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FEDERAL JURISDICTION UPHeld UNDER THE OIL POLLUTION ACT

Fifth Circuit examines the limits of federal jurisdiction under the Oil Pollution Act upholding the act where an oil spill occurred in a non-navigable body of water adjacent to inland waterway used in interstate commerce.

United States v. Needham (In re Needham)
354 F.3d 340 (5th Cir. 2003)
(Decided December 16, 2003)

This case arises from the efforts of the United States Coast Guard to compel James and Janell Needham to reimburse the United States, under the Oil Pollution Act (“OPA”), 33 U.S.C. §§ 2701-2720 for clean up associated with an oil spill which occurred on January 25, 1999.

The oil spill in question occurred when an employee of Needham Resources, Inc. (“NRI”), pumped oil from a containment basin into an adjacent drainage ditch at a facility known as Thibodeaux Well. Both parties stipulated that the oil that had been discharged into the drainage ditch at Thibodeaux Well spilled in Bayou Cutoff, then into Bayou Folve. Bayou Folve flows directly into the Company Canal, which is an industrial waterway that eventually flows into the Gulf of Mexico. Following an EPA investigation of the spill, NRI hired a private contractor to perform cleanup operations. However, the contractor was unable to complete the operation and the EPA and the Coast Guard were left to continue the clean up effort at a cost of roughly \$207,000.

On February 8, 1999, the Needhams filed a Chapter 11 bankruptcy petition, and the following day, the United States brought suit against them and NRI in federal court to recover its cleanup costs. The civil suit to recover the clean up costs was stayed, pending resolution of this bankruptcy court dispute over the government’s proof of claim against the Needhams. The Needhams had objected to the proof of claim on the basis that the spill did not implicate any navigable waters subject to federal jurisdiction, and therefore was not regulated by OPA. At the bankruptcy court hearing, the court found that “neither the drainage ditch nor Bayou Cutoff are navigable waters, nor are they sufficiently adjacent to the navigable waters to support an extension of the OPA.” Thus, the bankruptcy court concluded that the spill was not subject to federal regulation and sustained the Needhams’ objection to the United States’ proof of claim. The United States appealed this decision to the district court, which affirmed the ruling. The United States now appeals to the United States Court of Appeals for the Fifth Circuit.

The Court of Appeals reviewed the trial court’s factual findings for clear error, noting that whether a waterway is navigable-in-fact is subject to the clearly erroneous standard. Thus, the court would only reverse the decision if, on the entire evidence, the court was left with the firm and definite conviction that a mistake had been made. The court began its analysis by noting that the OPA imposes strict liability on parties that discharge oil into “navigable waters,” a term defined in the statute as “the waters of the United States, including the territorial sea.” However, the court noted that this definition does not extend federal regulation to the outermost limits of the commerce clause. Rather, it is more limited. As the Supreme Court explained in *Solid Waste Agency of Northern Cook County v. United States Army Engineers*, 53 U.S. 159 (2001), “a body of

water is subject to regulation...if the body of water is actually navigable or adjacent to an open body of navigable water.”

Using this definition of the OPA, the Court of Appeals found that the findings of the bankruptcy court, that oil spilled only into Thibodeaux Well and Bayou Cutoff; and that the Gulf of Mexico was the only open body of navigable water, constituted plain error. The court specifically noted that it was clear error to disregard the effects of the spill on Bayou Folsé and the Company Canal. Relying on a stipulation by the parties, the proper inquiry according to the court, is whether Bayou Folsé, the site of the farthest traverse of the oil spill is navigable in fact or adjacent to an open body of navigable water.

In evaluating this question, the court noted that the term “navigable waters” is not limited to oceans and other large bodies of water. Inland waterways may also fall within the definition of navigable waters when they are used or susceptible of being used in their ordinary condition as highways for commerce over which trade or commerce may be commenced. Under this definition the Company Canal fell within the definition of navigable waters. To support its conclusion, the court cited evidence from the bankruptcy hearing, which established that the canal was an industrial corridor between the Intracoastal Waterway and Bayou Lafourche which supports commerce, is unobstructed, and is traversed on a consistent basis.

Next, the court examined whether Bayou Folsé was “adjacent” to the Company Canal. To be “adjacent” there must be a “significant nexus” between the water in question and the navigability-in-fact waterway. This element was satisfied because Bayou Folsé flows directly into the Company Canal. Thus, the Court of Appeals found that the Thibodeaux Well oil spill implicated navigable waters and triggered federal regulatory jurisdiction under the OPA.

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