DEI Task Force Update (March 13, 2024)

Diversity | March 13, 2024

Gibson Dunn's Workplace DEI Task Force aims to help our clients develop creative, practical, and lawful approaches to accomplish their DEI objectives following the Supreme Court's decision in *SFFA v. Harvard*. Prior issues of our DEI Task Force Update can be found in our <u>DEI Resource Center</u>. Should you have questions about developments in this space or about your own DEI programs, please do not hesitate to reach out to any member of our DEI Task Force or the authors of this Update (listed below).

Key Developments:

On March 12, 2024, the Fourth Circuit affirmed in part and vacated in part the district court's decision in Duvall v. Novant Health, Inc., --- F.4th ---, 2024 WL 1057768 (4th Cir. Mar. 12, 2024). The plaintiff, a white male marketing executive, sued Novant, alleging that he was fired without cause from his management position because of his race and sex. At trial, the plaintiff relied on evidence that Novant maintained a "goal of remaking the workforce to look like the community it served," and argued that his firing fit a pattern of similar actions by Novant. A jury found in the plaintiff's favor and awarded him \$10 million in punitive damages, in addition to back pay and other damages. Novant filed a post-trial motion for judgment as a matter of law and a motion to set aside the jury's damages award. The district court denied the motion for judgment as a matter of law but granted in part Novant's motion to set aside punitive damages, reducing the award to the Title VII statutory maximum of \$300,000. Novant appealed to the Fourth Circuit, which affirmed the district court's refusal to enter judgment as a matter of law because "[t]here was more than sufficient evidence for a reasonable jury to determine that Duvall's race, sex, or both motivated Novant Health's decision to fire him." This evidence included that the plaintiff was "fired in the middle of a widescale D&I initiative" that sought to "embed diversity and inclusion throughout" the company, including by "employing D&I metrics," committing to "adding additional dimensions of diversity to the executive and senior leadership teams," and incorporating "a system wide decision making process that includes a diversity and inclusion lens." But the appellate court held that the plaintiff failed to present sufficient evidence that Novant exhibited "malice or . . . reckless indifference" because the plaintiff did not present affirmative evidence that the decisionmaker in the plaintiff's termination had any personal knowledge of federal antidiscrimination law. Because the plaintiff failed to show that the decisionmaker acted with malice or reckless indifference, the court set aside the award of punitive damages. On March 11, 2024, the Tenth Circuit affirmed the dismissal of a white male former employee's hostile work environment claims against the Colorado Department of Corrections, in Young v. Colorado Dep't of Corrections, --- F.4th ---, 2024 WL 1040625 (10th Cir. Mar. 11, 2024). The former employee claimed that the Department of Corrections' training materials for its "Equity, Diversity, and Inclusion" programs subjected him to a hostile work environment by, among other things, "stating that all whites are racist [and] that white individuals created the concept of race in order to justify the oppression of people of color." The District Court dismissed the case for failure to state a claim and the Tenth Circuit affirmed, holding that the plaintiff had failed to allege that the DEI training, which only occurred once during the plaintiff's employment, constituted severe and pervasive harassment. However, the court did note that "Mr. Young's objections to the contents of the EDI training are not unreasonable: the racial subject matter and ideological messaging in the training is troubling on many levels. As other courts have recognized, race-based training programs can create hostile workplaces when official policy is combined with ongoing stereotyping and explicit or implicit expectations of discriminatory treatment. The rhetoric of these programs sets the stage for actionable misconduct by organizations that employ them." On March 6, 2024, the United States Court of Appeals for the Second Circuit affirmed the district court's dismissal of

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medical advocacy association Do No Harm's reverse discrimination claims against Pfizer based on lack of standing in Do No Harm v. Pfizer, Inc., --- F.4th ---, 2024 WL 949506 (2d Cir. Mar. 6, 2024). Suing on behalf of two anonymous members, Do No Harm alleged that Pfizer violated Section 1981, Title VII, and New York law by excluding white and Asian applicants from its Breakthrough Fellowship Program, which provides minority college seniors with summer internships, two years of employment post-graduation, mentoring, and a scholarship. In its opinion affirming the district court's dismissal, the Second Circuit held that, under the "clear language" of Supreme Court precedent, an organization must name at least one affected member to establish Article III standing. The court explained that such a naming requirement ensures that the members are "genuinely" injured and "not merely enabling the organization to lodge a hypothetical legal challenge." For a more fulsome discussion of this decision, see our March 11 Client Alert. A district court in the Northern District of Texas issued an opinion on March 5, 2024, in Nuziard v. Minority Business Development Agency, No. 4:23-cv-00278-P, 2023 WL 3869323 (N.D. Tex.), holding that the racial presumption used in apportioning federal funds for minority business assistance violates the Fifth Amendment's equal protection guarantee. Applying SFFA v. Harvard, the court held that the Minority Business Development Agency's presumption of social or economic disadvantage does not satisfy strict scrutiny because, even though the Agency might have a compelling interest in addressing discrimination in government contracting, the Agency's program for eliminating such discrimination was not narrowly tailored to achieve that interest. A more detailed discussion of this opinion can be found in our March 11 Client Alert. On March 4, 2024, the Eleventh Circuit affirmed the district court's order preliminarily enjoining operation of Florida's "Stop WOKE Act" in Honeyfund.com, Inc. v. DeSantis, --- F.4th ---, 2024 WL 909379 (11th Cir. Mar. 4, 2024). Among other things, the "Stop WOKE Act" prohibits employers from requiring employees to participate in trainings that identify certain groups of people as "privileged" or "oppressors." Florida argued that the Act did not fall within the purview of the First Amendment because it regulated conduct rather than speech. The Eleventh Circuit rejected this argument, holding that the law constituted both content and viewpoint discrimination that did not survive strict scrutiny. Writing for the court, Judge Britt C. Grant stated that "restricting speech is the point of the [Stop WOKE Act]," and opined that the merits of controversial views are "decided in the clanging marketplace of ideas rather than a codebook or a courtroom." Representatives James Comer (R-Ky.) and Pat Fallon (R-Tex.) sent a letter on March 1, 2024, to the EEOC "to better understand EEOC's current posture ensuring the enforcement of longstanding prohibitions on racially discriminatory policies in employment practices." Acting in their capacities as the Chair of the Committee on Oversight and Accountability and Chair of the Subcommittee on Economic Growth, Energy Policy, and Regulatory Affairs, respectively, Reps. Comer and Fallon referenced statements by government officials in the wake of SFFA v. Harvard, including comments by EEOC Commissioner Andrea Lucas and a letter by a group of Republican state attorneys general-both of which warned corporate leaders about the decision's implications for corporate diversity programs. Emphasizing that the EEOC must take all possible steps to "prevent and end unlawful employment practices that discriminate on the basis of an individual's race or color," Reps. Comer and Fallon demanded that, by no later than March 15, 2024, the EEOC produce various documents and information, including Title VII enforcement guidance disseminated to employers, internal training materials, any documents containing "numerical accounting of enforcement actions" related to Title VII race discrimination, and any documents or communications related to SFFA v. Harvard. Reps. Comer and Fallon also instructed the EEOC to provide a stafflevel briefing on the matter no later than March 8, 2024. On February 29, 2024, Brian Beneker, a heterosexual, white male writer, sued CBS, alleging that its de facto hiring policy discriminated against him on the bases of sex, race, and sexual orientation in Beneker v. CBS Studios, Inc., No. 2:24-cv-01659 (C.D. Cal. 2024). In his complaint, Beneker alleges that CBS violated Section 1981 and Title VII by refusing to hire him as a staff writer on the TV show "Seal Team," instead hiring several black writers, female writers, and a lesbian writer. Beneker is requesting a declaratory judgment that CBS's de facto hiring policy violates Section 1981 and/or Title VII, injunctions barring CBS from continuing to violate Section 1981 and Title VII and requiring CBS to offer Beneker a fulltime job as a producer, and damages. Beneker is represented by America First Legal

(AFL). Indiana Senate Bill 202 (S.B. 202) passed both chambers of the Indiana General Assembly with amendments and was sent to Governor Eric Holcomb's desk on February 29, 2024. If enacted, S.B. 202 will direct the boards of trustees of state higher education institutions to refocus diversity committees and tenure decisions on "intellectual diversity"; prohibit traditional diversity statements in admissions, hiring, and contracting; dictate a policy of neutrality with respect to institutional viewpoints; and require annual reporting on DEI-related operations and spending. The American Association of University Professors has called for a veto of the bill, and DePauw University filed a formal opposition. Governor Holcomb has until March 15, 2024 to sign or veto the bill. On February 28, 2024, the Wisconsin Institute for Law & Liberty (WILL) called upon the Board of Regents of the University of Wisconsin to investigate and reform various race-based programs implemented by the University and to make a public statement clarifying that the University does not condone such "discriminatory" programs. WILL commended the University's initial compliance with the SFFA decision as it related to admissions and hiring, but identified ten examples of programs-including awards, scholarships, fellowships, internships, group therapy services, a mentorship program, and a housing program-that WILL alleges continue to consider race as either the sole criterion for eligibility or as one of multiple factors. WILL argues that these programs violate SFFA and has called for them to be opened to all students. The Equal Protection Project (EPP) of the Legal Insurrection Foundation sent a letter on February 26, 2024, to the Office of Civil Rights (OCR) at the U.S. Department of Education, alleging that Western Illinois University (WIU) offers sixteen discriminatory scholarships. The letter complains that the scholarships restrict eligibility or give preference to black and Latino students and students that identify as LGBTQI+. EPP argues that these scholarships discriminate on the basis of race in violation of Title VI and on the basis of sex and sexual orientation in violation of Title IX. Because WIU is a public university, EPP also alleges that the scholarships violate the Equal Protection Clause of the Fourteenth Amendment. EPP has asked OCR to open a formal investigation into the University and impose any remedial relief that the law permits in holding the University accountable for its alleged misconduct.

Media Coverage and Commentary:

Below is a selection of recent media coverage and commentary on these issues:

- New York Times, "Can You Create A Diverse College Class Without Affirmative Action?" (Mar. 9): Writing for the New York Times, Aatish Bhatia and Emily Badger report on an analysis the Times performed in conjunction with Sean Reardon, a professor at Stanford, and Demetra Kalogrides, a Stanford senior researcher, using statistical data to model four potential alternatives to "race-conscious" college admissions: (1) giving preference to low-income students; (2) giving preference to low-income students who attend higher poverty schools; (3) giving preference to students who outperform their peers with similar disadvantages; and (4) expanding the applicant pool. Each scenario focuses on increasing economic diversity as a means to bolster the number of minorities enrolled in the most elite colleges. According to the analysis, the fourth scenario that focuses on targeted recruiting by elite universities in areas with a critical mass of historically disadvantaged students best mirrors the minority admissions rate at elite colleges pre-SFFA. The authors note the logistical and financial challenges universities face in broadening their recruiting approaches. But as Jill Orcutt, the global lead for consulting with the American Association of Collegiate Registrars and Admissions Officers, observes, "this kind of outreach" is "everything."
- Bloomberg Law, "Business Is Booming for DEI Lawyers as Firms Ask 'What's Legal?" (March 5): Simone Foxman of Bloomberg News reports on the increase in corporations seeking the help of law firms to navigate the tumultuous landscape of diversity, equity, and inclusion programs following SFFA. NYU Law Professor Kenji Yoshino explained that he sees "no end in sight" for companies seeking help from attorneys to navigate the emerging DEI landscape. Gibson Dunn Partner and Labor & Employment Group Co-Chair Jason Schwartz observed that "[I]ots of

clients are wanting to do audits, review all DEI efforts, board diversity, socially conscious investing to assess risk and figure out what—if any—changes they want to make . . . There is a never ending tide." Now, more than ever, corporations are deciding to revisit their previous DEI efforts with the help of subject-matter experts to minimize risks and liability while retaining the benefits of these programs.

- JDJournal, "The Changing Landscape of Corporate Diversity, Equity, and Inclusion Programs" (March 5): JDJournal's Maria Lenin Laus reports on the corporate world's increased demand for DEI specialists following the "intensifying backlash against DEI initiatives, fueled by conservative groups and influential figures like Bill Ackman and Elon Musk." She observes that "the discourse surrounding [DEI] programs has escalated to unprecedented levels, resulting in a surge in demand for specialists in this field." She identifies Gibson Dunn's Jason Schwartz as a specialist who has experienced a significant uptick in inquiries from the corporate world as companies seek to engage those with expertise in this rapidly evolving space.
- <u>BNN Bloomberg. "Wall Street's DEI Retreat Has Officially Begun" (March 3)</u>: Writing for BNN Bloomberg, Max Abelson, Simone Foxman, and Ava Benny-
- Morrison examine how major companies have made public shifts away from their diversity and inclusion initiatives in the wake of "[t]he growing conservative assault on DEI." As an example, the authors note Bank of America's efforts to broaden eligibility for certain internal programs that previously had focused on women and minorities. The article pinpoints the Supreme Court's decision in *SFFA* as the inflection point for increased scrutiny of diversity initiatives on Wall Street. In the authors' view, DEI swiftly declined in importance to many corporations following the decision. But spokespeople for BNY Mellon, JPMorgan, and Goldman Sachs each reasserted their commitment to promoting an inclusive workplace with people from diverse backgrounds. And the article notes that no corporations have yet "signaled a full-blown retreat" from DEI.
- NBC News, "University of Florida eliminates all diversity, equity and inclusion positions due to new state rule" (March 2): NBC News's Rebecca Cohen reports on an administrative memo issued by the University of Florida that declared that the University has "eliminated all diversity, equity, and inclusion positions" to comply with Florida Board of Governor's regulation 9.016. The University reallocated \$5 million in funds previously dedicated to DEI initiatives and terminated the employment of dozens of university employees working in DEI-focused offices. Florida Governor Ron DeSantis took to "X" to celebrate the move, stating "DEI is toxic and has no place in our public universities. I'm glad that Florida was the first state to eliminate DEI and I hope more states follow suit." But the decision has received much criticism from other politicians, with Congressional Black Caucus Chairman Steven Horsford saying University of Florida's decision "is far out of step with the standards and values expected of a public institution of higher education."

Case Updates:

Below is a list of updates in new and pending cases: **1. Contracting claims under** Section 1981, the U.S. Constitution, and other statutes:

- Do No Harm v. Lee, No. 3:23-cv-01175-WLC (M.D. Tenn. 2023): On November 8, 2023, Do No Harm, a conservative advocacy group representing doctors and healthcare professionals, sued Tennessee Governor Bill Lee, challenging state policies for appointing positions on the Tennessee Board of Podiatric Medical Examiners. Under Tennessee law dating back to 1988, the governor must "strive to ensure" that at least one board member of the six-member board is a racial minority. Do No Harm brought the challenge under the Equal Protection Clause and requested a permanent injunction against the law.
 - ° Latest update: On February 2, 2024, Governor Lee moved to dismiss the

complaint for lack of standing, arguing that (1) Do No Harm had not established that any of its members had been injured by the policy, since all seats reserved for practitioners on the board had been filled, precluding any chance for a Do No Harm member to be considered and rejected, and (2) the board currently has a member who belongs to a racial minority so there are no race-related barriers to board membership until the member's term ends in 2027. On February 16, Do No Harm filed a response, arguing that (1) it satisfied standing requirements via anonymous declarations from Member A and Member B, and (2) the defendant did not provide sufficient evidence that a current board member is African American. On March 1, 2024, the defendant filed a reply, arguing that Do No Harm lacked standing because "pseudonymity is not a free pass to standing in the [Sixth] Circuit," and contesting the plaintiff's factual allegations regarding the board member's race.

- Nistler v. Walz, No. 24-cv-186-ECT-LIB (D. Minn. 2024): On January 24, 2024, Lance Nistler, a white, male farmer in Minnesota, sued Governor Walz and the Commissioner of the Minnesota Department of Agriculture, alleging that the state's Down Payment Assistance Program (DPAP) violates the Equal Protection Clause. The DPAP grants farmers up to \$15,000 to help purchase their first farms and prioritizes "emerging farmers," including women, persons with disabilities, members of a community of color, and members of the LGBTQIA+ community. Plaintiff alleges that he applied, and was otherwise qualified, for the DPAP but was denied acceptance solely because of his race and gender. On February 13, Governor Walz was dismissed as a party.
 - Latest update: On February 15, the Commissioner filed an answer, denying that the plaintiff would have received the grant if he had been a different race or gender, and denying that any stated preference for "emerging farmers" is not a "compelling state interest."
- Students for Fair Admissions v. U.S. Military Academy at West Point, No. 7:23-cv-08262 (S.D.N.Y. 2023): On September 19, 2023, SFFA sued West Point, relying on the Supreme Court's decision in SFFA v. Harvard in arguing that the military academy's affirmative action program violated the Fifth Amendment by taking applicants' race into account when making admission decisions. SFFA also filed a motion for preliminary injunction to halt West Point's affirmative action program during the course of the litigation. The district court denied SFFA's request and the Second Circuit affirmed the district court's order. On February 2, 2024, the Supreme Court denied SFFA's request for an emergency order overturning the district court's decision.
 - Latest update: On February 19, 2024, SFFA filed an amended complaint, re-alleging that West Point's consideration of race in the admissions process violates the Equal Protection Clause because race is "determinative for hundreds of applicants each year." SFFA further argues that West Point's justifications for its affirmative action program, including unit cohesion, battlefield lethality, recruitment, retention, and preservation of public legitimacy, are not furthered by admission based on race. West Point's response to the complaint is due on April 22, 2024.
- Do No Harm v. Edwards, No. 5:24-cv-16-JE-MLH (W.D. La. 2024): On January 4, 2024, Do No Harm sued Governor Edwards of Louisiana over a 2018 law requiring a certain number of "minority appointee[s]" to be appointed to the State Board of Medical Examiners. Do No Harm brought the challenge under the Equal Protection Clause and requested a permanent injunction against the law.
 - Latest update: On February 28, 2024, Governor Edwards answered the complaint, denying all allegations including allegations related to Do No Harm's standing.
- Do No Harm v. National Association of Emergency Medical Technicians, No.

3:24-cv-11-CWR-LGI (S.D. Miss. 2024): On January 10, 2024, Do No Harm challenged the diversity scholarship program operated by the National Association of Emergency Medical Technicians (NAEMT). NAEMT awards up to four \$1,250 scholarships to "students of color . . . who intend to become an EMT or Paramedic." Do No Harm requested a temporary restraining order, preliminary injunction, and permanent injunction against the program. On January 23, 2024, the court denied Do No Harm's motion for a TRO and expressed skepticism that Do No Harm had standing to bring its Section 1981 claim, because the Do No Harm member had "only been deterred from applying, rather than refused a contract."

 Latest update: On February 29, 2024, NAEMT filed its answer and a motion to dismiss the complaint, arguing that Do No Harm and anonymous Member A lacked standing to bring the case and, in the alternative, that Do No Harm had failed to state a viable Section 1981 claim because NAEMT did not prevent Member A from applying due to her race. Also on February 29, 2024, Do No Harm withdrew its motion for a preliminary injunction, explaining that NAEMT had agreed not to close the application window or select scholarship recipients until the litigation is resolved.

2. Employment discrimination and related claims:

- Bresser v. The Chicago Bears Football Club, Inc., No. 1:24-cv-02034 (N.D. III. 2024): On March 11, 2024, a white male law student filed a complaint against the Chicago Bears, alleging that the team refused to hire him as a "diversity legal fellow" based on his race and sex. The plaintiff alleges that, despite meeting the substantive job qualifications, the Bears rejected his application after a Bears employee viewed his LinkedIn profile, which contains his photo. The complaint asserts claims for race and sex discrimination under Title VII, Section 1981, and Illinois law, as well as conspiracy claims under Sections 1985 and 1986.
 - Latest update: According to the docket, it does not appear that the complaint has yet been served.
- Langan v. Starbucks Corporation, No. 3:23-cv-05056 (D.N.J. 2023): On August 18, 2023, a white female former employee filed a complaint against Starbucks, claiming she was wrongfully accused of racism and terminated after she rejected Starbucks' attempt to deliver "Black Lives Matter" T-shirts to her store. The plaintiff alleged that she was discriminated and retaliated against on the basis of her race and disability as part of a policy of favoritism toward non-white employees. On December 8, 2023, Starbucks filed its motion to dismiss arguing that certain claims are beyond the statute of limitations, and that the plaintiff failed to plead a Section 1981 claim because she did not plead facts distinct from those supporting her Title VII claims and did not show that race was the but-for cause of the loss of a contractual interest.
 - Latest update: On January 28, 2024, the plaintiff opposed Starbucks' motion to dismiss, arguing that her claims were not time-barred and advocating for a different standard to be applied to her Section 1981 claim. On February 23, 2024, Starbucks filed its reply, reiterating that certain claims were time-barred and others should be dismissed because they failed to state a claim.
- *King v. Johnson & Johnson*, No. 2:24-cv-968-MAK (E.D. Pa. 2024): On March 6, 2024, a fifty-nine year-old white male former employee sued Johnson & Johnson alleging violations of Title VII, Section 1981, and the ADEA. The plaintiff alleged that Johnson & Johnson reassigned him to a position that provided no career advancement opportunities, refused to hire him for any of the 30 internal positions for which he applied and was qualified, and ultimately terminated his employment as part of a corporate restructuring. The plaintiff alleged that each of these adverse employment actions can be traced to Johnson & Johnson's DEI initiative, which

has "vilified/stereotyped Caucasian males as problematic and inherently unaligned with the DEI program."

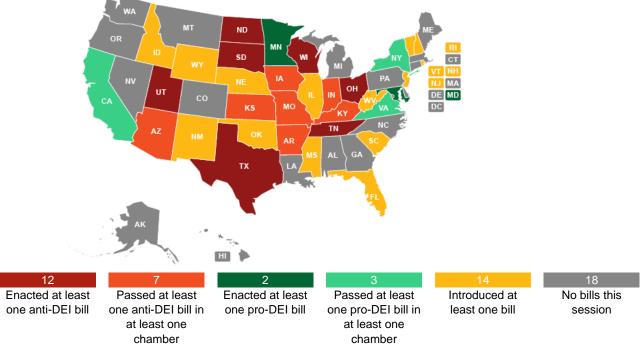
• Latest update: According to the docket, it does not appear that the complaint has yet been served.

3. Actions against educational institutions:

- *Chu, et al. v. Rosa*, No. 1:24-cv-75 (N.D.N.Y. 2024): On January 17, 2024, a coalition of education groups sued the Education Commissioner of New York, alleging that its free summer program discriminates on the bases of race and ethnicity. The Science and Technology Entry Program (STEP) permits students who are Black, Hispanic, Native American, and Alaskan Native to apply regardless of their family income level, but all other students, including Asian and white students, must demonstrate "economically disadvantaged status." The plaintiffs sued under the Equal Protection Clause and requested preliminary and permanent injunctions against the enforcement of the eligibility criteria.
 - Latest update: The defendant's response to the complaint is due March 18, 2024.

DEI Legislation

Our DEI Task Force is tracking state and federal legislative developments relating to DEI. These developments span a variety of DEI-related bills, including those involving diversity statements, DEI officers and training, DEI contracting and funding, and regulation of higher education.



Current as of March 13.

The following Gibson Dunn attorneys assisted in preparing this client update: Jason Schwartz, Mylan Denerstein, Blaine Evanson, Molly Senger, Zakiyyah Salim-Williams, Matt Gregory, Zoë Klein, Mollie Reiss, Alana Bevan, Marquan Robertson, Elizabeth Penava, Skylar Drefcinski, Mary Lindsay Krebs, David Offit, and Lauren Meyer.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have

regarding these developments. Please contact the Gibson Dunn lawyer with whom you usually work, any member of the firm's Labor and Employment practice group, or the following practice leaders and authors:

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