

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Lumber Co.*, 200 U. S. 321, 337.

## SUPREME COURT OF THE UNITED STATES

### Syllabus

#### REVES ET AL. v. ERNST & YOUNG

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE  
EIGHTH CIRCUIT

No. 91-886. Argued October 13, 1992—Decided March 3, 1993

A provision of the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U. S. C. §1962(c), makes it unlawful “for any person employed by or associated with [an interstate] enterprise . . . to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity . . . .” After respondent's predecessor, the accounting firm of Arthur Young and Company, engaged in certain activities relating to valuation of a gasohol plant on the yearly audits and financial statements of a farming cooperative, the cooperative filed for bankruptcy, and the bankruptcy trustee brought suit, alleging, *inter alia*, that the activities in question rendered Arthur Young civilly liable under §1962(c) to petitioner holders of certain of the cooperative's notes. Among other things, the District Court applied Circuit precedent requiring, in order for such liability to attach, “some participation in the operation or management of the enterprise itself”; ruled that Arthur Young's activities failed to satisfy this test; and granted summary judgment in its favor on the RICO claim. Agreeing with the lower court's analysis, the Court of Appeals affirmed in this regard.

*Held:* One must participate in the operation or management of the enterprise itself in order to be subject to §1962(c) liability. Pp. 6-16.

(a) Examination of the statutory language in the light of pertinent dictionary definitions and the context of §1962(c) brings the section's meaning unambiguously into focus. Once it is understood that the word “conduct” requires some degree of direction, and that the word “participate” requires some part in that direction, it is clear that one must have *some* part in directing an enterprise's affairs in order to “participate, directly or indirectly, in the conduct of such . . . affairs.” The

“operation or management” test expresses this requirement in a formulation that is easy to apply. Pp. 6-9.

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(b) The "operation or management" test finds further support in §1962's legislative history. Pp. 9-13.

(c) RICO's "liberal construction" clause—which specifies that the "provisions of this title shall be liberally construed to effectuate its remedial purposes"—does not require rejection of the "operation or management" test. The clause obviously seeks to ensure that Congress' intent is not frustrated by an overly narrow reading of the statute, but it is not an invitation to apply RICO to new purposes that Congress never intended. It is clear from the statute's language and legislative history that Congress did not intend to extend §1962(c) liability beyond those who participate in the operation or management of an enterprise through a pattern of racketeering activity. Pp. 13-14.

(d) The "operation or management" test is consistent with the proposition that liability under §1962(c) is not limited to upper management. "Outsiders" having no official position with the enterprise may be liable under §1962(c) if they are "associated with" the enterprise and participate in the operation or management of the enterprise. Pp. 14-15.

(e) This Court will not overturn the lower courts' findings that respondent was entitled to summary judgment upon application of the "operation or management" test to the facts of this case. The failure to tell the cooperative's board that the gasohol plant should have been valued in a particular way is an insufficient basis for concluding that Arthur Young participated in the operation or management of the cooperative itself. Pp. 15-16.

937 F. 2d 1310, affirmed.

BLACKMUN, J., delivered the opinion of the Court, in which REHNQUIST, C. J., and STEVENS, O'CONNOR, and KENNEDY, JJ., joined, and in all but Part IV-A of which SCALIA and THOMAS, JJ., joined. SOUTER, J., filed a dissenting opinion, in which WHITE, J., joined.