

MEMO# 36015

February 7, 2025

U.S. District Court Grants Motion to Dismiss Parts of Lawsuit Challenging California's Climate Disclosure Laws

[36015]February 07, 2025TO:ICI Members

ESG Advisory Group

SEC Rules CommitteeSUBJECTS:State IssuesRE:U.S. District Court Grants Motion to Dismiss Parts of Lawsuit Challenging California's Climate Disclosure Laws

The United States District Court for the Central District of California granted a motion made by the California Air Resources Board (the "Defendant") to dismiss two causes of action brought by the Chamber of Commerce of the United States of America, et al., (the "Plaintiffs").[\[1\]](#)

In Count I of the complaint, Plaintiffs alleged that SBs 253 and 261 violate the First Amendment. In Count II, Plaintiffs asserted that the Constitution and federal law preempt SBs 253 and 261, which violate the Supremacy Clause. In Count III, Plaintiffs claimed that the laws violate the U.S. Constitution's limits on extraterritorial regulation, including the dormant Commerce Clause.[\[2\]](#) The Court dismissed Count II (Supremacy Clause) and Count III (extraterritoriality claims). With respect to Count I, the Court noted that before discovery began, the Court "granted the State's motion to defer Plaintiff's motion for summary judgment ... and granted Plaintiffs leave to re-file their motion after the close of discovery."

In its discussion of standing and ripeness of the claims, the Court stated that "SB 253, on its own, does not mandate any action from any of Plaintiffs' members or any other reporting entity" and observed that "Plaintiffs have not identified any hardship to delaying court consideration until after CARB issues regulations actually imposing requirements on Plaintiffs." As such, the Court held that the "Plaintiffs' Supremacy Clause and extraterritoriality challenges to SB 253 are not yet justiciable" and granted the "State's Motion as to Plaintiffs' Supremacy Clause and extraterritoriality challenges to SB 253 without prejudice."

Having found that "Plaintiffs have standing to challenge SB 261 on Supremacy Clause and extraterritorial grounds, and that these claims are ripe," the Court next addressed the merits.

1. Supremacy Clause

Plaintiffs alleged that "California lacks the authority to regulate greenhouse-gas emissions outside of its own borders" with reference to the Clean Air Act and "principles of federalism inherent in the structure of" the Constitution.

The Court held that "Plaintiffs do not state a claim on which relief can be granted," as they "fail to cite any relevant authority to support the proposition that [SB 261 is] subject to preemption."

The Court stated that "[t]his leaves whether the law's compelled disclosure is preempted by the Constitution or federal law," and "return[ed] to the parties' debate on whether Plaintiffs identify a source of federal law that preempts the disclosure at issue here." The Court found that "Plaintiffs fail to do so" in rejecting arguments of "preemption based on foreign affairs," "field preemption" with reference to the Clean Air Act and "conflict preemption" with respect to the Environmental Protection Agency and the Clean Air Act. The Court held that "Plaintiffs are unable to allege facts that could cure the deficiencies noted by the Court" and granted "the State's Motion and dismis[s]e[d] Plaintiffs' Supremacy Clause claim as to SB 261 with prejudice."

2. Extraterritoriality

Plaintiffs alleged that SB 261 "intrude[s]" on Congress's "authority to regulate interstate and foreign commerce" and "place[s] upon interstate commerce a burden that far outweighs any benefits to" California, and, in so alleging, "invoke the dormant Commerce Clause."

The Court stated that "plaintiffs cannot allege SB 261 discriminates against interstate commerce," as "SB 261 applies to both California and out-of-state businesses doing business in California equally...." The Court said that SB 261 "imposes new reporting obligations on companies doing business in California, regardless of whether they are California companies," and "[t]herefore, Plaintiffs cannot allege that SB 261 facially discriminates against out-of-state companies."

The Court found that "Plaintiffs fail to plausibly allege a significant burden on interstate commerce," but noted that "Plaintiffs may be able to raise plausible facts that support a burden on interstate commerce sufficient to state a claim on which relief can be granted." Therefore, the Court dismissed the Plaintiffs' extraterritoriality claim without prejudice."

The Court permitted the Plaintiffs to "file a Second Amended Complaint no later than twenty-one days from the date of this Order."

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Notes

[\[1\]](#) *Chamber of Commerce of the United States of America, et al., v. California Air Resources Board et al.*, United States District Court, Central District of California, Case No. 2:24-cv-00801-ODW (PVCx) (February 3, 2025), available at:

<https://www.courthousenews.com/wp-content/uploads/2025/02/chambers-vs-carb-order-1.pdf>.

[2] ICI's summary of the challenge to the California climate disclosure laws is available at: <https://www.ici.org/memo35606>.

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