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Rimini V. Oracle's Ripple Effect On Textualism, Expenses

By **Blaine Evanson and Jeremy Christiansen** (February 6, 2020, 4:49 PM EST)

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On March 4, 2019, the U.S. Supreme Court issued a unanimous decision in Rimini Street Inc. v. Oracle USA Inc.[1] Justice Brett Kavanaugh authored the opinion, holding that the phrase "full costs" in the Copyright Act's cost- and fee-shifting provision, Title 17 U.S. Code Section 505, does not encompass expert witness fees, jury consulting fees or e-discovery expenses, but is limited to the costs found in Title 28 U.S. Code Section 1920 and the rate limits in 28 U.S. Code Section 1981.

The case arose out of long-running (and still ongoing) litigation between Rimini Street, a third-party enterprise software support provider, and Oracle. Oracle develops and licenses enterprise software programs, and it offers support contracts for those programs as well. The relevant software licenses permit the licensee to service its own software or hire third parties, such as Rimini Street, for that purpose.

Oracle sued Rimini in 2010, asserting, among other things, that Rimini infringed Oracle's copyrights when engaging in certain software support practices for the licensees. Oracle partially succeeded on its claim for infringement at trial, with the jury finding that Rimini Street had innocently infringed Oracle's copyrights.

After trial, the district court subsequently ordered Rimini Street to pay, among other things, $4.95 million in costs enumerated in Title 28 U.S. Code Section 1920 and another $12.8 million in expenses for expert witnesses, e-discovery and jury consulting. The court relied on then-existing U.S. Court of Appeals for the Ninth Circuit precedent to hold that the Copyright Act's provision for full costs permitted recovery of expenditures beyond those listed in Title 28 U.S. Code Section 1920, which is limited to things like filing fees and photocopying.

The Ninth Circuit affirmed based on its existing precedents, but the Supreme Court reversed 9-0, announcing a clear rule: Statutes shifting litigation expenses "will not be construed as authorizing an award of litigation expenses beyond the six categories" in Title 28 U.S. Code Section 1920, "absent an explicitly statutory instruction to that effect."[2]

In its narrowest sense, Rimini was merely about the meaning of the phrase "full costs" in the Copyright Act. But in the year following the Supreme Court's decision, it is apparent that the case has had a broader impact and will likely continue to do so on at least two fronts: (1) the ongoing vitality of staunch

yet nuanced textualism in federal statutory interpretation and (2) recovery of litigation expenses in any number of fields beyond copyright.

Rimini's Textualism

Rimini is remarkable and unremarkable at the same time in its interpretive approach. It is remarkable in that the case, and the cases following it, are clear indications that, as Justice Elena Kagan put it, "We're all textualists now."[3] Rimini is unremarkable in the sense that its textualist approach is becoming ever more commonplace.

From top to bottom, the opinion, joined by all nine justices, is textualist, emphasizing not any generic purpose of cost-shifting statutes or of the Copyright Act — indeed, the word "purpose" appears nowhere in the opinion — but instead the text, structure and grammar of 17 U.S. Code Section 505. This is nowhere on clearer display than when the court dispatched Oracle's primary argument — that the words "full costs" in plain English authorize all of a litigant's costs, not just some of them.[4]

The court disagreed: "'Full' is a term of quantity or amount. It is an adjective that means the complete measure of the noun it modifies."[5] In a memorable statement, the court reasoned:

> The word "full" operates in the phrase "full costs" just as it operates in other common phrases: A "full moon" means the moon, not Mars. A "full breakfast" means breakfast, not lunch. A "full season ticket plan" means tickets, not hot dogs. So too, the term "full costs" means costs, not other expenses.[6]

The court took this textual principle from its decision earlier in the term, Weyerhaeuser Co v. U.S. Fish and Wildlife Service,[7] in which the court assessed the meaning of the phrase "critical habitat." There, the court unanimously reasoned that because "[a]djectives modify nouns — they pick out a subset of a category that possesses a certain quality" — "[i]t follow[ed] that [the phrase] 'critical habitat' [in the statute] [was] the subset of 'habitat' that [was] 'critical' to the conservation" of the dusky gopher frog.[8]

The court has continued to apply this principle. The same term, in Peter v. Nantkwest Inc.,[9] the U.S. Patent and Trademark Office sought to reverse the U.S. Court of Appeals for the Federal Circuit's divided en banc decision that held that the phrase "all expenses of the proceeding" in Title 35 U.S. Code Section145 excluded the government's attorney fees.

In an argument that seemed doomed from the moment Rimini was decided, the government asserted that the broader phrasing "all expenses of the proceeding" plainly encompassed attorney fees. But, invoking Rimini, the court unanimously held that "the modifier 'all' does not expand § 145's reach to include attorney's fees. Although the word conveys breadth, it cannot transform 'expenses' to reach an outlay it would not otherwise include."[10]

To be sure, this principle of grammar did not win out in all cases during the term.[11] But with three unanimous decisions in a single term relying on this principle, one could fairly question the Supreme Court's previous assurances that it "does not review congressional enactments as a panel of grammarians."[12]

The Rimini decision also tackled the canon of construction against surplusage, and its approach to that question is beginning to have impact on the lower courts.

Both sides in Rimini invoked the canon of construction that no reading of a statute should render statutory language superfluous. Rimini invoked the principle because, if Oracle's read were correct, and "full costs" meant every litigation expense incurred, one could hardly explain the very next sentence of Title 17 U.S. Code Section 505: "the court may also award a reasonable attorney's fee to the prevailing part as part of the costs."

There would be no need to authorize attorney fees if "full costs" were as broad as Oracle had argued. Oracle, in turn, argued "that the word 'full' would be unnecessary surplusage if Rimini's argument were correct."[13] The court resolved this problem by concluding that the redundancy problem created by Oracle's approach was worse, but the court also offered a nuanced and realistic approach to the surplusage canon in light of the realities of the English language: "Redundancy is not a silver bullet."[14]

If one possible interpretation of a statute would cause some redundancy and another interpretation would avoid redundancy, that difference in the two interpretations can supply a clue as to the better interpretation of a statute. But only a clue. Sometimes the better overall reading of the statute contains some redundancy.[15]

This nuanced approach to redundancy is what some lower courts and judges have started to pick up on in statutory interpretation cases where at least some redundancy seems inevitable under either party's interpretation.

The U.S. Court of Appeals for the First Circuit invoked the principle in resolving a question about which kinds of claims pass to the Federal Deposit Insurance Corporation when it acts as a receiver of a failed bank in Zucker v. Rodriguez.[16]

The U.S. Court of Appeals for the Second Circuit similarly invoked Rimini's redundancy principle when interpreting the scope of a New York statute governing curbside vending in Crescenzi v. City of New York.[17]

U.S. Circuit Judge Scott Matheson of the U.S. Court of Appeals for the Tenth Circuit, in dissent, invoked Rimini and offered an extended critique of the majority's heavy reliance on the surplusage canon in the context of interpreting the Federal Sentencing Guidelines in United States v. Thomas.[18]

And a federal bankruptcy court has invoked Rimini's analysis in resolving dueling interpretations of the requirements for filing tax returns under Title 11 U.S. Code Section 1108(a), each of which presented some surplusage.[19]

Recovery of Litigation Expenses

The other area in which Rimini is having significant effect is in the recovery of litigation expenses. As the Supreme Court noted in Rimini, "Congress has enacted more than 200 subject-specific federal statutes that explicitly authorize the award of costs to prevailing parties in litigation."[20] It is therefore unsurprising that a number of these statutes have already been impacted by Rimini's holding.

Indeed, the very day the Supreme Court decided Rimini, it granted certiorari in Peter v. Nantkwest, to determine whether the phrase "all expenses of the proceeding" under a provision of the Patent Act, Title 35 U.S. Code Section 145, included the government's attorney fees. The respondent, whose position was that Section 145 excluded attorney fees, relied on Rimini repeatedly,[21] as did numerous amici supporting respondent.[22]

And the Supreme Court ultimately relied on Rimini, in part, in holding that attorney fees are not part of "all the expenses of the proceeding" under Title 35 U.S. Code Section 145.

Rimini's clear rule has quickly taken effect in the lower courts and is generally working to reduce the amounts of litigation expenses district courts are awarding. For instance, in UM Corp. v. Tsuburaya Products Co., the Ninth Circuit, relying on Rimini, vacated the district court's award of "'full non-taxable costs of $567,118.13' under the Copyright Act," which had been made prior to the Rimini decision.[23]

District courts, in turn, have invoked Rimini to deny requests for expert witness fees, mileage, overtime pay for legal assistants, mediation expenses, e-discovery and other expenses under Federal Rule of Civil Procedure 54(d), the Copyright Act and 42 U.S. Code Section 1988.[24] And some of the award requests denied in these cases have been fairly substantial.[25] It also reasonable to assume that Rimini's impact will be silently felt in the reporters going forward, because many litigation expense requests will simply not be made at all in light of Rimini's clear rule.[26]

This is not to say that results have been uniform. At least one district court questioned existing circuit precedents permitting investigator fees in copyright cases in light of Rimini, but went on to hold, dubiously, that such fees could be shifted under circuit precedent.[27] Such cases present a problematic loophole to Rimini's clear rule, and on their facts, they seem outright wrong. Fees for an investigator are nowhere mentioned in Title 28 U.S. Code Section 1920.

Yet the amount the court awarded was so small, just $350 (out of $750 requested), it is hard to imagine nearly any litigant's challenging the award on appeal. But one could imagine much higher awards than that being erroneously awarded and yet still not justifying the expense of an appeal. This is, unfortunately, a bug when it comes to cost-shifting. Taxable costs are supposed to be "narrow [in] scope,"[28] resulting in awards of relatively "small sums."[29] This inherently presents problems if lower courts are inclined to ignore Rimini's rule when it comes to low-dollar figures.

Another means by which litigants have gotten around Rimini is by invoking a district court's inherent authority to sanction, coupled with the statutory authority of Title 28 U.S. Code Section 1927 to shift "excess costs, expenses, and attorneys' fees reasonably incurred because of" sanctionable conduct. A party successfully did so in PaySys International Inc. v. Atos SE, to the tune of $258,873.00 in expert witness and other expenses.[30]

The court acknowledged Rimini's bar on expert witness fees under the Copyright Act but nonetheless provided a substantial award as a sanction. This avenue seems much less problematic, however, because "[t]he bar for imposition of sanctions pursuant to Section 1927 or a court's inherent powers is high,"[31] whereas cost shifting under Rule 54(d) is presumptive. The limited grounds for shifting litigation expenses under Title 28 U.S. Code Section 1927 thus seem unlikely to be a substantial roadblock to Rimini's impact in the lower courts.

Conclusion

Time will tell, but it seems a safe bet that, going forward, Rimini's approach to textualist interpretation and the surplusage canon will see continued invocation in the federal courts. Similarly, although there are some potential loopholes, when it comes to litigation expense recovery, lower courts are likely to apply Rimini broadly to a significant range of statutes, resulting in minimal awards of only the costs delineated in Title 28 U.S. Code Section 1920.

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Disclosure: The authors represented Rimini Street Inc. in Rimini St. Inc. v. Oracle USA Inc. They continue to represent Rimini in ongoing litigation against Oracle and its affiliates.

[1] 139 S. Ct. 873 (2019).

[2] Id. at 878.

[3] Harvard Law School, The Antonin Scalia Lecture Series: A Dialogue with Justice Elena Kagan on the Reading of Statutes, YouTube (Nov. 25, 2015) https://www.youtube.com/watch?v=dpEtszFT0Tg.

[4] See 139 S. Ct. at 878.

[5] Id.

[6] Id. at 879.

[7] 139 S. Ct. 361 (2018).

[8] Id. at 368.

[9] 140 S. Ct. 365 (2019).

[10] Id. at 372-73.

[11] See Home Depot U.S.A., Inc. v. Jackson, 139 S. Ct. 1743, 1755 (2019) (Alito, J., dissenting, joined by Roberts, C.J., Gorsuch and Kavanaugh, JJ.) (invoking Rimini's rule on "[a]djectives" to contend that "third-party defendants" are nonetheless "defendants" within the Class Action Fairness Act's definition of "any defendant").

[12] Flora v. United States, 362 U.S. 145, 150 (1960); see also Beauharnais v. People of State of Ill., 343 U.S. 250, 253 (1952) ("We do not … parse the statute as grammarians.").

[13] Rimini, 139 S. Ct. at 880.

[14] Id. at 881.

[15] Id.

[16] 919 F.3d 649 (1st Cir. 2019).

[17] 939 F.3d 511, 517 (2d Cir. 2019).

[18] 939 F.3d 1121, 1139-40 (10th Cir. 2019).

[19] See In re Long, 603 B.R. 812, 818 (Bankr. E.D. Wis. 2019).

[20] 139 S. Ct. at 877.

[21] See Br. of Resp. 19, 23, 32, 41-42, Peter v. NantKwest, Inc., 2019 WL 3230949 (U.S.) (2019).

[22] See Br. of Am. Bar Ass'n as Amicus Curiae, 2019 WL 3298800 (U.S) (2019); Br. of Int'l Trademark Ass'n as Amicus Curiae, 2019 WL 3336992 (U.S.) (2019); Br. of Intellectual Property Owners Ass'n as Amicus Curiae, 2019 WL 3336993 (U.S.) (2019); Br. of Ass'n of Amicus Counsel as Amicus Curiae, 2019 WL 3336994 (U.S.) (2019); Br. of N.Y. Intellectual Property Law Ass'n as Amicus Curiae, 2019 WL 2745393 (U.S.) (2019

[23] No. 18-55604, 2019 WL 6610042, at *2 (9th Cir. Dec. 5, 2019).

[24] See Doe 1 v. Marshall, No. 2:15-CV-606-WKW, 2019 WL 3561589 (M.D. Ala. Aug. 5, 2019); Everly v. Everly, No. 3:17-CV-01440, 2019 WL 1470603 (M.D. Tenn. Apr. 3, 2019); Towns v. Sch. Bd. of Lee Cty., Fla., No. 216CV412FTM38MRM, 2019 WL 3767048 (M.D. Fla. Aug. 9, 2019); St. Louis Condo. Ass'n, Inc. v. Rockhill Ins. Co., No. 18-21365-CIV, 2019 WL 5291008 (S.D. Fla. Aug. 7, 2019); Absolute Activist Value Master Fund Ltd. v. Devine, No. 215CV328FTM29MRM, 2019 WL 3491962 (M.D. Fla. Aug. 1, 2019); Design Basics, LLC v. Heller & Sons, Inc., No. 1:16-CV-175-HAB, 2019 WL 4200614 (N.D. Ind. Sept. 3, 2019); Am. Modern Home Ins. Co. v. Thomas, No. 4:16 CV 215 CDP, 2019 WL 3974351 (E.D. Mo. Aug. 22, 2019).

[25] See, e.g., Absolute Activist, 2019 WL 3491962, at *3 ($68,598.42 in e-discovery expenses); Design Basics, 2019 WL 4200614, at *6 ($29,500.00 in expert fees); Am. Modern Homes, 2019 WL 3974351, at *1 ($56,223.59 for expert witness fees); Casias, 2019 WL 2881007, at *6 ($17,226.39 in expert fees).

[26] See United Supreme Council v. United Supreme Council of Ancient Accepted Scottish Rite for 33 Degree of Freemasonry, No. 1:16-CV-1103, 2019 WL 3848784, at *5 (E.D. Va. Aug. 15, 2019) (noting that "following the Supreme Court's decision in Rimini," the prevailing defendants withdrew over $41,000 in expert and e-discovery expenses from a pending request).

[27] See Joe Hand Promotions, Inc. v. Levin, No. 18-CV-9389 (JPO), 2019 WL 3050852, at *6 (S.D.N.Y. July 12, 2019).

[28] Taniguchi v. Kan Pac. Saipan, Ltd., 566 U.S. 560, 573 (2012).

[29] Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 257 (1975).

[30] No. 14CV10105(DLC), 2019 WL 2051812 (S.D.N.Y. May 9, 2019).

[31] Id. at *11.