No. 17-1625

IN THE

Supreme Court of the United States

RIMINI STREET, INC., *et al.*,

Petitioners,

v.

ORACLE USA, INC., *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

BRIEF OF *AMICUS CURIAE* PROFESSOR STEVEN BAICKER-MCKEE IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICUS CURIAE*[*]

Amicus curiae, Professor Steven Baicker-McKee, is an Associate Dean, the Joseph A. Katarincic Chair of Legal Process and Civil Procedure, and an Associate Professor of Law at Duquesne University, School of Law. Professor Baicker-McKee is also an author of the *Federal Civil Rules Handbook*, the most widely-subscribed treatise on federal court practice and procedure. Professor Baicker-McKee's interest in this case stems from his experience as a practitioner as well as his academic work relating to electronic discovery and fee- and cost-shifting. The purpose of this brief is to demonstrate that, from a policy and statutory construction perspective, courts should construe § 505 of the Copyright Act to permit the award of "full costs," including taxable and nontaxable costs.

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[*] Pursuant to Rule 37.6, no counsel for any party authored this brief in whole or in part, nor did any party to the action before the Court, or any person or entity other than the undersigned, make a monetary contribution to the preparation or submission of this brief. Counsel for all parties have blanket consented to the filing of *amicus curiae* briefs.

SUMMARY OF ARGUMENT

The "American Rule" is a traditional baseline for litigation in the United States where each party covers its legal fees. Although the rule developed in response to a variety of factors in a developing American legal system, the enduring principle behind the American Rule is one of access to justice—a system that imposes the winning party's legal fees on the losing party might create a barrier to the courts for a plaintiff with a good faith, but uncertain, claim who fears the devastating effects of bearing the defendant's legal fees should the plaintiff lose.

The American Rule is not absolute. The parties may contractually agree to shift attorney's fees and Congress may enact statutes that shift attorney's fees. There are a variety of competing policy concerns that Congress considers when passing a statute that shifts attorney's fees. Some fee-shifting provisions seek to foster access to justice just like the American Rule does, by providing that a prevailing plaintiff may recover its attorney's fees, making that plaintiff closer to whole. Other provisions seek to deter bad faith litigation by allowing the court to allocate attorney's fees as it sees fit. When Congress enacts a statute that includes a provision shifting attorney's fees or other litigation expenses, the courts uphold and enforce that provision.

Congress did just that in § 505 of the Copyright Act, which provides discretion for a trial court to shift attorney's fees and "full costs." The issue before this Court is whether Congress meant for the term "full costs" to mean literally what the phrase says, or meant it instead to mean "taxable costs," the costs that are available to every prevailing party under Federal Rule of

Civil Procedure 54(d) and 28 U.S.C. § 1920. The explicit shifting of attorney's fees in § 505 proves that Congress intended to take covered claims outside the American Rule and to allow for greater shifting of the litigation burden. Congress's use of the term "full costs" instead of the well-known phrase "taxable costs" is a clear indication that Congress also intended to authorize the courts to shift costs beyond those already subject to shifting under Rule 54(d). There is no textual or policy reason not to enforce Congress's clear intent here—this *amicus* respectfully submits that § 505 provides the district courts with discretion to shift the full costs of litigation, including e-discovery costs, as it sees fit and in conformity with the factors this Court has established for the exercise of that discretion. In that manner, the courts can avoid creating a chilling effect on good faith litigation and can also police bad faith litigation tactics.

ARGUMENT

I. The American Rule Does Not Govern The Interpretation Of "Full Costs" Under § 505 Of The Copyright Act.

The American Rule provides that prevailing parties are generally not entitled to recover their attorney's fees in the absence of a statute providing for such or the agreement of the parties. *See, e.g., Baker Botts, L.L.P. v. ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015) ("Our basic point of reference when considering the award of attorney's fees is the bedrock principle known as the American Rule: Each litigant pays his own attorney's fees, win or lose, unless a statute or contract provides otherwise.") (quoting *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 252–253

(2010)) (internal quotation marks omitted). "Although the American Rule developed in part as a reaction to statutes setting rates for legal services, one of the policy concerns behind the American Rule is the notion that we are better off with easier access to the courts for plaintiffs with limited resources." Steven Baicker-McKee, *The Award of E-Discovery Costs to the Prevailing Party: The Analog Solution in a Digital* World, 63 Clev. St. L. Rev. 397, 419 (2015) ("Baicker-McKee").[1]

However, in balancing the access-to-justice considerations inherent to the American Rule with competing policy considerations, Congress has the authority to pass laws creating, permitting, or even mandating, that the courts shift attorney's fees and costs. *See Baker Botts*, 135 S. Ct. at 2164 (recognizing that the American Rule yields when "a statute or contract provides otherwise"). Indeed, Congress has permitted fee- and cost-shifting in many situations, from civil rights statutes, 42 U.S.C. § 1988(b), to the Clean Air Act, 42 U.S.C. § 7604, to the Defend Trade Secrets Act, 18 U.S.C. § 1836. There are over 200 federal statutes alone that permit the shifting of attorney's fees. *See* Baicker-McKee, at 419. In these instances, Congress has balanced the possible chilling effects of fee-shifting on good faith claims underlying the American Rule with a variety of competing public policy

1. The analysis of cases and statutes shifting attorney's fees are relevant to the question before the Court because there are similar policy considerations underlying Congress's decision to shift attorney's fees and "full costs." Thus, Congress's decision to shift attorney's fees in § 505 provides important insight into Congress's intent in authorizing the shifting of "full costs," reflecting a balancing of the various competing concerns regarding the assignment of litigation burdens.

concerns, such as providing for a more fulsome recovery to a deserving plaintiff or discouraging frivolous claims.

For example, in suits brought under § 7604 of the Clean Air Act, courts are permitted to award the "costs of litigation," including reasonable attorney's and expert witness fees, to any party "whenever the court determines such award is appropriate." 42 U.S.C. § 7604. In providing for such awards, Congress necessarily considered the access-to-justice policy considerations inherent to the American Rule. However, Congress ultimately determined that the inclusion of this provision would serve two policy considerations: (1) encouraging meritorious actions by creating the potential for a fee- and cost-award, and (2) deterring potentially frivolous or harassing actions. *See Natural Res. Def. Council, Inc. v. E.P.A.*, 484 F.2d 1331, 1337-38 (1st Cir. 1973) (discussing the Congressional intent contained in S. Rep. No. 91-1196).[2] In such instances, Congress has concluded that the American Rule should yield. *See* Robert V. Percival & Geoffrey P. Miller, *The Role of Attorney Fee Shifting in Public Interest Litigation,* 47 Law & Contemp. Probs. 233, 237-41 (1984) (discussing why Congress has enacted fee-shifting statutes to encourage public interest litigation). Such policy determinations are within the exclusive purview of Congress. *See Cyan, Inc. v. Beaver Cnty. Emps*, 138 S. Ct. 1061, 1078 (2018); *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 721 (1967) (holding "acceptance of petitioners'

2. As set forth by the First Circuit in *Natural Resources Defense Council*, the Senate committee recognized that "[w]ithout the possibility of fees many meritorious actions would never be brought," but "many Senators . . . expressed concern that some would abuse the citizen suit provision by bringing frivolous or harassing actions." 484 F.2d at 1337.

argument would require us to ascribe to Congress a purpose to vary the meaning of that term without either statutory language or legislative history to support the unusual construction."), *superseded by statute*, Pub. L. No. 93-600, 88 Stat. 1955.

Additionally, while Federal Rule of Civil Procedure 54(d) and 28 U.S.C. § 1920 establish the shifting of "taxable costs" to the prevailing party as the default, there are many provisions in the Federal Rules of Civil Procedure and in statutes that modify this default cost transfer. For example, Rule 68 provides that a defendant who loses at trial—*i.e.*, who is not the prevailing party—may recover its costs if the plaintiff declined an offer of judgment for more than the plaintiff ultimately recovered at trial. Fed. R. Civ. P. 68. Likewise, under a variety of circumstances, Rule 37 authorizes the shifting of costs, including attorney's fees and non-taxable costs, to the party prevailing on a discovery motion. *See., e.g.,* Fed. R. Civ. P. 37(a)(5). Rule 11 and Rule 26(g) similarly authorize courts to exercise their discretion to shift costs and attorney's fees. Fed. R. Civ. P. 11(c); Fed. R. Civ. P. 26(g). Thus, it is beyond peradventure that Congress has the authority to vest the courts with discretion to award attorney's fees and broad costs.

II. In § 505, Congress Exercised Its Authority To Shift Attorney's Fees and "Full Costs."

By enacting § 505, Congress created an exception to the American Rule. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 533-34 (1994). This Court stated that "§ 505 is one situation in which Congress has modified the American Rule to allow an award of attorney's fees in the court's discretion." *Id.* Congress also authorized the shifting of

"full costs" in § 505. The central issue before this Court, therefore, is the meaning of that term—does "full costs" mean only the taxable costs allowed under Rule 54(d) and 28 U.S.C. § 1920, or something broader.

Petitioners would have the court construe the term "full costs" to mean only the costs awardable under § 1920, not full costs. (*See generally* Brief of Petitioners, dated November 13, 2018.) From a statutory construction, textual perspective, that argument is well rebutted in Respondents' brief, and this brief will avoid repeating it. (*See, generally* Brief of Respondents, dated December 13, 2018 ("Respondents' Brief").) This brief will, however, make certain observations about the construction of that term.

First, construing "full costs" to mean the same thing as taxable costs necessarily presumes that Congress did not know the difference between the two terms or was sloppy in its drafting. Courts generally presume the opposite—that Congress chooses its words carefully. *See Merrill Lynch, Pierce, Fenner & Smith Inc. v. Manning*, 136 S. Ct. 1562, 1579 (2016) (stating "when Congress enacts a statute that uses different language from a prior statute, we normally presume that Congress did so to convey a different meaning"); *In re Cardelucci*, 285 F.3d 1231, 1234 (9th Cir. 2002) ("This Court assume[s] that Congress carefully select[s] and intentionally adopt[s] the language used in a statute") (internal citation and quotation marks omitted); *see also Patriotic Veterans, Inc. v. Indiana*, 736 F.3d 1041, 1047 (7th Cir. 2013) ("The preeminent canon of statutory interpretation requires that courts presume that [the] legislature says in a statute what it means and means in a statute what it says there.") (internal citations and quotation marks omitted).

In the Brief of *Amicus Curiae* Professor Patrick T. Gillen in Support of Petitioners, Professor Gillen attempts to minimize the statutory language of § 505 by describing its reference to "full costs" as "bare." In this context, "bare" is a synonym for "clear." There is no reason to ignore Congress's straightforward plain language, nor is there any reason to attempt to create a strained rationale for why Congress would have used "full costs" when it meant "taxable costs," particularly when Rule 54(d) already provided authorization for the shifting of taxable costs.

Second, the authorization of the discretionary award of attorney's fees to the prevailing party in § 505 evidences Congress's determination that trial courts should balance the access-to-justice policies underlying the American Rule against the policy considerations supporting fee-shifting. Construing "full costs" to mean something less than full costs would be inconsistent with Congress's manifested intent to vest discretion in the trial court to allocate the litigation burden as it sees fit.[3]

III. Congress Properly Balanced Public Policy Considerations When It Authorized The Discretionary Award Of Full Costs Under § 505.

As discussed above, central to the American Rule is the concern that fee-shifting statutes will chill good faith litigants from bringing meritorious claims. As a starting

3. Respondents have set forth why Petitioners' reliance on *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437 (1987), *West Virginia University Hospitals, Inc. v. Casey*, 499 U.S. 83 (1991), and *Arlington Central School District Board of Education v. Muprhy*, 548 U.S. 291 (2006), is misplaced.

point, these concerns are not implicated in this case because Respondents were the plaintiffs below, not the defendants. The trial court's exercise of its discretion to award attorney's fees or full costs against the *defendants* under § 505 therefore does not implicate access-to-justice concerns.

The discretionary nature of § 505 further ameliorates the access-to-justice concerns. Section 505 provides that "the court *in its discretion may allow* the recovery of full costs by or against any party other than the United States or an officer thereof." 17 U.S.C. § 505 (emphasis added); *Fogerty v. Fantasy, Inc.* 510 U.S. 517, 533 (1994) (recognizing that the award of reasonable attorney's fees to the prevailing party is discretionary). Based on the plain language of the statute, neither the plaintiff nor the defendant is automatically awarded full costs upon prevailing in the litigation. Rather, trial courts are granted the discretion to determine the proper allocation of fees and costs in order to govern the conduct of litigants. This discretion provides courts with sufficient leeway to manage the conduct of litigants while at the same time ensuring that § 505 is not used inequitably against an honest, good faith claimant.

Moreover, this Court has provided guidance as to how courts should exercise the discretion under § 505. In *Fogerty*, this Court enumerated the following non-exclusive factors that "may be used to guide courts' discretion": "frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence." 510 U.S. at 534 n.19 (internal quotation marks omitted). In

Kirtsaeng v. John Wiley & Sons, Inc., 579 U.S. ___, 136 S. Ct. 1979, 1985 (2016), this Court further recognized "the broad leeway § 505 gives to district courts" while also recognizing that *Fogerty* "established several principles and criteria to guide their decisions." The trial court should afford substantial weight to the objective reasonableness of the parties' positions in the determination of whether to award attorney's fees under § 505. *Id.* By exercising their discretion as guided by the factors this Court has established, trial courts can avoid creating a chilling effect on plaintiffs with meritorious claims.

At the same time, § 505 provides the courts with discretion to police bad faith conduct. For example, the court's award of both attorney's fees and costs in this instance was premised in large part upon a finding that Petitioners engaged in "significant litigation misconduct" (and even then the court did not award all of the costs that Respondents sought). *Oracle USA, Inc. v. Rimini Street, Inc.*, 209 F. Supp. 3d 1200, 1215 (D. Nev. 2016); *see also Coles v. Wonder*, 283 F.3d 798, 803-4 (6th Cir. 2002) (upholding award of attorney's fees and taxable and non-taxable costs where the trial court found that the plaintiffs' claims were "objectively unreasonable" and their motivations in filing suit were "suspect"); *Shame on You Prods., Inc. v. Banks*, 893 F.3d 661, 668-69 (9th Cir. 2018) (upholding award of attorney's fees where the trial court found that the plaintiffs' claims were objectively unreasonable and that they acted in bad faith by, among other things, disobeying a court order to produce certain documents). Thus, there is ample evidence that Congress intended to authorize courts to shift the full litigation burden under § 505, not just taxable costs, and there is no policy or textual reason for the courts to countermand Congress's intent in this regard.

IV. "Full Costs" Under § 505 May Include Costs Associated With E-Discovery.

The development of electronic devices and the development of applications and software programs has resulted in a tremendous growth of data being created and collected. For example, more data was created in 2014 and 2015 than in the history of the world, and it was estimated that the amount of data would grow from 4.4 zettabytes (4.4 trillion gigabytes) in 2015 to 44 zettabytes (44 trillion gigabytes) in 2020. Bernard Marr¸ *Big Data: 20 Mind-Boggling Facts Everyone Must Read*, FORBES, (Sept. 30, 2015), available at https://www.forbes.com/sites/bernardmarr/%202015/09/30/big-data-20-mind-boggling-facts-everyone-must-read/#53721b0317b1 (last visited Dec. 19, 2018). The proliferation of data has substantially increased the costs of litigation in the United States, and it has been estimated that parties spent $2.8 billion on electronic discovery in 2009. *See* Baicker-McKee, at 398 & n.8. These costs include the preservation, collection, processing, review, and production of the data, which often involves the use of experts to ensure the integrity of the data and to prevent any spoliation of the data. *See id.* at 400-403.

The increase in discovery costs underlies this Court's decisions in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2010). In *Twombly*, this Court noted that "discovery accounts for as much as 90 percent of litigation costs when discovery is actively employed." 550 U.S. at 559 (citation omitted). Recognizing the impact of those costs on the parties, this Court stated "the threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings." *Id.*

Because it is estimated that less than seven percent of cases in federal courts are tried or resolved on summary judgment motions, statutes like § 505 of the Copyright Act implicate a small percentage of cases in which applications for full costs are made. *See* Baicker-McKee, at 422-23, n.174-75. The same policy concerns that lead Congress, in appropriate circumstances, to authorize attorney's fee-shifting apply with equal force to e-discovery costs.

Weighing public policy considerations in the era of escalating discovery costs calls for a literal reading of § 505. Allowing a good faith litigant the opportunity to recover its discovery costs allows the trial court to thoughtfully balance the competing concerns regarding the burden of litigation.

CONCLUSION

"Access to justice" encompasses two concerns—*access* to the judicial system, and *justice* from the legal system. Providing discretion to the trial court to shift fees and full litigation costs in appropriate circumstances allows the court to promote both of these important concerns. Congress chose to authorize such discretionary fee- and cost-shifting in § 505. Reading § 505 as it is written, to encompass "full" litigation costs, is faithful to the text of the statute and promotes access to the judicial system and justice from the judicial system. As applied in this case, it allowed the trial court to more fully make the plaintiffs whole and deter bad faith litigation conduct. There is no textual or policy reason to rewrite the clear language in § 505 to narrow the scope of the term "full costs."

Dated: December 20, 2018

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