RIMINI STREET V. ORACLE AND THE PROBLEM OF HIGH TRANSACTIONAL COSTS IN COPYRIGHT LITIGATION

Alistair McIntyre†

I. INTRODUCTION

By default, parties to litigation in the United States must pay their own litigation costs.¹ The Copyright Act is an exception to this rule, allowing a court to award “full costs” of litigation to the prevailing party.² But what are “full costs”? While “taxable costs” are clearly defined by statute,³ for years circuit courts disagreed as to whether “full costs” were broader than taxable costs.⁴ The Supreme Court recently resolved this issue in Rimini St., Inc. v. Oracle USA by concluding that “full costs” have the same scope as “taxable costs.”⁵ This decision represents a significant change to copyright law and is likely to alter the cost-benefit analysis of many potential copyright litigants.

This Note proceeds in four parts. Part II discusses the legal background of Rimini. It touches on the American rule of fee shifting, Crawford Fitting Co. v. J.T. Gibbons, Inc.’s effect on judicial interpretation of cost-shifting statutes, and fee shifting under the Copyright Act.⁶ Additionally, it explains the circuit split leading to Rimini. Part III overviews Rimini itself, covering the facts of the dispute, the procedural history, a summary of the arguments presented to the Supreme Court, and the opinion. It ends with an argument that Rimini represents the better of two choices. Part IV presents an empirical overview of cost-shifting in recent copyright litigation. It additionally discusses both the

⁵ Id. at 881.
impact of Rimini on the state of copyright law and details the litigation landscape on which Rimini is acting. Part V argues that, while Rimini was correctly decided, heavy transactional costs should be addressed legislatively so copyright law can better achieve its goals.

II. BACKGROUND

A. THE AMERICAN RULE OF COST-SHIFTING

1. The History and Current Status

The default rule in the United States is that cost-shifting in litigation is not permissible, though there are some statutory and contractual exceptions. This American rule contrasts with the English rule, where litigation expenses are awarded to the prevailing party as a matter of course. The English rule arose out of English common law, but was abandoned in the early days of the U.S. courts for unclear reasons.

While U.S. common law typically follows the American rule, there are exceptions to the rule. The common benefit doctrine, for example, allows a lawyer who recovers a common fund for the benefit of persons other than his client to be awarded reasonable attorney’s fees from that fund. This prevents third parties from free-riding and gaining benefits from a plaintiff attorney’s efforts. Another exception, the bad faith doctrine, allows courts to award attorney’s fees to a prevailing party when the opponent has acted in bad faith during litigation. Additionally, there are statutory exceptions to the American rule. One such exception is the Copyright Act, which will be discussed below.

2. Advantages and Disadvantages of the American Rule

The United States’ continued use of the American rule reflects policy choices built around the central goal of encouraging “expedient and inexpensive determination of every action.” Courts deliberately favor the rule in the absence of overriding statutes because of several policy advantages.

7. Mallor, supra note 1, at 613.
9. Id.; Mallor, supra note 1, at 615.
13. Hudson, supra note 8, at 1211.
Firstly, the rule protects against unwarranted litigation expenses.\textsuperscript{15} Because expenses lie with the party that generates them, there is a strong incentive to minimize the expenses incurred while pursuing a positive outcome in court. Otherwise, under the English rule, parties might be incentivized into an “arms race” of legal expenditure.\textsuperscript{16} Secondly, the rule preserves broader access to courts by removing the possibility of being burdened by the opponents’ costs.\textsuperscript{17} Parties with limited resources might otherwise hesitate to bring a claim to court, with the possibility of facing crushing expenses at the end of litigation.\textsuperscript{18} Lastly, the rule lets courts avoid difficult issues of reviewing the litigation expenses sought as part of an award.\textsuperscript{19} Deciding which expenses relate to the litigation and which do not could be a difficult problem in sufficiently complicated cases.

But the American rule is imperfect. When costs are substantial relative to the award, a prevailing plaintiff falls short of being made whole.\textsuperscript{20} If costs are so high that a prospective plaintiff would not come close to being made whole, a copyright holder is actually discouraged from enforcing her rights in court.\textsuperscript{21} The policy of encouraging broad access to courts is turned on its head. Additionally, the American rule does not reduce parties’ incentive to increase their opponents’ costs, unlike the English rule.\textsuperscript{22} For instance, one party might make discovery requests that are costly for the other party to fulfill. Under the American rule, costs can still be high.

\textsuperscript{15} Hudson, \textit{supra} note 8, at 1211.
\textsuperscript{16} Theodore Eisenberg & Geoffrey P. Miller, \textit{The English Versus the American Rule on Attorney Fees: An Empirical Study of Public Company Contracts}, 98 CORNELL L. REV. 327, 336 (2013); see also Avery Wiener Katz, \textit{Indemnity of Legal Fees}, in \textit{ENCYCLOPEDIA OF LAW & ECONOMICS} 7300 Section 3 (Boudewijn Bouckaert & Gerrit De Geest eds., 1999) (ebook), https://reference.findlaw.com/lawandeconomics/literature-reviews/7300-indemnity-of-legal-fees-art.html# (jurisdictions that follow the English rule often enact measures to prevent “arms race” behavior, such as limiting shifted expenditures to those that are “reasonable” or specifying shiftable costs by statutory schedule).
\textsuperscript{17} Hudson, \textit{supra} note 8, at 1211.
\textsuperscript{18} Id.
\textsuperscript{19} Id.
\textsuperscript{20} See Brief for Ralph Oman as \textit{Amicus Curiae} Supporting Respondents at 10, Rimi\textit{n}i St., Inc. v. Oracle USA, Inc., 139 S. Ct. 873 (No. 17-1625) (2019).
\textsuperscript{21} See id.
\textsuperscript{22} Eisenberg & Miller, \textit{supra} note 16, at 336.
3. Crawford Fitting Introduces Ambiguity Regarding Taxable Costs

In *Crawford Fitting Co. v. J. T. Gibbons, Inc.*, the Supreme Court failed to deal with an ambiguity that later generated a circuit split. Although this holding did not arise in the context of intellectual property protections, it was viewed as broad enough to reach other areas, including copyright claims. The Court considered whether prevailing parties could generally be awarded expenses, such as expert witness fees. The Court identified § 1920 as defining the types of costs that could be awarded against a losing party under federal law. Nonetheless, the Court left some wiggle room for future decisions: “Any argument that a federal court is empowered to exceed the limitations explicitly set out in §§ 1920 and 1821 without plain evidence of congressional intent to supersede those sections ignores our longstanding practice of construing statutes *in pari materia.*” In effect, the Court asked for lower courts to interpret legislative intent, in determining whether § 1920 applied in other situations involving expert witness costs.

B. The Copyright Act

1. Cost-Shifting Under the Copyright Act

The Copyright Act of 1976 exemplifies a statutory exception to the American rule, which was subject to debate under the *Crawford Fitting* framework. § 505 permits courts to award “full costs” to the prevailing party. Unlike other fields of intellectual property law that only allow award of costs to prevailing plaintiffs, the Copyright Act allows award of costs to prevailing defendants too. This encourages defendants to pursue

---


24. *Crawford Fitting*, 482 U.S. at 438–39; see Twentieth Century Fox Film Corp. v. Entm’t Distrib., 429 F.3d 869, 885 (9th Cir. 2005).


26. *Id.* at 440.


28. See *id.*


“meritorious copyright defenses . . . to the same extent” a plaintiff would. This supports the underlying policy goal of demarcating the boundaries of copyright law clearly, so creative works are not tied up in nuisance litigation and instead available to the public.

While § 505 might seem clear on its face, circuits developed differing definitions of the scope of “full costs,” which came to a head in Rimini. “Costs” is a term of art; under Rule 54(d)(1) of the Federal Rules of Civil Procedure, “costs” refer to expenses that can be taxed to the losing party under 28 U.S.C. § 1920. That section sets forth six categories of these taxable costs:

1. Fees of the clerk and marshal;
2. Fees for printed or electronically recorded transcripts necessarily obtained for use in the case;
3. Fees and disbursements for printing and witnesses;
4. Fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case;

28 U.S.C. § 1821 further defines compensation for witnesses. The attendance fee for a witness is limited to a mere forty dollars per day. Travel and subsistence expenses are also reimbursable.

Cost-shifting in copyright law is different than other areas of intellectual property law. For this reason, patent and trademark laws are of little use in guiding interpretation of § 505. The Lanham Act specifies trademark law’s treatment of cost-shifting. Within the Lanham Act, 15 U.S.C. § 1117(a) addresses cost shifting, providing that a prevailing “plaintiff shall be entitled . . . to recover . . . the costs of the action.” These costs are limited to

32. Id. at 527.
33. Id.
34. Rimini, 139 S. Ct. at 876.
35. 10 Moore’s Federal Practice § 54.103 (Matthew Bender 3d Ed. 2019).
38. Id.
those defined in 28 U.S.C. § 1920 and are mandatory. § 1117(a) does not address expert fees, but the Second Circuit has indicated that expert witness fees in excess of forty dollars per day are outside the scope of costs awardable under the Lanham Act.

Likewise, the Patent Act allows limited cost shifting. 35 U.S.C. § 284 provides that “the court shall award the claimant damages . . . together with interest and costs.” Again, the scope of these costs is limited by 28 U.S.C § 1920. Like in trademark law, costs are mandatory and only awarded to a prevailing plaintiff. Because § 284 does not directly address expert fees, courts have held that such fees in excess of forty dollars per day may not be shifted.

Prior to Rimini, circuit courts agreed that, minimally, the Copyright Act’s “full costs” included all the costs listed in § 1920. The question posed by Crawford Fitting was whether the scope of “full costs” extended beyond § 1920.

C. THE CIRCUIT SPLIT OVER “FULL COSTS”

After Crawford Fitting, circuit courts were left to decide whether 17 U.S.C. § 505’s “full costs” represented “congressional intent” to provide for awards outside of the scope of §§ 1920 and 1821. Of the seven circuits to consider whether the “full costs” of § 505 were limited to the six categories identified in § 1920, only two circuits answered in the affirmative.

39. See, e.g., Uphoff v. Elegant Bath, Ltd., 176 F.3d 399, 411 (7th Cir. 1999) (“Costs are defined in 28 U.S.C. § 1920 and do not include expert witness fees unless the expert is appointed by the court.”).
41. Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247, 266 (2d Cir. 2014) (“under 28 U.S.C. § 1821 and the Lanham Act, the district court likely should not have awarded more than $40 per day in expert witness fees”).
43. See, e.g., Parks v. Booth, 102 U.S. 96, 106 (1880). (holding that “the complainant was not entitled to an allowance for any expenses beyond the taxable costs”; § 1920 defines the scope of taxable costs).
44. See Kingdomware, 136 S. Ct. at 1977; see also Parks, 102 U.S. at 106.
46. See, e.g., Pinkham v. Camex, Inc., 84 F.3d 292, 295 (8th Cir. 1996); Twentieth Century Fox Film Corp. v. Entm’t Distrib., 429 F.3d 869, 884–85 (9th Cir. 2005).
47. Compare Pinkham, 84 F.3d at 295 (finding that the Eighth Circuit limited awarded costs to those in § 1920) and Artisan Contrs. Ass’n of Am. v. Frontier Ins. Co., 275 F.3d 1038, 1040 (11th Cir. 2001) (following the Eighth Circuit’s lead on “full costs”), with InvesSys, Inc. v. McGraw-Hill Cos., Ltd., 369 F.3d 16, 22 (1st Cir. 2004) (allowing a broader definition of “full costs” than that defined by §§ 1920 and 1821), Adsani v. Miller, 139 F.3d 67, 75 (2d Cir.
The Eighth Circuit was one of the two to limit “full costs” to the six categories in § 1920. With only the statutory language of § 505 before it, the court found there was no congressional intent to treat “full costs” under § 505 differently from costs under other federal statutes. In *Artisan Contractors Association of America v. Frontier Insurance Co.*, the Eleventh Circuit came to the same conclusion for similar reasons. Neither court addressed surplusage arguments that were determinative in other circuits.

In contrast, the other circuits determined that “full costs” exceeded § 1920’s categories. For example, the Ninth Circuit, like many other courts that found “full costs” exceeded § 1920’s categories, focused on a close textual analysis of § 505 and a surplusage argument. The court referenced *Crawford Fitting* in searching for clear evidence of congressional intent. In this search, the court opined that limiting § 505’s “full costs” to those found in § 1920 “effectively read[] the word ‘full’ out of the statute.” Given that “full” became surplusage if costs were limited by § 1920, the court found “clear evidence of congressional intent” that § 505 authorized a broader scope of costs.

III. RIMINI STREET INC. V. ORACLE

This circuit split set the stage for *Rimini*, and for good reason. In a given high-stakes copyright case, the amount of costs that could be awarded to the prevailing party in the Ninth Circuit could be millions of dollars more than the amount awardable in the Eighth Circuit, due solely to the difference in interpreting “full costs.”

A. FACTS OF THE DISPUTE

Oracle is a software development company that licenses its data and operations software to businesses and non-profits. In addition to licensing,
Oracle provides software maintenance services. Rimini also provides software maintenance for Oracle software, competing with Oracle itself. To better compete, Rimini additionally provided Oracle software updates to its customers. Without a proper license, providing software updates constitutes copyright infringement. Rimini obtained the software updates from Oracle’s website without a license, also violating the website’s terms of use.

B. PROCEDURAL HISTORY

Oracle alleged that Rimini copied Oracle’s software without a license as part of its customer service offering, in violation of the Copyright Act. Oracle brought a copyright suit against Rimini and its CEO in the U.S. District Court of Nevada, additionally alleging violations of state computer access laws.

The jury found that Rimini had infringed Oracle’s copyrights and violated state computer access statutes. The jury awarded Oracle $35.6 million in damages for copyright infringement and $14.4 million for violations of state computer access statutes. The district court additionally ordered Rimini to pay a $28.5 million reimbursement for attorneys’ fees, $4.95 million for costs under § 1920, and $12.8 million for nontaxable litigation expenses outside the scope of § 1920, like expert witnesses, e-discovery, and jury consulting. Rimini appealed, and while the Ninth Circuit reduced the taxable cost award to $3.4 million, the $12.8 million for nontaxable litigation expenses was untouched. The court held that the $12.8 million award for expenses was proper under Ninth Circuit precedent, which did not limit “full costs” to the categories identified in §§ 1920 and 1821.

Rimini filed a petition for certiorari which was granted by the Supreme Court. At issue was whether the “full costs” of § 505 included non-taxable expenses outside the scope of §§ 1920 and 1821.

59. Id.
60. Id.
62. Id.
63. Rimini St., 139 S. Ct. at 876.
64. Id.
65. Id.
66. Id.
67. Id.
68. Id.
69. Id.
70. Id.
71. Id.
72. Id.
C. ARGUMENTS PRESENTED TO THE SUPREME COURT

1. Arguments for Broad Costs

One argument presented to the Court was familiar from the circuit courts’ proceedings: interpreting “full costs” as taxable costs would result in surplusage of the word “full.”73 “Maxim[] of quantity,” a rule of linguistics, supports this argument.74 The maxim states that only necessary information, and no more, should be included in a statement.75

Other arguments focused on the fact that the “full cost” language of § 505 existed within the Copyright Act of 1831 before § 1920 was enacted.76 The Crawford Fitting principle—not construing congressional authorization of broad litigation expenses without clear evidence of intent—should look forward from the enactment of §§ 1920 and 1821.77 But §§ 1920 and 1821 were passed after “full costs” had been used in the context of federal copyright law.78 Congress could well have employed the “full cost” language in § 1920 but instead specified “taxable costs,” suggesting that the two are distinct.79 Alternatively, because Congress is not always consistent in separating “costs” from “fees” or “expenses,” it is conceivable that “full costs” include expert witnesses or discovery, which are more commonly referred to in statutes as “expenses.”80

Another argument pointed out that discovery and expert costs make copyright litigation disproportionately expensive and may discourage parties from pursuing meritorious litigation or defense.81 The cost of copyright litigation is estimated to be over three times that of other litigation.82 In 2011, the average cost of a copyright infringement case was estimated to be between $384,000 and $2 million.83 And even for a relatively low-stakes case, costs can

---

74. Id.
75. Id. The maxim of quantity requires a speaker to “not make [her] contribution more informative than is required,” and requires listeners to give real meaning to each of the speaker’s words. Id. (quoting H. Paul Grice, Logic and Conversation, in Peter Cole and Jerry L. Morgan, Syntax and Semantics 3: Speech Acts 44 (Academic Press 1975)).
76. Id. at 13.
78. Id.
79. See id. at 13.
80. Id. at 13, 15–16.
81. Brief for Ralph Oman as Amicus Curiae Supporting Respondents, supra note 20, at 2.
83. Id. at 2280.
be high. In 2017, for copyright cases with less than one million dollars at stake, median costs were $200,000. Such high costs may deter copyright holders from enforcing their rights or discourage defendants from contesting frivolous infringement claims if settlement is sufficiently inexpensive in comparison.

Yet another argument looked to evidence of congressional intent during passage of the Copyright Act. Experts were regularly used in copyright litigation before the passage of the 1976 Copyright Act. At the time the Copyright Act was passed, Congress seems to have understood that copyrightable works could include complex material, like software, necessitating expert testimony. Accordingly, Ralph Oman, *amicus curiae*, argued that Congress, knowing expert testimony is necessary in copyright litigation, would have retained the “full cost” language without intent to cover broad costs.

Lastly, proponents of the broad definition of costs argued that determining the scope of non-taxable costs beyond § 1920 would not create administrability problems. Existing caselaw provides standards for awarding discretionary costs under § 505 and could be used to provide guidance for awarding non-taxable costs. The scope of attorneys’ fees and costs taxable under § 1920 are already disputed in litigation.

84. Brief for Ralph Oman as *Amicus Curiae* Supporting Respondents, *supra* note 20, at 11–12 (citing AM. INTELLECTUAL PROP. LAW ASS’N, 2017 REPORT OF THE ECONOMIC SURVEY 44 (June 2017)).
85. Id.
87. See Brief for Ralph Oman as *Amicus Curiae* Supporting Respondents, *supra* note 20, at 9.
88. Id.
89. *See, e.g.*, H.R. Rep. No. 94-1476, at 54 (1976) (stating that “computer programs” may be copyrightable).
91. *See, e.g.*, Brief of BSA | The Software Alliance as *Amicus Curiae* in Support of Respondents, *supra* note 77, at 9.
93. Id.
2. Arguments for Narrow Costs

One argument for a narrow interpretation of “full costs” disputed that “full” was surplusage when the language was initially passed.⁹⁴ This argument put “full cost” in its historical context.⁹⁵ At the time the term “full costs” was originally written into statute, there were state cost-shifting statutes that allowed two thirds, double, or treble costs.⁹⁶ Patrick Gillen, amicus curiae, argued that “full costs” merely specifies that the court should award a hundred percent of taxable costs, not some multiple of that amount.⁹⁷

Proponents likewise argued that policy considerations support a narrow reading of “full costs.” One such policy consideration is that allowing award of non-taxable costs reduces the incentive to register a copyrightable work.⁹⁸ Although registration of a work is not compulsory under the Copyright Act, registration is desirable because it provides notice to would-be infringers.⁹⁹ In circuits like the Ninth, which broadly defines “full costs,” copyright owners could recover large cost awards without having fulfilled the timely registration requirement.¹⁰⁰ Proponents of narrow costs argue that copyright holders should not be able to recover exorbitant amounts, including fees, without putting others on notice of their copyright.¹⁰¹ Additionally, the broad definition of “full costs” can lead to odd situations where an attorney’s fees are not recoverable, but the cost of expert, who was hired by that attorney, is recoverable.¹⁰²

Another policy consideration is encouraging consistency in litigation, but a lack of clear standards for non-taxable costs increases the variability and uncertainty in copyright litigation.¹⁰³ In pre-Rimini copyright caselaw, there are several different standards for awarding non-taxable costs, varying by jurisdiction.¹⁰⁴ These various standards include whether the costs in question

---

⁹⁵. Id.
⁹⁶. Id.
⁹⁷. Id.
⁹⁹. Id. at 5, 9.
¹⁰⁰. Id. at 7.
¹⁰¹. See, e.g., id.
¹⁰². Id.
¹⁰³. Id. at 3.
¹⁰⁴. Id. at 10.
were “reasonable or reasonably incurred” or “necessary to the case,” or whether the losing party was morally blameworthy. Court treatment of computer-assisted research costs exemplifies the uncertainty around non-taxable costs. Such research costs are sometimes awarded as non-taxable costs, other times lumped into attorneys’ fees, and still other times denied entirely.

D. OPINION OF THE SUPREME COURT

The Court unanimously rejected Oracle’s arguments of close textual analysis, historical meaning, and surplusage as unpersuasive.

Firstly, the Court rejected Oracle’s argument that “full costs” must refer to all costs of litigation, including those beyond the costs specified in §§ 1821 and 1920. Oracle argued, if Congress had intended § 505 to refer only to “costs” in §§ 1821 and 1920, § 505 would have specified “costs” but not “full costs.” The Court disagreed that “costs” could include expenses beyond federal statutes. It stated, “[C]osts’ refers to the costs generally available under the federal costs statute—§§ 1821 and 1920. ‘Full costs’ are all the costs generally available under that statute.”

Secondly, the Court rejected the argument that “full costs” is a historical term of art going beyond the “costs” of §§ 1821 and 1920. In part, this argument was based on the fact that the “full costs” phrase was borrowed from

108. Id. at 12–14.
109. Id. at 13–14 (citing Compass Homes, 2015 U.S. Dist. LEXIS 101338, at *34–35 (awarding reasonably incurred computer research costs as non-taxable costs); InvesSys, Inc. v. McGraw-Hill Cos., Ltd., 369 F.3d 16, 22 (1st Cir. 2004) (awarding computer assisted research costs as attorneys’ fees); Tempest Publ’g, Inc. v. Hacienda Records & Recording Studio, Inc., 141 F. Supp. 3d 712, 725 (S.D. Tex. 2015) (denying research costs because such costs are not recoverable under § 1920)).
111. Id. at 878.
112. See id.
113. Id. at 879.
114. Id.
English copyright law in 1831, before §§ 1821 and 1920 were enacted. But, the Court explained that lower courts “should not undertake extensive historical excavation” in interpreting cost statutes, citing Crawford Fitting. The Court also pointed out that, though “full costs” was taken from English law, Oracle failed to show the meaning of “full costs” at the time of enactment in 1831. “Full costs” may well have been used to contrast with half, double, or treble damages found in state law at the time of enactment. Further, the Court characterized §§ 1821 and 1920 as “a comprehensive schedule of costs for proceedings in federal court.”

Lastly, the Court rejected Oracle’s surplusage arguments. Oracle asserted that the word “full” would be surplusage if costs were restricted to only those in §§ 1821 and 1920. The Court disagreed because “full” made the costs mandatory from 1831 to 1976 (i.e., a court could not award a mere portion of the costs but was obliged to award “full” costs), at which point the Copyright Act was amended to make award of costs discretionary. Additionally, the Court pointed out that, if “full costs” were to mean all costs generated during litigation, there would be a different surplusage problem: “award[ing] a reasonable attorney’s fee to the prevailing party as part of the costs” would also be redundant. The Court also pointed out that some redundancy within statutory language is not uncommon.

Oddly, the Court sidestepped higher-level policy arguments. For instance, the Court did not explain why a narrow interpretation of costs might be favorable for incentivizing parties to be efficient with their litigation spending. The Court also failed to address the argument that the prospect of high litigation costs might discourage meritorious litigation.

E. Rimini Got It Right

Rimini represents the best of the two options, even though the Court omitted some policy considerations from the opinion. The decision to narrowly interpret “full costs” retains an incentive to keep discovery and expert costs low and avoids administrability issues. Further, the possibility of high

115. Id.
116. Id.
117. Id. at 879–80.
118. Id. at 880.
119. Id. at 879.
120. Id. at 880.
121. Id.
122. Id.
123. Id. at 881.
124. Id.
litigation costs in copyright litigation is, by itself, not a compelling reason to allow shifting of broad costs.

With the costs of discovery and experts remaining mostly untaxable under Rimini, there is still a strong incentive on both parties to keep costs low. Allowing expert costs or discovery costs to be taxed would create an incentive for both sides to throw increasingly more resources at the case, in an expense “arms race.” If additional expense can marginally increase a party’s chances of winning the case, and the losing party ultimately pays for that additional expense, there is less pressure to keep costs low, especially if winning seems likely. Arguments have been put forth that the high cost of discovery and experts is a reason to shift costs to the losing party, but one can only imagine how costs would grow if there were no incentives to keep them low.

Secondly, the approach taken by the circuits overruled by Rimini did not adequately define the scope of awardable costs. As pointed out by Justice Sotomayor, when costs are not limited by § 1920, “there is nothing statutorily or otherwise that would limit a judge’s discretion of awarding costs.” Drawing a line between costs that “were caused by the suit” and costs that were not would be an issue that each court would have to face. Certainly, if the Court had decided that “full costs” extended beyond § 1920, there would need to be further guidance to aid a court’s discretionary awarding of costs.

Relatedly, sanctions issued by the court are a better means of punishing litigation misconduct than shifting non-taxable costs. Even without the option to shift non-taxable costs, courts may award sanctions, in part, based on bad faith or fault. Rimini does not change this, so the incentive for both parties to behave during litigation is still present. Further, sanctions are better tied to the level of misconduct, rather than being tied to the common economic costs of copyright litigation as non-taxable costs are.

Lastly, Rimini keeps copyright law in step with trademark and patent law, with respect to the scope of awardable costs. One brief in Rimini argued that “full costs” should be broad because, otherwise, copyright litigation’s high

127. Id.
costs might discourage certain plaintiffs from bringing suit. But patent and trademark litigations are also complex and can involve costly discovery and experts. Further, patent litigation tends to be even costlier than that of copyright, when comparing cases with similar monetary stakes. Other intellectual property statutes align with the policy argument that litigation costs should be low by restricting awardable costs. This demonstrates that the mere existence of high litigation costs is not a reason to broaden the scope of shiftable costs.

IV. THE MODERN REALITY OF COPYRIGHT LAW

A. RIMINI REPRESENTS A CHANGE IN THE LAW FOR THE MAJORITY OF COPYRIGHT CASES

In the years prior to Rimini, most copyright infringement filings were made within jurisdictions that were awarding costs outside the scope of §§ 1920 and 1821. It is perhaps unsurprising that the circuits containing New York (with its large publishing industry) and California (with its notable film industry) account for so much copyright litigation activity. Over thirty percent of copyright infringement filings between 2008 and 2017 were made within the Ninth Circuit. Over fourteen percent of copyright cases were filed in the Second Circuit during that same period of time. Figure 1 shows each circuit’s share of all copyright filings in the United States in the decade leading up to Rimini.

Of course, both the Second and Ninth Circuits are among those that were awarding broad, non-taxable costs. As shown in Figure 2, a comfortable majority of copyright filings between 2008 and 2017 were made in jurisdictions

---

129. Brief for Ralph Oman as Amicus Curiae Supporting Respondents, supra note 20, at 3–4.
133. See Brief for Ralph Oman as Amicus Curiae Supporting Respondents, supra note 20, at 4a.
134. Id. at 10–11 (citing Twentieth Century Fox Film Corp. v. Entm’t Distrib., 429 F.3d 869, 884–85 (9th Cir. 2005), cert. denied, 548 U.S. 919 (2006)).
135. Id. at 11 (citing Capitol Records, Inc. v. MP3tunes, LLC, 2015 WL 7271565, at *6 (S.D.N.Y. Nov. 12, 2015)).
allowing award of broad costs: sixty-three percent. In effect, the Rimini ruling has changed the law of cost-shifting for the bulk of future copyright filings.

Figure 1: Copyright Infringement Filings by Circuit, 2008–2017

136. Brief for Ralph Oman as Amicus Curiae Supporting Respondents, supra note 20, at 4a.
B. COSTS AND COMPLEXITY OF COPYRIGHT IN THE DIGITAL AGE

The fact that digital media is so easily copied could not have been anticipated during the early days of U.S. copyright law. Indeed, modern copyright infringement filings can regularly involve huge numbers of copyrights, infringers, and infringing acts. In one case, *UMG Recordings, Inc. v. Grande Communications Networks LLC*, the complaint alleged over a million acts of infringement. In another case, *BMG Rights Management (U.S.) v. Cox*

---

137. Brief for Ralph Oman as *Amicus Curiae* Supporting Respondents, *supra* note 20, at 41; *see also* InvesSys, Inc. v. McGraw-Hill Cos., Ltd., 369 F.3d 16, 22 (1st Cir. 2003) (allowing a broader definition of “full costs” than that defined by §§ 1920 and 1821); Adsani v. Miller, 139 F.3d 67, 75 (2d Cir. 1998); Coles v. Wonder, 283 F.3d 798, 803 (6th Cir. 2002) (allowing a broader definition of “full costs” than that defined by §§ 1920 and 1821); Susan Wakeen Doll Co. v. Ashton-Drake Galleries, 272 F.3d 441, 458 (7th Cir. 2001) (allowing a broader definition of “full costs” than that defined by §§ 1920 and 1821); Twentieth Century Fox, 429 F.3d at 885 (allowing a broader definition of “full costs” than that defined by §§ 1920 and 1821).

138. Brief for Ralph Oman as *Amicus Curiae* Supporting Respondents, *supra* note 20, at 41; *see also* Pinkham v. Camex, Inc., 84 F.3d 292, 295 (finding that the Eighth Circuit limited awarded costs to those in § 1920); Artisan Contractors Ass’n of Am. v. Frontier Ins. Co., 275 F.3d 1038, 1040 (11th Cir. 2001) (following the Eighth Circuit’s lead on interpretation of “full costs”).

139. Brief for Ralph Oman as *Amicus Curiae* Supporting Respondents, *supra* note 20, at 41.


Communications, over a million acts of infringement were committed against over a thousand copyrighted works.\textsuperscript{142} Not only was there “extensive document and electronic discovery,” but \textit{BMG} further involved thirty-six depositions of twenty-eight witnesses, eleven of which were experts, for a total of 270 hours of testimony.\textsuperscript{143} This demonstrates that copyright litigation can require “the time-consuming task of piecing together incomplete, scattered records” to prove a defendant has infringed.\textsuperscript{144} And all this effort comes at a cost.

1. The Registration Requirement Is Problematic in the Digital Age

While the costs and complexity of copyright litigation have changed since the early days of copyright law, authors’ motivation to register works has also changed. One argument against allowing award of non-taxable costs was that doing so would undermine incentives to register.\textsuperscript{145} However, it is arguable that registration for creative works is not as feasible as it was in the past. This is a consequence of the ease of publishing content to the web.

Consider, for example, a small-time YouTube content producer who makes hundreds of videos and publishes them to her YouTube channel, generating income through ads shown before the videos. At the publishing stage, she will not necessarily know which of these videos will be widely viewed and valuable enough to warrant registration. Thus, registration for each and every video does not seem realistic.

If one of her videos is infringed, the Copyright Act’s statutory damages might seem particularly enticing because the actual damages resulting from copying of the video might be impossible to calculate. Choosing to pursue statutory damages could therefore promise faster and cheaper litigation. But a failure to timely register the video means that the full range of remedies for infringement, like statutory damages and attorneys’ fees, would be unavailable.

\textsuperscript{142} BMG Rights Mgmt. (U.S.) LLC v. Cox Communs., Inc., 149 F. Supp. 3d 634, 639–40 (E.D. Va. 2015), aff’d in part, rev’d in part on other grounds, 881 F.3d 293 (4th Cir. 2018). In \textit{BMG}, the copyright holder brought a claim for infringement of more than 1,400 musical works. There were allegedly 2.5 million instances of internet users making the copyright holder’s works available for download. \textit{Id.}

\textsuperscript{143} Brief for the National Music Publishers’ Association and Recording Industry Association of America, as \textit{Amici Curiae} in Support of Respondents, \textit{supra} note 125, at 12; Brief in Support of BMG’s Motion for Attorneys’ Fees and Costs at 27, BMG Rights Mgmt. (U.S.) LLC v. Cox Commun., Inc., 149 F. Supp. 3d 634 (E.D. Va. 2015).

\textsuperscript{144} Brief for the National Music Publishers’ Association and Recording Industry Association of America, as \textit{Amici Curiae} in Support of Respondents, \textit{supra} note 125, at 12.

\textsuperscript{145} Brief for the American Intellectual Property Law Association as \textit{Amicus Curiae} in Support of Neither Party, \textit{supra} note 98, at 2.
in any subsequent infringement case.\textsuperscript{146} This substantially diminishes the possible award and decreases the content producer’s chance of being made whole after an infringing act. This in turn reduces her likelihood of bringing a suit in the first place. This hypothetical illustrates that, in the age of quick and easy publishing, a regime valuing registration does little to protect some creators of copyrightable work.

Copyright holders of high-value works are adequately enticed to register largely to access the possibility of shifting attorneys’ fees. The ability to pursue statutory damages is not likely to provide a similar level of motivation, however. Courts are given discretion to award between $750 and $30,000 per work, though these upper and lower bounds can be altered depending on whether the infringement was willful.\textsuperscript{147} For cases involving high-value works, statutory damages might be so low as to be inadequate, representing a poor alternative to calculating actual damages. While the prospect of shifting hefty attorneys’ fees is a strong incentive, access to statutory damages is not a compelling reason for a copyright holder to register a high-value work. However, the discretionary range for statutory damages could be adjusted upward. Statutory damages might then be a viable incentive to timely register the high-value works.

C. TYPICAL AWARDS AND COSTS OF LITIGATION

1. An Examination of Copyright Cost Statistics

The complexity of copyright litigation seems to be evidenced by its comparative costs. Copyright litigation is estimated to be three times higher than the typical cost of litigation.\textsuperscript{148} But copyright cases can vary greatly in terms of value, ranging from relatively low-stakes litigation over thousands of dollars to tens of millions of dollars.\textsuperscript{149} Are costs in low-stakes cases more burdensome compared to those of high-stakes cases?

\textsuperscript{146} See 17 U.S.C. § 412 (2008). Even if the work is not registered, statutory damages are available if infringement occurred within three months of publication.

\textsuperscript{147} 17 U.S.C § 504 (2010). A court may increase statutory damages to $150,000 if the defendant is found to have infringed willfully. On the other hand, the court is allowed to lower statutory damages to $200 if defendant “was not aware and had no reason to believe that his or her acts constituted an infringement of copyright.” \textit{Id.} § 504(c)(2).

\textsuperscript{148} Balganesh, \textit{supra} note 82, at 2285.

Typically, costs do not scale closely with the total amount of money at stake.\textsuperscript{150} In other words, for a very high-stakes case, costs represent a smaller proportion of the total money at stake than for low-stakes cases. For copyright infringement suits in 2017 with less than one million dollars at stake, median cost of litigation through discovery, motions, and claim construction was $100,000, or over ten percent of the value at risk.\textsuperscript{151} Through post-trial and appeal (when applicable), median costs jump up to $200,000, over twenty percent of the total money at stake.\textsuperscript{152}

For the copyright cases with highest stakes—those with more than $25 million at stake—the median cost of litigation through discovery, motions, and claim construction was merely $600,000, less than 2.4\% of the total value at stake.\textsuperscript{153} Through pre- and post-trial and appeal, median costs rose to one million dollars, or less than four percent of total value at stake.\textsuperscript{154} Compared to the copyright cases with lowest stakes, costs represent a much smaller proportion of the money at risk.\textsuperscript{155}

\begin{footnotes}
\footnotetext{150}{See AM. INTELLECTUAL PROP. LAW ASS’N, supra note 131, at 44 (presenting statistics from 2017).}
\footnotetext{151}{See id.}
\footnotetext{152}{See id.}
\footnotetext{153}{Id.}
\footnotetext{154}{Id.}
\footnotetext{155}{Id.}
\end{footnotes}
One critical omission in these statistics is that some copyright holders were discouraged from bringing claims because of burdensome costs. The U.S. Copyright Office has acknowledged that copyright owners are “often” deterred from enforcing their rights in court due to the burden of high litigation costs.\textsuperscript{157} Disproportionately large litigation costs seem to be a problem for lower-value claims, generally.\textsuperscript{158} However, this is likely an even bigger problem for lower-stake copyright claims, given the tendency for higher costs in copyright litigation relative to other litigation.\textsuperscript{159} As the Copyright Office acknowledged, “Especially in the case of lower-value copyright claims, the potential for monetary recovery can be quickly overcome by the costs of discovery, motion practice, and other litigation expenses.”\textsuperscript{160} It seems unfair

---

\textsuperscript{156} Id. (presenting data from 2017).

\textsuperscript{157} U.S. COPYRIGHT OFFICE, supra note 86, at 24.

\textsuperscript{158} See id. at 25.

\textsuperscript{159} See Balganes, supra note 82, at 2285.

\textsuperscript{160} U.S. COPYRIGHT OFFICE, supra note 86, at 24.
that copyright holders are so disincentivized from bringing a claim for a low-value work when there is no other option to combat infringement.

2. Example Cases

While the median statistics show costs are typically sizeable but smaller than the award at stake, it is important to consider fringe situations as well. Copyright law should be able to sufficiently address both average and atypical cases. There are edge case examples where the harmed party remains less than whole after litigation. Some unusual copyright cases are included as illustration of phenomenon below.

Mattel, Inc. v. MGA Entertainment, Inc. is an example of an exceptional case because it is one of the costliest copyright cases to date. The court characterized Mattel’s complaint as “stunning in scope and unreasonable in the relief it requested,” adding that the claim “imperiled free expression [and] competition.” MGA, the defendant, was awarded $105 million in attorneys’ fees and over $31 million for costs that included non-taxable costs. The cost award included reimbursement for expert opinion. This shows the “high end” of what costs in copyright litigation might reach.

Costs may be incurred even by meritorious defendants in the face of objectively unreasonable complaints. In Kourtis v. Cameron, the plaintiff pursued a claim for years that was substantially identical to a previously denied claim, with no new evidence. During this time, the defense incurred expenses, which the district court was able to compensate. The prevailing defendant was awarded nearly $38,000 for the cost of an expert witness and $166,000 in attorneys’ fees. Under Rimini, the defendant would have been $38,000 poorer, even after winning this objectively unreasonable suit.

161. Mattel, Inc. v. MGA Entm’t, Inc., 2011 U.S. Dist. LEXIS 85998 (C.D. Cal. Aug. 4, 2011), aff’d, 705 F.3d 1108 (9th Cir. 2013). Mattel sued MGA over the entirety of their “Bratz” line of dolls, requesting more than one billion dollars in copyright damages. Id. at *15–16. While Mattel had copyrighted concept sketches and sculpts that were infringed by a few of the dolls, Mattel’s request for relief was based on an “expectation that [Mattel] owned the ‘ideas’ in [these] copyrighted works.” Id. at *16. In the words of the district court, “Mattel can’t claim a monopoly over fashion dolls with a bratty look or attitude, or dolls sporting trendy clothing—these are all unprotectable ideas.” Id. (quoting Mattel, Inc. v. MGA Entm’t, Inc., 616 F.3d 904, 917 (9th Cir. 2010)).

162. Id. at 42–43.

163. Id. at 43.

164. Id.

165. See Kourtis v. Cameron, 358 F. App’x 863, 867–68 (9th Cir. 2009).

166. Id.

167. Id. at 868.

168. Id.
In particularly large cases, nontaxable costs—which are now not awardable under Rimini—can range into the hundreds of thousands of dollars, even without running the full course of litigation.169 For example, one court awarded defendants over five million dollars in attorneys’ fees and $424,000 in non-taxable costs.170 These expenses were incurred prior to summary judgment.171

Another costly case, Pringle v. Adams, illustrates that prevailing defendants may incur significant expenses defending a copyright infringement suit, even when the plaintiff has engaged in bad-faith behavior.172 In this case, the plaintiff disposed of a hard drive that he should have known would be relevant to litigation.173 As a result, defendants’ motion for summary judgment was granted.174 Even though this action was dismissed prior to trial, the defendants collectively incurred about $2.17 million in attorneys’ fees and $351,000 in non-taxable costs.175

Similarly, a successful plaintiff may also incur substantial costs in litigating against a bad-faith defendant.176 The court in Capitol Records, Inc. v. MP3tunes, LLC, found the defendant, not only willfully infringed, but took objectively unreasonable positions during litigation and induced fraudulent testimony from some of the witnesses.177 The plaintiffs sought over $705,000 in non-taxable costs, but the court granted less than half of those costs.178 As a point of comparison, the plaintiffs were granted $2.7 million in taxable costs.179

In other extreme cases, a prevailing plaintiff may lose money on the case when costs beyond § 1920 are not awarded.180 In Tempest Publishing, Inc. v. Hacienda Records & Recording Studio, Inc., the plaintiff incurred $15,400 in taxable costs.181 But, the court awarded only half these costs, no non-taxable costs, and

169. See Perfect 10, Inc. v. Giganews, Inc., 847 F.3d 657, 674 (9th Cir. 2017).
170. Id. at 665.
173. Id. at *29.
176. Id. at *1.
177. Id. at *6. Label plaintiffs sought $537,817.16, while publisher plaintiffs sought $167,488.29, which together total to $705,305.45. Id. The court granted merely $105,288.33 to the label plaintiffs and $142,763.29 to the publisher plaintiffs, totaling $248,051.62. Id.
178. Id. .
180. Id. at 726.
$5,000 for copyright infringement. Even when a party successfully enforces its copyright, it might ultimately be in a worse position.

V. DISCUSSION: SOLVING THE PROBLEM OF HIGH COPYRIGHT LITIGATION COSTS

While the Supreme Court came to the correct conclusion regarding copyright law cost-shifting in *Rimini*, the fact that these costs can overshadow awards is a problem that should be further addressed. A potential solution should recognize the differences between low-stakes and high-stakes cases, because the economics of litigation are different for each. This Part’s first Section discusses the wide variety of copyright infringers. After, the second Section argues that high litigation costs stymie the goals of copyright. The final Section ends with potential legislative solutions for both high-stakes and low-stakes copyright litigation.

A. COPYRIGHT INFRINGERS CAN RANGE FROM INDIVIDUALS TO CORPORATIONS

One of the quirks of copyright law is that the context in which the infringing act is committed can be so different. For example, a teenager may infringe by copying a song he enjoys off the internet. This is in stark contrast to a multi-billion-dollar corporation copying another multi-billion-dollar corporation’s utilitarian software to maximize profits by avoiding licensing fees. But copyright litigation surprisingly treats each of these acts as being similar.

Other areas of law present cheaper, quicker alternatives to full-blown litigation. For general, civil litigation, there are small claims courts. Criminal law has traffic courts. Even patent law, with proceedings at the PTO, offers an option that can be less costly than litigation in a district court. Given the diversity of infringers, and damage caused by infringement, it seems odd that copyright law does not already have some alternative to litigation for low-stakes cases.

B. COSTS IN COPYRIGHT LITIGATION ARE SUFFICIENTLY HIGH THAT THE PURPOSE OF COPYRIGHT LAW IS NOT ALWAYS FULFILLED

When transactional costs, such as expert witness fees and discovery expenses, are too high, copyright litigation no longer accomplishes the policy goals of copyright law or litigation in general. These goals include making the
prevailing party whole, deterring infringement, and balancing access to works, with the author’s right to exclude.

Litigation generally is intended to make a prevailing party whole, or at least as close to whole as is reasonable. This is consistent with the intent of § 505. In a copyright suit, if non-taxable costs cut substantially into the award, the prevailing party will not be close to being made whole. Logically, if a prospective plaintiff knows that copyright litigation is an inadequate avenue for seeking a remedy, they are less likely to bring a meritorious action in the first place. Of course, a victim of infringement who does not bring a claim will remain far from “whole.” Relatedly, absent the financial incentives to bring meritorious claims, infringing acts are less likely to be punished through litigation.

The prospect of losing litigation is intended to act as deterrence for infringement by punishing the losing party, the infringer. This punishment is tied to incentivization of good (i.e., non-infringing) behavior by parties that are in a position to infringe. It is important that the punishment is proportional to the harm caused, as to incentivize an appropriate level of infringement avoidance on the part of a potential infringer. Draconian punishments lead to over-protection of copyrightable work, whereas weak or rare punishment leads to under-protection.

More specifically, copyright law is meant to balance access to works of authorship and the authors’ rights to exclude. Copyright protection is meant to address the problem of “free-riding” on the backs of authors, which is addressed by creating legal excludability. “Free-riding” includes enjoying a work without paying for it as well as profiting off an author’s work by reselling it. The mechanisms of enforcing this excludability carry their own costs, such as the cost of litigation or the cost of copyright management. On the other hand, access to a work, or lack thereof, is associated with “deadweight loss,” the cost to society of certain people being unable to access material due to unwillingness or inability to pay the copyright price. Heavy transactional costs, in enforcing excludability, disturb this balance. Such costs may make copyright holders less likely to enforce their rights. This, in turn, likely encourages more free-riding if potential infringers are aware that infringement

183. Fogerty v. Fantasy, Inc., 510 U.S. 517, 525 (1993) (citing McCulloch v. Albert E. Price, Inc., 823 F.2d 316, 323 (9th Cir. 1987)) (“because section 505 is intended in part to . . . make the plaintiff whole, fees are generally awarded to a prevailing plaintiff”).
185. Id. at 117–118.
186. Id.
187. Id.
will not be punished. If copyright holders increase the price of accessing their materials in order to compensate for increased enforcement costs, fewer consumers can pay the price and deadweight loss increases. Striking the right balance of access and exclusion through legislation allows for minimization of deadweight loss.

C. LEGISLATIVE ACTION COULD EASE THE SITUATION

1. Low-Stakes Infringement: Change to Copyright Law Required

With small harms caused (and often shallow pockets on the part of the infringer), it makes little sense to rely on the “high fine/low enforcement” cost-deterrence model of litigation to enforce copyright against low-stakes infringement. As noted above, costs of litigation are likely to be disproportionately large in low-stakes copyright cases. Streamlining the process for non-commercial infringers through a compulsory licensing model or copyright small-claims process might help avoid high transactional costs, however. At the time of writing this Note, Congress is considering a bill that would introduce a new small-claims proceeding at the U.S. Copyright Office, capping damages at $30,000. Alternatively, a system that acts like an issuance of a “ticket” for small-time infringers could help redirect non-commercial users from infringement to more favorable copyright usage, such as subscription plans. Importantly, such a system would allow the copyright holder to recover some money from a small-time infringer, as opposed to the current system where the economics (and sometimes unfavorable public relations) make it difficult for a copyright holder to retrieve any sort of repayment from the “little guy.” Further, because the small-time user might be more accountable for infringement, they would feel more pressure to adhere to proper copyright usage.

Either system should also have some diminished statutory damages accessible to works that were not timely registered. This would address the problem faced by the hypothetical YouTube content producer. Under such a system, she would be able to get something from an infringer, even if actual damages were impossible to calculate. The diminished statutory damages would, by necessity, be lower in amount than the normal statutory damage in order to continue incentivizing timely registration.

188. Peter S. Menell, This American Copyright Life: Reflections on Re-Equilibrating Copyright for the Internet Age, 61 J. COPYRIGHT SOC’Y OF THE U.S.A. 201, 269 (2014).
189. Id. at 218, 277.
191. Menell, supra note 188, at 277.
One major consideration for a low-stakes claim system is that expanded subpoena power would be necessary to detect file sharers.\textsuperscript{192} This development would be required because, while identifying a person storing copyrighted work on a server can be done by an internet service provider without court intervention, identifying sharing conducted on a peer-to-peer network is not so straightforward.\textsuperscript{193} This expanded power should include safeguards against abuse.\textsuperscript{194} As learned from the success of the \textit{inter partes} review option in patent law,\textsuperscript{195} an alternative to litigation for copyright that is efficient and cheap is likely to succeed.

2. \textit{High-Stakes Infringement: A Small Adjustment to the Law}

A streamlined system makes less sense for high-stakes suits, which are typically between big commercial parties. As mentioned above, high-stakes cases tend to have proportionally lower costs. The nature of infringement in high-stakes cases is more likely to be very complex, as it was in Rimini, warranting full-fledged discovery. Additionally, the decision to infringe was more likely tied to economic harm that lends itself to the calculation of actual damages. For example, it has been suggested that Rimini Street made the decision to infringe because they could save on the cost of licensing.\textsuperscript{196} Litigation seems to be workable for disputes involving large commercial defendants, but additional options for plaintiffs to avoid burdensome costs would certainly be welcomed.

Increasing the range of statutory damages would offset high costs cutting into the prevailing party’s award, but also keep incentives for parties to minimize costs. Statutory damages remove the need to gather extensive evidence of actual economic harm to the plaintiff, and therefore allow the plaintiff to focus discovery (and experts) on the infringing act itself. The current range for statutory damages, capped at $30,000 per work, absent a showing of willful infringement,\textsuperscript{197} might be too low for particularly valuable works. If the upper bound of statutory damages were better calibrated to approximate actual damages, plaintiffs could have a more enticing option.

\begin{itemize}
\item \textsuperscript{192} Id. at 273–74.
\item \textsuperscript{193} Id.
\item \textsuperscript{194} Id. at 274.
\item \textsuperscript{196} See Brief in Opposition at 7, Rimini St., Inc. v. Oracle USA, Inc., 139 S. Ct. 873 (No. 17-1625) (2019).
\item \textsuperscript{197} 17 U.S.C. § 504 (2018).
\end{itemize}
during litigation that would allow adequate recovery while reducing discovery cost.

VI. CONCLUSION

The American rule, under which parties pay their own costs, and the English rule, under which the losing party pays all litigation costs, represent extremes of cost-shifting in litigation. Neither rule is perfect. The Copyright Act's treatment of cost-shifting falls somewhere in the middle of the two extremes, with its allowance of limited cost taxation under *Rimini*. This is almost certainly better than allowing broad cost-shifting in copyright cases, as there needs to be some pressure to keep litigation costs low. But when transactional costs of litigation are too high, litigation ceases to be an appropriate avenue for seeking relief. This seems to be especially problematic for low-stakes copyright litigation, where litigation costs tend to make up a larger proportion of money at stake. By contrast, the costs of high-stakes litigation represent a smaller proportion of the overall stakes. Congress should create an alternative to litigation to address this problem. Legislation directed at low-stakes infringement should create a copyright small-claims court or a compulsory licensing regime. The internet promotes fast, easy publishing but the copyright system values registration, which is not feasible for this mass of low-value work. Reduced statutory damages should be available for nonregistered works to give the creators of these works some protection. For high-stakes copyright litigation, reform is less necessary. A simple recalibration of statutory damages might allow for faster and cheaper litigation, even for high-stakes cases.