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## Let's Be Reasonable: Recent Federal Circuit Actions Follow Trend Toward E-Discovery Reform

The U.S. Court of Appeals for the Federal Circuit recently held that expenses associated with a third-party electronic database service can constitute taxable costs. *In re Ricoh Co., Ltd. Patent Litig.*, No. 2011-1199, 2011 U.S. App. LEXIS 23495, \*6-8 (Fed. Cir. Nov. 23, 2011). This was the first federal appeals court decision to discuss the issue in detail, and it provides support for the growing line of authority allowing prevailing parties to recover electronic discovery expenses. The Federal Circuit also recently issued a Model Order Regarding E-Discovery in Patent Cases, which proposes several limits on electronic discovery and proposes that the cost of discovery beyond such limits would be borne by the requesting party. These actions by the Federal Circuit are consistent with an overall trend toward reforming electronic discovery and should encourage parties to be reasonable in conducting electronic discovery in patent infringement cases.

### *In re Ricoh Decision – E-Discovery Expenses Are Taxable Costs*

In *In re Ricoh*, the parties (Ricoh and Synopsis) agreed to jointly retain and split the cost of a third-party electronic database service called Stratify to enable production of documents in native format. *In re Ricoh Co., Ltd. Patent Litig.*, No. 03-02289, 2010 U.S. Dist. LEXIS 144033, \*24-25 (N.D. Cal. Sept. 29, 2010). After several years of litigation, the district court granted summary judgment in favor of Synopsis and awarded costs to Synopsis as the prevailing party. *Id.* at \*5-6. The Clerk taxed costs in the amount of \$855,107.69, but rejected Synopsis' request to include the costs related to Stratify. *Id.* at \*6, \*24.

Ricoh and Synopsis each sought review of the Clerk's taxation. *Id.* at \*6. In relevant part, Synopsis challenged the Clerk's denial of costs associated with Stratify. *Id.* at \*24. The types of costs that are taxable are outlined in 28 U.S.C. § 1920, one of which is "[f]ees 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. § 1920(4). The district court found that the Stratify costs were taxable under 28 U.S.C. § 1920(4) and that the parties' agreement to split the costs during litigation did not affect their taxability, and thus awarded the costs to Synopsis. *Id.* at \*24-\*26. Ricoh appealed.

Applying Ninth Circuit law, the Federal Circuit agreed that the costs of producing a document electronically, including the costs of a service such as Stratify, "can constitute 'exemplification' or 'making copies' under section 1920(4)" and thus can be taxable costs. *In re Ricoh*, 2011 U.S. App. LEXIS 23495 at \*6-8 (citing *BDT Prods., Inc. v. Lexmark Int'l, Inc.*, 405 F.3d 415, 420 (6th Cir. 2005)). The Federal Circuit disagreed, however, that the parties' agreement to split the costs of Stratify did not affect their taxability. *Id.* at \*11-12. The court noted that there was no indication that the parties intended their "cost-sharing agreement to be anything other than a final settlement of the cost of the Stratify database," found such agreement to be controlling and declined to tax these costs against Ricoh. *Id.*

The Federal Circuit's decision in *In re Ricoh* is consistent with numerous recent district court decisions, as well as two federal appeals court decisions, holding that certain electronic discovery expenses can constitute taxable costs.<sup>1</sup> Notably, however, the *In re Ricoh* decision may have limited application as far

<sup>1</sup> See, e.g., *Hecker v. Deere & Co.*, 556 F.3d 575 (7th Cir. 2009); *BDT Prods., Inc. v. Lexmark Int'l, Inc.*, 405 F.3d 415 (6th Cir. 2005); *Baker v. RBS Worldpay, Inc.*, No. 10-0307, 2011 U.S. Dist. LEXIS 121390 (S.D. Ala. Oct. 19, 2011); *Jardin v. DATAAllegro*,

as electronic database expenses are concerned. The Stratify database had numerous capabilities that go beyond collection, processing and bare production of electronic documents. Yet the complete cost of the Stratify database was found taxable, at least in part because Ricoh suggested – and the parties agreed – that production should be made through Stratify. See *In re Ricoh*, 2011 U.S. App. LEXIS 23495 at \*8. That factor may not be present in all cases, and parties should not view this decision as supporting the taxation of all electronic discovery database expenses as costs in all cases. Furthermore, any agreement between the parties regarding electronic discovery expenses may be found to trump the taxability of such costs. See, e.g., *id.* at \*11-\*12; *United States v. U.S. Training Ctr., Inc.*, No. 08-1244, 2011 U.S. Dist. LEXIS 144233, \*12-\*13 (E.D. Va. Dec. 8, 2011) (stating that it is unnecessary to address whether electronic discovery costs are taxable because the parties' joint discovery report provided that each party would bear its own expenses of electronic production).

Nonetheless, given the trend in recent decisions, parties should assume that at least some expenses related to collecting, processing and producing electronic documents may be recovered by the prevailing party absent an agreement to the contrary.

## Model Order Regarding E-Discovery in Patent Cases

The Federal Circuit's *In re Ricoh* decision coincides with its effort to curtail electronic discovery expenses in patent cases: the Federal Circuit Advisory Council recently adopted a Model Order Regarding E-Discovery in Patent Cases. As recognized in the introduction to the Model Order, electronic discovery tends to come at a disproportionate cost, especially in patent cases.<sup>2</sup> Thus, the stated goal of the Model Order is "to promote judicial efficiency by streamlining e-discovery, particularly email production, and requiring litigants to focus on the proper purpose of discovery – the gathering of material information – rather than permitting unlimited fishing expeditions." *Id.* at 2.

The Model Order proposes several limits on electronic discovery that would serve to reduce the cost of electronic discovery. For example:

- Requests for production of electronically stored information (ESI) shall not include email; parties must propound separate requests for production of email.
- Requests for production of email must be propounded for specific issues, as opposed to general discovery of a product or business.
- Each requesting party shall limit its email production requests to five custodians per producing party, and to five search terms per custodian.
- Production of ESI shall not include metadata aside from fields showing the date and time that the document was sent and received.<sup>3</sup>

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<sup>1</sup>Inc., No. 08-1462, 2011 U.S. Dist. LEXIS 117517 (S.D. Cal. Oct. 12, 2011); *In re Aspartame Antitrust Litig.*, No. 2:06-1732, 2011 U.S. Dist. LEXIS 118226 (E.D. Pa. Oct. 5, 2011); *In re Scientific-Atlanta, Inc. Secs. Litig.*, No. 1:01-1950, 2011 U.S. Dist. LEXIS 73688 (N.D. Ga. July 6, 2011); *Specht v. Google, Inc.*, No. 09-2572, 2011 U.S. Dist. LEXIS 68968 (N.D. Ill. June 27, 2011); *Race Tires Am., Inc. v. Hoosier Racing Tire Corp.*, No. 2:07-1294, 2011 U.S. Dist. LEXIS 48847 (W.D. Pa. May 6, 2011) (currently on appeal before the U.S. Court of Appeals for the Third Circuit).

<sup>2</sup> "An E-Discovery Model Order," available at [http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery\\_Model\\_Order.pdf](http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf), at 1-2.

<sup>3</sup> "[Model] Order Regarding E-Discovery in Patent Cases," available at [http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery\\_Model\\_Order.pdf](http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf), at 2-3.

While parties are permitted to agree to modify these limits, the Model Order contains cost-shifting provisions designed to encourage reasonableness in conducting electronic discovery. In particular, costs for “disproportionate ESI production requests” will be shifted to the requesting party pursuant to Federal Rule of Civil Procedure 26, and “a party’s nonresponsive or dilatory discovery tactics will be cost-shifting considerations.” *Id.* at 2.

While the Federal Circuit Advisory Council’s Model Order is only a proposed set of guidelines and is specific to patent cases, certain district courts also have adopted electronic discovery guidelines that apply to all types of cases. These and other efforts to reform electronic discovery will undoubtedly continue, and parties should consider the potential effect of applicable guidelines and case law when requesting, as well as responding to requests for, electronic discovery.



*If you have any questions about this Legal Alert, please feel free to contact the attorneys listed below or the Sutherland attorney with whom you regularly work.*

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