court can't do that, or so it says. So the Second Circuit adopts that reasoning and finds no standing. There was no damages, there's nothing you could do. You should have sued the tenants in state court, asked for rent, and then when the tenant raised this law as a defense to paying the rent, then you should have challenged the constitutionality of this law. And the Second Circuit even goes on to say, even if we could do a declaratory judgment, it wouldn't do anything, because our federal ruling is not going to be binding on the state court. So, dismissed—no standing. So is the court right about this? Did the Second Circuit do the right thing? I was not persuaded. I mean, I do think it was strange that the plaintiffs didn't bring a damages claim, I think that would have went a long way to helping them out here, or even nominal damages. But I didn't see this as just a past injury. It seemed that it was an ongoing injury, because plaintiffs are supposed to have this contract, they're supposed to have this lease, and every day that it's not enforceable is a continuing injury. And if all the court had to do is invalidate the law, the contract would have just sprung back into existence. And then they would have had a redressable injury, they would have now had a contract. And they could have done with that contract what they wanted, whether it's going to the plaintiff and asking them for money, or suing them, or whatever. They could have done something with that. And you don't have to have your injury completely, one hundred percent redressable for it to be a redressable injury. It just has to go part of the way there. So I think that the Second Circuit made a mistake on this. I also find this to be a very disturbing reason for other reasons. But I will pause there to let you guys jump in.

Anthony Sanders 10:59
Paul, are you on Team Injury?

Paul Sherman 11:03

Well, I don't think there's any question that there's actually an injury here. The thing that really stood out to me, and that I thought the Second Circuit didn't latch on to enough, was that there's also this provision of the law that allows the city to—and I'm looking at the language here—the Corporation Council can bring suit in the city's name to enjoin violations of a local law or regulation prescribing or requiring specific conduct. And this law didn't just say that these provisions are unenforceable. There was a second part to the law that said if you try to collect on a debt that is unenforceable under this law, that counts as landlord-on-tenant harassment, and so the city could if it wanted, bring lawsuits to enjoin landlords from doing that. And the city conceded in supplemental briefing that it uses this authority to bring lawsuits to enjoin violations of local laws all the time, but they said, we're just not going to do it for this provision ever, so you don't need to worry—which, I don't know, to me is just absolutely ridiculous. You've got a law that prescribes these landlords from engaging in this conduct. You've got another law that gives the city enforcement authority to go after them if they do this. I think that should be straightforward enough to establish the standing of the landlords, and it's kind of outrageous that it isn't.

Anthony Sanders 12:45

Why would that law talk about this extra bad thing you can do, the landlord harassment, if there wasn't some kind of enforcement imagined by the city? Like you just said, Paul, I mean, it's not like that just means a tenant will have an easier time in court. It means that there's some kind of a civil or even criminal penalty attached to it.

Paul Sherman 13:10

Yep, yeah. And it's also just this idea that, like, "well, this is just between you and your tenants" is implausible, because if you do go after your tenants in these cases, the city is either going to intervene in the lawsuit or it's going to appear as amicus, as it, in fact, did in some other litigation. So, I mean, I think it's just, it's transparent gamesmanship and the Second Circuit is pretty annoyed by it, but it chalks it up to negligence on the part of the city, as opposed to actual bad faith, which would have been sanctionable. To me, that strikes me as pretty implausible. I mean, if you've spent any time suing the government, you know that attacking your standing is the number one item on the government's checklist that goes in every single brief they file. So the idea that they just forgot or it never occurred to them to raise a standing argument...I mean, unless the lawyer for the city was extremely junior and inexperienced, that doesn't sound plausible.

Anthony Sanders 14:26

Well, the other thing that's really weird going on here is this is a pandemic-era standing case. And there have been a zillion of these. We've gotten sick of talking about these on the show, to be frank, and our friend, John Ross, who does our newsletter, has gotten sick of putting them in our newsletter because they happen over and over again, which is: sue about some restriction from the pandemic, pandemic's long in the past now, and it's getting more and more apparent that it's not about to just come back, and so courts are saying this is moot. Whatever this thing was three years ago, it's not happening now. And so you don't have a case because it's moot. This is not a case like that. It has to do with the pandemic. This law hasn't really been in effect in like, three years now, it looks like, because they had to start paying rent again in mid-2021 but it's not because it's moot, it's because the city says, basically, we don't enforce this law ever. So retroactively, we were never going to enforce the law, we never planned on it, and if there is another pandemic, we won't enforce the law then. And so it's under that rubric that the court says there's no standing because there's no redressability because the city doesn't enforce it, which gets really confusing, I think. And the pandemic being in the background kind of allows this reasoning to go in the back door, like you were saying, Paul, that, oh, we just didn't enforce it, or didn't raise it. Of course, the reason why they didn't raise it back when this case was being litigated in 2020 and 2021, is because they really wanted to enforce it at that time. And they're not going to throw all the the tenants they're trying to protect under the bus by saying that in federal court. It's pretty obvious, and yet, none of that happens. There's no dissent, so none of that is voiced.

Paul Sherman 16:24

Yeah. I mean, the silver lining to this, at least in my view, is that the city asked for the court to not only reverse the grant of summary judgment, but to vacate its earlier ruling on the motion to dismiss, which is three years old and is honestly a great ruling under the Contracts Clause. I mean, you know, anyone who's studied the Contracts Clause—or maybe has a hazy memory of it from law school—knows, as Erica pointed out, that it's widely viewed as a dead letter, and the government can go in and mess around with contracts, it seems, basically whenever there's some good public spirited reason for doing so. And the fact that the court actually said no, like, this is a serious problem, that it's not just that you're delaying the payment of this rent, but you're extinguishing it forever, so there has to be some kind of reasonable tailoring. That's a great ruling, and thankfully, it's still on the books, probably because the Second Circuit was so annoyed with the city.

Erica Smith Ewing 17:35

Yeah, it does set a disturbing precedent that if you're the government and you're about to lose a big case, all you have to do is say, wait, I'm not going to enforce it anymore; just don't come out with a ruling against me.

Anthony Sanders 17:50

Yeah, and get rid of everything you've ever said about the case where I didn't look good. We don't often get Contracts Clause claims on this show. We've done it a couple times in in the past, and a couple were pandemic-y cases with kind of similar stuff to this. But while we're at it, before we before we go to the next case—Erica, is there anything you want to give listeners

about the Contracts Clause, if they're interested in diving into this area, or maybe if something comes up and they actually think they might have a Contracts Clause claim...is there anything to keep in mind?

Erica Smith Ewing 18:26

Well, IJ did submit an amicus brief—what was that, 12 years ago?—in the Obamacare case, saying that it was a violation of the Contract Clause. And in that brief, we went really in depth into the history behind the Contract Clause. So it's a really interesting read if you're a history nerd or interested in bringing Contract Clause claim.

Anthony Sanders 18:48

Well, we will put a link to that in the show notes, because I'm sure we we have it somewhere. I remember that, because in that case about the Commerce Clause, it was kind of the background of how contract law is thought to work that would be governed by the by the Commerce Clause. Some people who know a little bit about Contracts Clause jurisprudence will know that in the early days of the Republic, this was kind of the one big way that the Constitution regulated the states, because the Bill of Rights didn't apply to the states in the old days. But there were a lot of Contracts Clause cases early on in the nation's history, and that continued for a while, and then during the Depression, the court said, actually it doesn't really do anything anymore, and we've kind of been in this holding pattern with it ever since. I will say that the test you gave earlier, Erica, about the Contracts Clause, is pretty flexible; it has all this kind of rational basis language, but it's not quite as bad as the rational basis test that we've talked about on Short Circuit many times that applies to a lot of economic liberty claims and due process equal protection claims. So it has a little bit to it. And occasionally you see victories where, you know, the government shafted someone out of their contract. So it's something to keep in mind, and we may discuss it again, hopefully, hopefully sometime soon. Well, one thing we're going to discuss right now with Paul—and Paul has picked this case, I did not pick this case for him—from the 10th Circuit, is an age verification law. Now, we're all over 18, we don't have to worry about age verification if it were even to come up. But apparently it's an age verification law that is kind of oddly enforced, and it reminds me very much of something some listeners and viewers will remember, which is the SB 8 litigation from a couple years ago from Texas about the abortion law the state had where it was not enforced by the government, but was enforced privately. And so the big question at the Supreme Court was, who the heck can you sue to try to have the law be challenged? And that's basically what's going on here in Utah. Is that right, Paul?

P Paul Sherman 21:20

Yeah, that's right. So this was an interesting time for this opinion to come out, because there's actually a case pending at the US Supreme Court this term involving the same plaintiff, the Free Speech Coalition v. Paxton, which is challenging Texas's age verification law. The Fifth Circuit upheld that age verification law under rational basis scrutiny, essentially holding that the First Amendment doesn't apply to it at all. The Supreme Court granted certiorari. We did an amicus brief on some more general First Amendment issues. We don't typically get involved in the pornography First Amendment debate, but the Fifth Circuit really messed up some very

fundamental First Amendment doctrine in ways that are broadly applicable. But none of that really comes up in this case, because the state of Utah has chosen a different enforcement mechanism for its age verification law. So like Texas' law, Utah's law requires websites that have adult material that would be harmful to minors if viewed by them to take commercially reasonable steps to verify the age of the people who are accessing their websites. But Utah, unlike Texas, does not have any direct state enforcement of the age verification law; what it does instead is it creates a private right of action so that anybody who has suffered damages as a result of a minor accessing this material in Utah can bring a private lawsuit. So the Free Speech Coalition and some other plaintiffs sue to challenge the law. They sue both the Attorney General and the—I believe it was the Commissioner of the Utah Department of Public Safety who's in charge of the agency that issues driver's licenses in the state. And they try to get an injunction against the enforcement of the law so that they don't have to go through these age verification steps. It gets to the 10th Circuit, and the 10th Circuit holds that there's no standing, because these people who you have sued do not enforce the law in any way. So the only thing that you can really do is if you want to continue to publish this material, you have to run the risk that someone is going to sue you for doing so if you don't use these age verification measures that are required under the law, and there's no way to get any kind of preenforcement review of that. There is a partial dissent in the case from one of the judges, who argues that you should be able to go after the Commissioner of Public Safety because of his overseeing the state's driver's license ID program, which provides for a form of digital identification. I don't think that the dissent really got the better of this part of the argument, because the ID actually couldn't be used at the time for online verification. It didn't work in that way. I don't necessarily disagree with the majority's opinion that these were not proper defendants, and that you can't sue them because you don't have redressability against them. But it is frustrating to see these kinds of shenanigans where states enact laws, they plainly intend them to have a chilling effect on speech, they actually do have a chilling effect on speech, but there's no way to get that addressed in court unless you gin up some kind of collusive lawsuit, like if you get some private party to sue you. It does remind me a little bit of a lawsuit that we had that was in the 10th Circuit, in Colorado, involving private enforcement of that state's campaign finance laws. In Colorado, any private party who wanted to could bring a private lawsuit to enforce the campaign finance laws. This was a widely abused system. People used it to target their political opponents. We managed to challenge that system in court, and it was really on this sort of hyper-technical grounds that the way the system worked was you had to first file a complaint with the Secretary of State, and then the Secretary of State did the essentially ministerial act of forwarding that complaint onto the state administrative courts. And so we challenged that, and we said the Secretary of State should be enjoined from forwarding these complaints to the court, and that was enough of a hook to have standing and redressability, and ultimately we won that lawsuit and we got that system struck down. But here there wasn't even that ministerial connection, so it's an unfortunate outcome for the Free Speech Coalition. I don't know that we're seeing more of these kinds of private enforcement schemes than have traditionally existed, but they do seem to be getting more attention, and that additional attention, I think, is really highlighting what many of the problems with these systems are. They result in inconsistent enforcement of the law, they can have a widespread chilling effect, and the people who are aggrieved by them don't end up with effective ways, often, to vindicate their rights.

Anthony Sanders 26:58

Erica, do you see relationships between Paul's case and then the troubles you were talking about in the Second Circuit.

Erica Smith Ewing 27:06

Oh, yeah, absolutely. It's the government crafting laws or lawsuits that make it almost impossible for people to get an answer as to whether their rights are being violated, and they just have to wait and see. And if you're a for-profit business operating on the margins, that uncertainty is enough to put you out of business.

Anthony Sanders 27:28

And here it seems, I mean, you could argue that the New York City scheme was set up for the tenants to take advantage of it. So we agree that the city was going to enforce it, but really that how it's supposed to work is the tenants taking advantage. Now, maybe I'm mixing up the two, but remembering the whole women's health case that the Supreme Court decided about the Texas matter; here in Utah, really what's going on is the state is trying to chill these businesses, and to set up this age verification, and yet to get out of it being challenged, it's putting it on the private—I mean, what private party is going to sue about that? I understand, like someone who's an abortion activist is going to want to sue a doctor doing abortions, like you can imagine that. I can't—like, who—would you sue your neighbor because you think he's looking up porn and he's only 17? Who knows what it is. Well, you wouldn't sue your neighbor, you'd sue the website, but because there's someone like that out there. It's just kind of bizarre that you would set that system up, unless you're trying to evade the constitutional question, which raises another thing that the dissent pointed out, Paul, which is you need to remember that when we're talking about these matters with a First Amendment claim, that usually these rules are a little bit relaxed. So it talks about ripeness, standing is true in that way too, that it should be easier to get into court when you're talking about speech, because the whole idea is a chilling effect, and this whole law is a gigantic chilling effect.

Paul Sherman 29:15

Yeah, that's exactly right. I mean, the the point of the law, I think, is to cast this uncertainty over what you're allowed to do, and then people respond to that by just not speaking, by not publishing this material anymore, because they think it's just commercially inviable to collect people's identification every time they want to visit one of these websites, which, you know, I can certainly understand why they would make that decision. And I think you're right that there's not even really an intention that these private lawsuits will be filed because, I mean, I suppose there can be some aggrieved parent, who's going to say, look, my kid went to this website and now I'm suing you because you didn't check his age—the kid's going to be mortified [Laughter]—but beyond that, like, what is going to be your measure of damages? You know, like, therapy for your kid? I don't know. I mean, maybe, but the idea, I think, really, is just to make it harder for you to operate in the state because we don't like the kind of material that you publish. And if the court could reach the First Amendment merits of it, I think it would have to apply strict scrutiny. That's the argument that we make in our Free Speec Coalition v. Paxton amicus brief, but here they seem to have found a tricky way to get the best of both worlds where they can have the chilling effect and avoid the First Amendment scrutiny. And doesn't seem right.

E Erica Smith Ewing 30:55

Yeah, so I was gonna say it's been working, because these porn businesses have just stopped showing porn in these states. And yeah, Paul, is it right that at the time the decision came down, there wasn't even a way to verify the age that satisfied the statutory requirements?

Paul Sherman 31:14

Yeah, I believe that is right, or at least there was no way to do it with the state issued ID. So there are, I think, like, third party companies that provide age verification services that you might be able to contract with. But you know, I think the point is not to get these companies to actually do the age verification. The point is to get these companies to stop publishing this material in these states.

- Erica Smith Ewing 31:41
 Yeah, and that dissent talked about that a lot.
- P Paul Sherman 31:44 Yeah.
- A Anthony Sanders 31:45

Paul, I have a really basic question that I know the answer to, but I know some of our listeners and viewers may be just asking: why is this all relevant? Why can't you just sue the state of Utah and say this is unconstitutional? Why can't you do that?

Paul Sherman 32:01

It's a great question. And so, most people have heard of the Bill of Rights, which is the first ten amendments. But not that long after those were adopted, we enacted the 11th amendment. And the 11th Amendment prohibits citizens from one state from suing a different state. And of course, as you can infer from that language, that means that citizens can also not sue their own state.

- Anthony Sanders 32:25
 Of course, it's right there in the text.
- Paul Sherman 32:34

Yeah. exactly. I mean. what could be more crystal clear? So there's this doctrine called

sovereign immunity, the idea that the states are sovereigns in the same way that the federal government is sovereign, or that a king is sovereign, and you can't sue the sovereign without the sovereign's consent. And so there are some circumstances where the state or the federal government has waived this immunity and can be sued. But typically you can't just sue the state directly. And there are some ways to get around that: one of them is this sort of legal fiction under a case called Ex Parte Young, where instead of suing the state of Utah, you sue the Utah Attorney General in his official capacity, or you sue the Commissioner of the Department of Public Safety in his official capacity. As a practical matter, it has exactly the same effect as if you could sue the state, and they are defended by exactly the same lawyers who would defend them if you could sue the state, but you have to sort of go through this legal fiction in order to be able to do it. But to invoke Ex Parte Young, the government official has to play some direct role in the enforcement of the law, even if it is an essentially ministerial role, like the one that we discussed with our Colorado private enforcement case. But here, because there wasn't even that—there wasn't that hook—so they couldn't invoke Ex Parte Young, and the doctrine of sovereign immunity prevailed.

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Anthony Sanders 34:20

So all of that that Paul just explained takes, unfortunately, many years of trial and error and and learning in the courts to figure out. And there are many attorneys who try to sue the government and get one little part of that wrong and get their case tossed out. Many of them end up in the Short Circuit newsletter, because you have to really run the gauntlet in order to fight for your constitutional rights, whether they're the constitutional rights at issue in this case or perhaps ones you might find more weighty. And so that's why it takes so much work to sue the government. But Paul, thank you for that, for that primer, and thank you Erica for your discussion of the Contracts Clause. So we will get back to more constitutional issues in our next episode, whether they be First Amendment, Contracts Clause, or otherwise, but thank you both for coming on this week. Please be sure to follow Short Circuit on YouTube, Apple podcast, Spotify and all other podcast platforms, and remember, to get engaged.