IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

HONEYWELL INTERNATIONAL INC. and HONEYWELL INTELLECTUAL PROPERTIES INC.,	:	
Plaintiffs,	:	
v.	:	C.A. No. 04-1337-LPS (Consolidated)
NOKIA CORPORATION, *et al.*,	:	[redacted]
Defendants.	:	PUBLIC VERSION

MEMORANDUM ORDER

Pending before the Court are the Motion for Review of the Clerk's Taxation of Costs (Docket Item ("D.I.") 1134 and, hereinafter, "Fuji's Costs Motion") filed by defendants FUJIFILM Corp. and FUJIFILM U.S.A. Inc. (together, "Fuji"), and the Motion for Review of the Clerk's Taxation of Costs (D.I. 1137 and, hereinafter, "Samsung's Costs Motion"), filed by defendants Samsung SDI Co., LTD and Samsung SDI America, Inc. (together, "Samsung," and, with Fuji, the "Defendants"). By their motions, Defendants ask the Court to review the Clerk of Court's (the "Clerk") respective Taxation of Costs (D.I. 1128; D.I. 1130) pursuant to Fed. R. Civ. P. 54(d)(1) and D. Del. LR 54.1(d).[1] For the reasons discussed below, the Court will grant in part and deny in part Fuji's Costs Motion as well as Samsung's Costs Motion.

BACKGROUND

The background of this long-running patent dispute is set out in detail in other opinions and orders. (*See, e.g.*, D.I. 500; D.I. 515; D.I. 656; D.I. 712) For purposes of the pending

[1]The Local Rules of Civil Practice and Procedure of the United States District Court for the District of Delaware (amended April 30, 2010) are referenced as "D. Del. LR ___" or the "Local Rules."

motions, only a limited recitation of pertinent events is necessary.

In 2004, Plaintiffs, Honeywell International Inc. and Honeywell Intellectual Properties Inc. (collectively, "Honeywell" or "Plaintiffs") filed this action against multiple defendants, alleging infringement of United States Patent No. 5,280,371 ("the '371 patent"). (D.I. 1) As Fuji aptly summarizes: "This patent infringement matter was hotly contested from its start in October 2004. It spans more than six years [now nine years], three judges and a magistrate judge and is a consolidation of four civil actions . . . . At its height, this matter named more than 50 defendants." (D.I. 1135 at 2)

Over the course of the litigation, numerous parties settled, but Samsung and Fuji did not. Instead, these remaining Defendants filed a motion for summary judgment to invalidate the '371 patent based on the on-sale bar of 35 U.S.C. § 102(b). (D.I. 771) Following a hearing on Defendants' summary judgment motion (*id.*), the Honorable Joseph J. Farnan, Jr., now retired, found that Defendants had proven, by clear and convincing evidence, that Honeywell had sold an embodiment of claim 3 of the of '371 patent (the only asserted claim) to The Boeing Company, more than one year before the July 9, 1992 filing date of the patent, thereby rendering the '371 patent invalid. (*See* D.I. 957) Therefore, on November 3, 2009 – less than a week before trial was scheduled to commence – Judge Farnan granted summary judgment of invalidity and this case was closed. (D.I. 958) On November 10, 2010, the Federal Circuit affirmed this Court's judgment. (*See* D.I. 1018; D.I. 1023)[2]

On January 10, 2011, Fuji filed a Bill of Costs, asking the Clerk to tax $459,201.43 of

[2]On August 18, 2010, during the pendency of Honeywell's appeal, this case was reassigned to the undersigned judge.

costs to Honeywell. (D.I. 1025) Fuji later slightly reduced its request to $452,419.77. (D.I. 1119)[3] In its Bill of Costs, Fuji specifically requested payment for the following: (i) $1,599.52 for filing fees; (ii) $905.00 for subpoena service fees; (iii) $2,178.27 for transcripts of proceedings; (iv) $102,172.38 for depositions; (v) $126,367.36 for copying; (vi) $107,172.14 for translation of exhibits; (vii) $64,995.95 for demonstrative exhibits; and (viii) $47,029.15 for special master fees. (*See* D.I. 1025) Honeywell objected to each of Fuji's requests. (D.I. 1038) The Clerk denied the entirety of Fuji's Bill of Costs on March 30, 2012. (*See* D.I. 1128)[4]

Also on January 10, 2011, Samsung filed its Bill of Costs, asking the Clerk to tax $362,082.88 of costs to Honeywell. (D.I. 1027) Samsung later slightly reduced its request to $347,495.63. (D.I. 1030)[5] In its Bill of Costs, Samsung specifically requested payment for the following: (i) $32,360.83 for copying; (ii) $50,971.71 for materials associated with the July 2008 Markman hearing; (iii) $70,163.85 for depositions related to resolution of the on-sale bar issue and Markman; (iv) $33,894.15 for depositions that were designated for use at trial; (v) $1,900.93 for court transcript costs; (vi) $55,339.84 for preparation of exhibits and demonstratives for trial; (vii) $36,015.00 for other trial preparation and accommodation fees; (viii) $425.00 for filing fees; (ix) $1,466.13 for fees for filing court copies and process; and (x) $32,597.36 for special master fees. (*See* D.I. 1030) Honeywell objected to each of Samsung's requests. (D.I. 1040) On March

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[3]On December 23, 2011 Fuji advised the Court that it had erred in requesting $71,777.61 for demonstrative exhibits; the corrected amount is $64,995.95. (*See* D.I. 1119; D.I. 1135 at 17-18 n.4)

[4]The Clerk did not expressly address Fuji's disclosed mathematical error with respect to its request for costs regarding demonstrative exhibits (*see* D.I. 1128 at 2, 10-11), but it is clear the Clerk was denying the totality of Fuji's request.

[5]On January 14, 2011, Samsung filed an Amended Bill of Costs. (D.I. 1030)

30, 2012, the Clerk granted only Samsung's request for $85.80 of photocopy costs and denied the remainder of Samsung's Bill of Costs. (*See* D.I. 1130; *see also* D.I. 1040 at 7; D.I. 1144 at 2)

In the meantime, on September 18, 2011, Fuji and Samsung filed motions seeking a declaration that this case was "exceptional," within the meaning of 35 U.S.C. § 285, and an award of their attorneys fees, costs, and expenses. (D.I. 1045; D.I. 1054) ("Awards Motions") Specifically, Fuji sought approximately [redacted] and Samsung sought more than [redacted] (*See* D.I. 1127 at 5) On March 30, 2012, the Court found that Defendants had failed to prove by clear and convincing evidence that this case was "exceptional" and concluded that, in any event, it would exercise its discretion to deny recovery of attorneys fees. (*See id.* at 5, 9; *see also* D.I. 1129)[6]

On April 9, 2012, Defendants also moved pursuant to Rule 54(d)(1) of the Federal Rules of Civil Procedure and District of Delaware Local Rule 54.1(d) for review of the Clerk's orders, requesting full taxation of their costs. (*See* D.I. 1134; D.I. 1137) These are the still-pending Costs Motions.

Defendants appealed this Court's denial of their Awards Motions. (D.I. 1145) Samsung also appealed the Clerk's denial of its Bill of Costs. (D.I. 1146) On June 18, 2012, the Federal Circuit stayed Defendants' appeals, pending this Court's decision on Samsung's Costs Motion.

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[6]The Court is aware that during the long pendency of the present motions, the Supreme Court has handed down its decisions in *Octane Fitness, LLC v. ICON Health and Fitness, Inc.*, and *Highmark, Inc. v. Allcare Health Management System, Inc.* With these opinions, the Supreme Court has eliminated the prior burden of clear and convincing evidence for demonstrating that a patent case is "exceptional" within the meaning of Section 285. *See Octane* 134 S.Ct. 1749 (2014); *Highmark,* 134 S.Ct. 1744 (2014). Concurrent with the issuance of today's opinion, the Court will order the parties to submit a joint status report, in which they will be expected to advise the Court whether it can and/or should reevaluate its prior ruling with respect to attorneys fees in light of the recent Supreme Court rulings.

(D.I. 1154, Attachment at 2) The Federal Circuit noted that "Samsung's appeal of the Clerk's Taxation of Costs was premature in light of Samsung's Motion for Review of the Clerk's Taxation of Costs currently pending before the district court." (*Id.*)

In their Costs Motions, Defendants assert that the categories of costs they seek to have taxed are permitted under the local and federal rules as well as the applicable statutes. Defendants further submit that they complied with their obligation to clearly describe their costs and to certify that such expenditures were necessary. Plaintiffs oppose the Costs Motions, contending that the Clerk did not err but instead appropriately denied Fuji's and Samsung's cost requests, based on Defendants' failure to provide appropriate support and also the ineligibility of many of the requested costs. Plaintiffs ask the Court to deny the Costs Motions and accept the Clerk's taxation determinations without modification.

LEGAL STANDARDS

"Federal Rule of Civil Procedure 54(d) gives courts the discretion to award costs to prevailing parties." *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2001 (2012). Specifically, Federal Rule 54(d)(1) provides: "Unless a federal statute, these rules, or a court order provides otherwise, costs – other than attorney's fees – should be allowed to the prevailing party." Importantly, as the Third Circuit has observed, "Rule 54(d)(1) uses the word 'costs' as a term of art, rather than to refer to all expenses a prevailing party may incur in a given action." *In re Paoli R.R. Yard PCB Litig.*, 221 F.3d 449, 457 (3d Cir. 2000).

In fact, the categories of costs that are taxable are established by statute: 28 U.S.C. § 1920, a statute to which the Supreme Court "has accorded a narrow reading." *Race Tires America, Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d 158, 171 (3d Cir. 2012) (citing *Taniguchi*,

132 S. Ct. at 2006 (noting "narrow scope of taxable costs" under Section 1920)). Section 1920 states, in full:

> A judge or clerk of any court of the United States may tax as costs the following:
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> (1) Fees of the clerk and marshal;
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> (2) Fees for printed or electronically recorded transcripts necessarily obtained for use in the case;
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> (3) Fees and disbursements for printing and witnesses;
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> (4) Fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case;
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> (5) Docket fees under section 1923 of this title;
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> (6) Compensation of court appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under section 1828 of this title.
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> A bill of costs shall be filed in the case and, upon allowance, included in the judgment or decree.

In the District of Delaware, Federal Rule 54 and Section 1920 are supplemented by Local Rule 54.1, which provides additional guidance on taxable costs and directs prevailing parties to submit a bill of costs to the Clerk, who verifies the bill and makes any necessary adjustments. Pursuant to D. Del. LR 54.1(a)(1), "[u]nless otherwise ordered by the Court, the prevailing party shall be entitled to costs." Other provisions of Local Rule 54.1 are discussed in detail below.

Together, Section 1920 and the federal and local rules create a "strong presumption" that costs should be awarded to the prevailing party. *Reger v. The Nemours Found., Inc.*, 599 F.3d 285, 288 (3d Cir. 2010); *see also Paoli*, 221 F.3d at 462. "Only if the losing party can introduce

evidence, and the district court can articulate reasons within the bounds of its equitable power, should costs be reduced or denied to the prevailing party." *Paoli*, 221 F.3d at 468. "This is so because the denial of such costs is akin to a penalty." *Reger*, 599 F.3d at 288. "Thus, if a district court, within its discretion, denies or reduces a prevailing party's award of costs, it must articulate its reasons for doing so." *Id.*

A consequence of the strong presumption that the prevailing party should be awarded all of its costs that are shown to be within the narrow statutory categories of taxable costs is that "the assessment of costs most often is merely a clerical matter that can be done by the court clerk." *Taniguchi*, 132 S. Ct. at 2006 (internal quotation marks omitted); *see also Paoli*, 221 F.3d at 449, 453 (describing costs analysis as "essentially ministerial act of the clerk of court"). Nevertheless, a party disappointed with the Clerk's taxation determination may appeal it to the District Court, which must review the Clerk's decision *de novo*. *See Reger*, 599 F.3d at 288; *Paoli*, 221 F.3d at 461; *see also* Fed. R. Civ. P. 54(d)(1) ("On motion served . . ., the court may review the clerk's action.").

In reviewing the Clerk's costs decision, the Court may consider such factors as: "(1) the prevailing party's unclean hands, bad faith, dilatory tactics, or failures to comply with process during the course of the instant litigation or the costs award proceedings; and (2) each of the losing parties' potential indigency or inability to pay the full measure of a costs award levied against them." *Reger*, 599 F.3d at 289 n.3 (internal quotation marks and citation omitted). "In contrast, however, a district court may not consider (1) the losing parties' good faith in pursuing the instant litigation (although a finding of bad faith on their part would be a reason not to reduce costs); (2) the complexity or closeness of the issues – in and of themselves – in the underlying

litigation; or (3) the relative disparities in wealth between the parties." *Id.* (internal quotation marks and citation omitted). In other words, that a case is "a classic close case, brought in good faith" is not an "appropriate criteri[on] in determining whether a costs award is equitable." *Paoli*, 221 F.3d at 465.

"[T]he losing party bears the burden of making the showing that an award is inequitable under the circumstances." *Paoli*, 221 F.3d at 462-63. Notwithstanding this burden on the losing party, the Court (like the Clerk) has discretion to deny a request for taxation of costs based on a prevailing party's failure to support its request with sufficient and specific documentation. *See* 28 U.S.C. § 1924 ("Before any bill of costs is taxed, the party claiming any item of cost or disbursement shall attach thereto an affidavit, made by himself or by his duly authorized attorney or agent having knowledge of the facts, that such item is correct and has been necessarily incurred in the case and that the services for which fees have been charged were actually and necessarily performed."). This principle is reflected in Local Rule 54.1(a)(2), which provides, "[t]he bill of costs shall clearly describe each item of cost and comply with the provisions of 28 U.S.C. § 1924."

DISCUSSION[7]

Several prerequisites to an award of costs are not disputed here. The parties agree that

[7]As Samsung in its own Costs Motion adopts and incorporates all of the legal authority and arguments set forth in Fuji's Costs Motion and supporting pleadings (*see* D.I. 1138 at 2; D.I. 1150), and because Plaintiffs likewise respond to both defense motions in a single, combined answering brief (*see generally* D.I. 1144), the Court will address both Defendants' motions simultaneously.

Defendants were "prevailing parties," as they invalidated Honeywell's patent.[8] Honeywell agrees that Defendants' requests for costs were timely filed. (D.I. 1025; D.I. 1027; D.I. 1030) Further, the Clerk found that all of the costs Defendants seek to tax were "necessarily" incurred (D.I. 1128 at 3; D.I. 1130 at 3-4), and Honeywell does not object to that finding. Also, Honeywell agrees with the Clerk that Samsung is entitled to $85.80 for certain photocopying costs.

The issues in dispute are whether the local rule conflicts with the statute, whether Defendants have provided adequate support for taxing each of the costs they seek, and, even if they have provided adequate support, whether there are other reasons to deny each of the specific costs Defendants seek to have taxed against Honeywell – primarily because they do not qualify for taxation under Local Rule 54.1. Having conducted a *de novo* review of the Clerk's costs determinations, the Court concludes that there is no conflict between the local rule and the statute and that Defendants have generally provided adequate support for their requests. The Court further concludes that it agrees with some but not all of the Clerk's taxation decisions.

A. There Is No Conflict Between D. Del. LR 54.1 and 28 U.S.C. § 1920

As an initial matter, the Court must assess Defendants' contention that Local Rule 54.1 impermissibly conflicts in certain respects with Section 1920. Where there is such a conflict, the local rule is trumped by the statute. *See In re Baby Food Antitrust Litig.*, 166 F.3d at 139; *In*

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[8]In patent cases, Federal Circuit law governs whether a party may be considered the "prevailing party." *See Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1181–82 (Fed. Cir.1996). In the context of patent litigation, a plaintiff "prevails" when the "actual relief on the merits of his claim materially alters the legal relationship between the parties by modifying the defendant's behavior in a way that directly benefits the plaintiff." *Id.* (quoting *Farrar v. Hobby*, 506 U.S. 103, 111–13 (1992)). However, because "[t]he decision of whether to award costs to a prevailing party implicates considerations not unique to the patent law," it is governed by the law of regional circuits. *Id.*

re Ricoh Co., Ltd. Patent Litig., 661 F.3d 1361, 1370 n.5 (Fed. Cir. 2011). "Although [d]istrict courts have broad discretion in interpreting and applying their local rules, local rules cannot render disallowable costs otherwise allowable under section 1920." *Ricoh*, 661 F.3d at 1370 n.5 (internal citation and quotation marks omitted). The Court concludes, however, that there is no such conflict here.

Defendants' argument is essentially that D. Del. LR 54.1 imposes requirements for taxation of costs that are not present in Section 1920, rendering the Local Rule impermissibly narrower than the statute. For example, pursuant to Section 1920(2), costs for obtaining transcripts of court proceedings may be taxable so long as the transcripts are "necessarily obtained for use in the case," but LR 54.1(b)(2) makes transcript costs taxable only if the transcript is "requested by the Court or prepared pursuant to stipulation." Similarly, whereas Section 1920(4) makes exemplification and copy costs taxable if the documents involved are "necessarily obtained for use in the case," LR 54.1(b)(5) makes such costs taxable only if the documents involved were "attached to a document required to be filed and served" or "admitted into evidence."

The Court agrees with Plaintiffs that rather than conflicting with Section 1920, LR 54.1 is a proper exercise of the Court's discretion, discretion which is recognized in Section 1920. *See also Paoli*, 221 F.3d at 458 (recognizing "the district court's discretionary equitable power to award costs"). The statute provides that the Court "***may***" tax costs to the losing party. LR 54.1 provides guidance to counsel and litigants as to how this Court has chosen, as a general matter, to exercise its discretion with respect to taxation of costs. LR 54.1 further directs the Clerk's analysis of requests for taxation of costs. There is nothing impermissible in the Local

Rule establishing general requirements that must be satisfied in order to trigger a Clerk's award of costs.

The Local Rule does not eliminate a judge's obligation to interpret and apply Section 1920 to specific disputes brought before the judge. Each judge retains the discretion to apply LR 54.1 – like any other rule – as the judge deems fit and in the interests of justice. *See* D. Del. LR 1.1(d) ("The application of the Rules in any case or proceeding may be modified by the Court in the interests of justice."). Local Rule 54.1(a) provides the process by which "the Clerk, after consideration of any objections, ***shall*** tax costs," and LR 54.1(b) provides that "[c]osts ***shall*** be taxed in conformity with" statutes as well as with "the remaining paragraphs of subpart (b) of this Rule" (emphasis added). Together, then, subsections (a) and (b) establish the "Items Taxable as Costs" by the Clerk, who does not have the same discretion as the Court's judges.[9] A judge reviewing an objection to the Clerk's taxation decision retains discretion to award costs to the full extent permitted by Section 1920.

Moreover, as even Honeywell recognizes, failure to satisfy the requirements of the Local Rules does not ***mandate*** denial of taxation of costs; instead, such a failure provides a basis (in addition to any others that may be present) on which the Court ***may*** exercise its discretion to deny requested costs. In its briefing on the pending motions, Honeywell acknowledges this reality, stating: "Where a Bill of Costs fails to meet the requirements of the Local Rules, including the standards of Rule 54.1(b), it is ***within the Court's discretion*** to deny the request."

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[9]*See generally Thabault v. Chait*, 2009 WL 69332, at *3 (D.N.J. Jan. 7, 2009) (construing District of New Jersey's local rules as "provid[ing] mandatory rules only for the Clerk; they do not expressly limit the Court's discretion pursuant to § 1920," and further explaining that "this Court will exercise its discretion to tax costs consistent with the statute where appropriate").

(D.I. 1144 at 4) (emphasis added) (citing *Honeywell International, Inc. v. Hamilton Sunstrand Corp.*, 2009 WL 3153496 (D. Del. Sept. 30, 2009) and *Cordance Corp. v. Amazon.com, Inc.*, 855 F. Supp. 2d 244 (D. Del. 2012)).

Hence, again, District of Delaware Local Rule 54.1 does not conflict with Section 1920.

B. Defendants Have Provided Adequate Documentation

The Court next addresses Honeywell's contention that the pending motions can be resolved by disposing of a single issue: affirming the Clerk's finding that Fuji and Samsung have failed to provide adequately detailed and clear support for the costs they are seeking to tax. Local Rule 54.1(a)(2) provides: "The bill of costs shall clearly describe each item of cost and comply with the provisions of 28 U.S.C. § 1924." The Court is not persuaded by Honeywell.

In large part, Honeywell's argument (which was accepted by the Clerk) relies on a presumption that the Court may only tax costs that are specifically authorized by Local Rule 54.1. So Honeywell asserts, for example, that Defendants have failed to provide adequate support for taxation of transcript costs because Defendants have failed to show where such transcripts were requested by the Court or prepared pursuant to stipulation. Honeywell is correct that Defendants have not (in most instances) produced documentation showing that the transcripts for which Defendants seek reimbursement meet these requirements. Even so, if (as the Court finds here) Defendants have provided documentation showing that these transcripts were "necessarily obtained for use in the case," then Defendants' support for their request is adequate, under the circumstances presented here, for the Court's purposes.

Defendants have created an enormous record to support their costs requests. They have provided the Court with four declarations, attaching in excess of 600 pages of invoices, bills,

and summaries of work. They have satisfied the statutory requirement of certifying that all of the work for which they seek reimbursement was necessary. *See* 28 U.S.C. § 1924; *see also* D.I. 1026; D.I. 1031; D.I. 1136; D.I. 1139) In the context of complex patent litigation, it would be unreasonable to require a party to track and articulate the relevance of each specific document produced in discovery, each deposition noticed, and each exhibit designated for use at trial. *See Summit Technology, Inc. v. Nidek Co., Ltd.*, 453 F.3d 1371, 1378 (Fed. Cir. 2006) ("[I]n complex patent litigation involving hundreds of thousands of documents and copies, parties cannot be expected to track the identity of each photocopied page along with a record of its relevance to the litigation."). Subject to the specific exceptions noted below, the Court finds that Defendants have provided adequate documentation to support their costs requests.

C. Rulings on Specific Cost Requests

The Court now turns to analyzing each of the specific costs requests made by Fuji and Samsung.

1. Filing Fees and Subpoena Fees

Fuji seeks $1,499.52 for filing fees[10] and $905 for subpoena service fees. Samsung seeks $425 for filing fees and $1,466.13 for filing court copies and process costs.[11] The Clerk

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[10]This figure reflects a reduction of $100 from what Fuji had previously sought as reimbursement of *pro hac vice* fees. (*See* D.I. 1147; *see also Montgomery Cnty. v. Microvote Corp.*, 2004 WL 1087196, at *3 (E.D. Pa. May 13, 2004) (stating *pro hac vice* fees are "expense of counsel for the privilege of practicing law . . . and, as such, are not normally charged to a fee-paying client . . . and are not recoverable under § 1920")) (internal quotation marks and citations omitted).

[11]Samsung, like Fuji, withdrew its previous request for taxation of *pro hac vice* fees. (*See* D.I. 1150) While Samsung did not indicate the precise amount of the reduction, the Court has reviewed the invoices presented in the Declaration of Steven S. Korniczky (*see* D.I. 1031 Ex. A at 9, Ex. G) and determined that the *pro hac vice* fees are between $200 and $225. The Court has

denied these requests, finding that Defendants failed to comply with the requirements of D. Del. LR 54.1(a)(2) and/or Section 1920. (*See* D.I. 1128; D.I. 1130)

Section 1920(1) allows for the taxation of costs for "[f]ees of the clerk and marshal." 28 U.S.C. § 1920(1). The Court agrees with the Clerk that Defendants have provided insufficient evidence to support taxing costs for their filing fees. The record contains a "spreadsheet that itemizes the . . . filing fees necessarily incurred in this matter" (D.I. 1026 (Hankins Decl.) ¶ 6), but that spreadsheet contains non-specific entries such as "Court filing fees" and "Electronic Filings" (*id.*, Ex. A). The record also includes what appear to be invoices to Fuji, including from Delaware counsel, showing generic entries such as "Pacer Electronic Filings," mixed in amongst apparently hundreds of (unnumbered) pages, again lacking any description of the fees incurred. Neither the losing party, the Clerk, nor the Court should be expected to wade through such a concoction to figure out what fees were incurred, for what filings, and determine whether they should be taxed. The Court will not tax these costs to Honeywell.

Fuji further seeks taxation of costs for filing fees incurred in ancillary litigation in the Northern District of Illinois. (D.I. 1026 (Decl. of Angie M. Harkins, Ex. C)) Defendants have failed to articulate why these fees were incurred, what they are, or why they were reasonable and necessary for purposes of the lawsuit in this District. The Court will not tax these costs to Honeywell.

With respect to the request to tax subpoena costs, the Court reaches a different conclusion than the Clerk. On this issue, both sides rely on this Court's decision in *Schering Corp. v. Amgen, Inc.*, 198 F.R.D. 422, 427 (D. Del. 2001). While Honeywell insists *Schering*

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reduced Fuji's request by $225.

requires Fuji to show that the "issuance of the subpoena was reasonable and necessary in light of the facts known at the time of service" in order to recover these costs (D.I. 1144 at 20), Fuji replies that *Schering* places the burden on Honeywell to "point to specific evidence that it was unreasonable for [Fuji] to believe that the deposition . . . was necessary," 198 F.R.D. at 427 (cited at D.I. 1135 at 8). The Court agrees with Fuji that Honeywell (unlike Schering) has failed to show that the subpoenas of certain third parties (Hosiden, Society for Information Display, LG Philips) were not "reasonable and necessary in light of the facts known at the time of service." (D.I. 1135 at 8) Accordingly, the Court will tax Honeywell for the costs incurred by Defendants in issuing subpoenas to the third-party witnesses. *See Federal Ins. Co. v. Bear Indus.*, 2006 WL 3334951, at *1 (D. Del. Nov. 16, 2006) ("Such costs are generally granted as reasonable expenses, consistent with the reasoning underlying 28 U.S.C. § 1920(1).").

2. Transcript Costs

Fuji seeks $2,178.27 for costs it incurred in obtaining "transcripts of proceedings," and Samsung similarly seeks $1,900.93 for "court transcripts." (*See* D.I. 1128 at 2; D.I. 1130 at 2) The Clerk denied both Defendants' requests for transcript costs. In doing so, the Clerk found that Defendants failed to meet the requirements of D. Del. LR 54.1(a)(2) by not "clearly describ[ing]" how each transcript is taxable under D. Del. LR 54.1(b)(2) as either "requested by the Court or prepared pursuant to stipulation," adding that "[c]opies of transcripts for counsel's own use are not taxable." (D.I. 1128 at 6; D.I. 1130 at 8)[12]

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[12]D. Del. LR 54.1(b)(2) provides, in full:

> *Transcripts Fees.* The costs of the originals of a trial transcript, a daily transcript and of a transcript of matters prior or subsequent to trial, furnished to the Court, are taxable when requested by the

Taxation of costs of obtaining transcripts of court proceedings are governed by Section 1920(2), which requires that the transcript be "necessarily obtained for use in the case," as well as D. Del. LR 54.1(b)(2), which requires that the transcript be "requested by the Court," or "prepared pursuant to stipulation." The Court has already addressed, and rejected, Defendants' contention that LR 54.1(b)(2) is impermissibly in conflict with Section 1920. Nonetheless, the Court here will exercise its discretion – pursuant to D. Del. LR 1(d) – to grant transcript costs to the full extent permitted by Section 1920, rather than only to the more limited extent permitted by the Local Rule. In taking this approach, the Court also finds that the declarations and exhibits presented by Fuji and Samsung are adequate to show that the transcripts at issue were "necessarily obtained for use in the case."

Fuji asserts that any transcript it obtained was "(a) to insure compliance with the Court's discovery rulings, (b) when the Court ordered that the transcript serve as the order or that the parties draft a proposed order, (c) for subsequent motion practice or letter to the Court and/or (d) because it was the subject of the appeal to the Federal Circuit." (D.I. 1135 at 10) Without elaborating, Samsung simply states that the Court transcript costs were "incurred in this case." (D.I. 1027 at 3) Having reviewed the record, the Court is persuaded by Defendants.

For example, one transcript in dispute is that of a March 2, 2007 oral ruling by Magistrate Judge Thynge. In the transcript, Judge Thynge stated that her oral ruling would serve as the Court's order. (*See* D.I. 1026, Hankins Decl., Ex. D at 2; D.I. 254) While Judge Thynge did not expressly request a copy of the transcript, given that the transcript embodied an order of

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> Court or prepared pursuant to stipulation. Mere acceptance by the Court does not constitute a request. Copies of transcripts for counsel's own use are not taxable.

the Court, the Court is satisfied that Defendants "necessarily obtained [the transcript order] for use in the case."

It is true that the costs of transcripts should not be taxed just because the Court orders briefing, and "such briefing likely would entail use of court transcripts." *Honeywell*, 2009 WL 3153496, at *1. It is also true that the costs of transcripts should not be taxed if counsel obtained copies merely for their own use. But, in this Court's view, a transcript of a proceeding may be used for briefing and/or used by counsel and still ***also*** (under appropriate circumstances) be "necessarily obtained for use in the case." In such circumstances, such as are presented here, it is not inappropriate for the Court to exercise its discretion under Section 1920 and tax costs. The Court grants Defendants' requests to tax transcript costs to Honeywell.

3. Deposition Costs

In their Bills of Costs, Fuji sought $102,172.38 for "depositions" costs, while Samsung sought $70,163.85 for "depositions (resolution of issue)" and an additional $33,894.15 for "depositions (designated for trial)" costs. The Clerk denied these requests for failure to satisfy D. Del. LR 54.1(a)(2) & (b)(3), which require a party seeking costs to "clearly describe each item of cost," and limit recovery to those depositions for which "a substantial portion of that deposition is used in the resolution of a material issue in the case."

Local Rule 54.1(b)(3) provides:

> The reporter's reasonable charge for the original and one copy of a deposition and the reasonable cost of taking a deposition electronically or magnetically recorded are taxable only where a substantial portion of the deposition is used in the resolution of a material issue in the case. Charges for counsel's copies and the expenses of counsel in attending depositions are not taxable, regardless of which party took the deposition.

Defendants argue that their respective declarations and exhibits accompanying their Bills of Costs clearly describe each deposition expenditure, specifically listing deponent, vendor, invoice date, and where the deposition was cited. It is further their contention that these descriptions meet the requirement of D. Del. LR 54.1(b)(3) in showing that a "substantial portion" of each deposition was used to resolve a "material issue in the case." The material issues Fuji and Samsung claim to have resolved by use of the depositions include: (1) the summary judgment determination of invalidity based on the on-sale bar,[13] (2) claim construction, (3) motion practice regarding Honeywell's "teardown" process and "50% hit rate," (4) motions for attorneys fees, (5) motion practice to exclude Fuji's alleged late disclosed evidence, (6) motion practice to compel invention disclosure, (7) motion practice to compel additional testimony, and (8) motion practice regarding the "clawback" of alleged privileged documents. (D.I. 1135 at 12-13) Fuji has further provided a declaration summarizing the subject of each deponents' testimony. (*See* D.I. 1136, Decl. of Angie M. Hankins, Ex.4)

Honeywell accurately cites precedents from this District that demonstrate that Defendants have failed to meet the requirements of the Local Rules for taxation of most of these deposition transcript costs. In *Honeywell*, the Court explained that "[t]he standard of 54.1(b)(3) . . . does not focus on whether the parties' attorneys use the depositions or subjectively view the depositions as important or unimportant." 2009 WL 3153496 at *2. *See also Cordance,* 855 F. Supp. 2d at 253 (D. Del. 2012) ("*Honeywell* requires a showing that a ***substantial*** portion was actually ***used*** in the resolution of a material issue.") (internal quotation marks omitted)

[13]It is undisputed that at least four depositions (of inventors) were relied on in the parties' summary judgment briefs on the on-sale bar issue. (*See* D.I. 1135 at 13; D.I. 1039 at ¶ 5)

(emphasis in the original); *id.* at 255 (requiring at least approximately 25% of deposition to be used in resolving material issue in order for "substantial portion" to have been necessary). *Honeywell* also held that "[t]he fact that portions of these depositions were used in the preparation and cross-examination of witnesses who did testify at trial is scarcely relevant to the 54.1(b)(3) standard and certainly is not sufficient to meet [a prevailing party's] burden of showing a ***substantial*** portion was actually ***used*** in the resolution of a material issue." *Id.* at *3 (emphasis added); *see also Federal Ins. Co. v. Bear Industries, Inc.*, 2006 WL 3334951, at *1 (D. Del. Nov. 16, 2006) (denying defendants' deposition costs because D. Del. LR 54.1(b)(3) does not allow for recovery of costs from the "routine use" of deposition transcripts, including to prepare for examining witnesses).

The Court agrees: LR 54.1(b)(3) is not met under these circumstances. However, the Court further believes that Section 1920's floor – that the transcripts be "necessarily obtained for use in the case" – ***is*** met by these purposes. *See Baby Food*, 166 F.3d at 138 ("Section 1920 has been interpreted as permitting the taxation of costs for depositions used in deciding summary judgment motions."); *Tabron v. Grace*, 6 F.3d 147, 160 n.9 (3d Cir. 1993) ("[D]eposition expenses, including the costs of deposition transcripts, may be awarded as costs to the prevailing party if the court determines, at the end of the litigation, that the copies were of papers necessary for use in the case."); 10-54 Moore's Federal Practice – Civil § 54.103 ("[T]he mere fact that a deposition was taken solely for discovery purposes should not absolutely preclude taxation of those expenses as costs. Instead, the court should take a practical view and determine whether the deposition appeared to be reasonably necessary when taken."). Under the circumstances presented in the instant case, the Court has chosen to exercise its discretion and

tax deposition costs to the fullest extent permitted by the statute.

The Court will tax Fuji and Samsung's requested deposition costs to Honeywell.

4. Exemplification and Copy Costs

Fuji seeks $64,995.95 for "demonstrative exhibits" (reduced on December 23, 2011 from Fuji's prior request of $71,777.61) (D.I. 1119) and $126,367.73 for "copying" costs. Similarly, Samsung seeks $32,360.83 for "copying" costs, $55,339.84 for "exhibits and demonstratives for trial" costs, and $50,971.17 for "costs of exemplifications" related to the Markman hearing. (D.I. 1128 at 2; D.I. 1130 at 5) The Clerk denied both Defendants' requests, finding a failure to comply with D. Del. LR 54.1(a)(2)'s requirement that the movant "clearly describe," in accordance with subsection (b)(5), that the exhibit copies were "attached to a document required to be filed and served," and that the copies of the other documents for which they seek costs were "admitted into evidence." (D.I. 1128 at 9; D.I. 1130 at 5)[14] Additionally, with regard to Fuji, the Clerk denied the request under D. Del. LR 54.1(b)(6), which permits costs related to "maps and charts" so long as the documents are "admitted into evidence or attached to documents required to be filed and served." (D.I. 1128 at 10-11)[15]

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[14]LR 54.1(b)(5) provides, in full:

> *Exemplification and Copies of Papers*. The cost of copies of an exhibit necessarily attached to a document required to be filed and served is taxable. The cost of one copy of a document is taxable when admitted into evidence. The cost of copies obtained for counsel's own use is not taxable.

[15]LR 54.1(b)(6) provides, in full:

> *Cost of Maps and Charts*. The cost of maps and charts is taxable if they are admitted into evidence. The cost of photographs, 8" x 10" in size or less, is taxable if admitted into evidence, or attached to

Section 1920(4) provides for taxation of costs for exemplification and copying of materials "necessarily obtained for use in the case." "Copying documents in response to a discovery request is, by its nature, necessary for use in preparing [the] case." *Schering*, 198 F.R.D. at 427; *see also* D.I. 1026 Ex. G at 4 ("Costs for producing documents in response to subpoena"). Costs for copying exhibits that "materially aided [the Judge's] understanding of the technological issues in the case" may also be "necessarily obtained for use in the case." *Schering*, 198 F.R.D. at 428. So, too, may be costs for preparing trial exhibits to be admitted as well as demonstrative exhibits, particularly when the costs are incurred in the course of a "massive, complex litigation." *Thabault*, 2009 WL 69332, at *10 (awarding costs).

D. Del. LR 54.1(b)(5), however, limits recovery to costs for exemplification and copying documents that are "attached to a document required to be filed and served" or "admitted into evidence." In *Honeywell*, the Court held:

> Costs for exemplification of exhibits will be granted only if the parties show that the requested costs 1) were necessarily sustained in connection with exhibits that were admitted into evidence or explicitly and specifically were requested by the court, Local Rules 54.1(b)(5) and (b)(6); 2) were for exhibits or documents prepared primarily in order to aid the finder of fact's understanding of the issues in the case . . . and 3) were for the actual presentation of the exhibits and documents, and not for the intellectual effort involved in their production.

2009 WL 3153496 at *5 (emphasis omitted); *see also Cordance*, 855 F. Supp. 2d at 251 (applying the *Honeywell* standard for exemplification costs).

> documents required to be filed and served on opposing counsel. Enlargements greater than 8" x 10" are not taxable except by order of the Court. The cost of models, compiling summaries, computations, and statistical comparisons are not taxable.

Here, again, the Court will exercise its discretion under Section 1920 to tax costs for copying and exemplification that are taxable under the statute, even if they would not also be taxable under the Local Rule. The Court agrees with Defendants that, under the circumstances here, many of their copying and exemplification expenses are taxable.

For example, the demonstratives for the Markman hearing were part of a technology tutorial provided to Judge Farnan, for the purpose of aiding his understanding of the issues in the case. (*See* C.A. No. 04-1338, D.I. 838 at 6) With respect to trial exhibits, Honeywell emphasizes that Fuji claims charges of $34,613.55 for "preparation of trial exhibits" and $77,299.05 for "trial demonstrative exhibits." (D.I. 1144 at 14) Honeywell objects to these costs on the grounds (among others) that there was no trial, but the Court is unpersuaded by this objection. To agree with Honeywell in this case would punish Fuji (and Samsung) for prevailing on summary judgment and would be especially unfair here since, by the time summary judgment was granted, the parties were required to have exchanged all exhibits (including demonstratives) pursuant to the pretrial order.[16] The patent was invalidated on November 3, 2009 and trial was to begin on November 9, 2009; under the circumstances, it is entirely reasonable that Fuji had incurred large expenses for preparation of trial exhibits by that late date.

Fuji is requesting only half of its printing, exemplification, and copy costs, as a concession to the fact that it has not tracked and disclosed the identity of each photocopied page

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[16]The pretrial order required Fuji to provide a "list of pre-marked exhibits that it intends to offer at trial" and have its demonstrative exhibits exchanged "two days prior to their anticipated use." (D.I. 852 at ¶¶ 2, 5; *see also* D.I. 1135 at 16-17 (explaining Defendants were "required to prepare the exhibits in anticipation of litigation and pursuant to a Pretrial Order"))

or described its relevance to the case. (*See* D.I. 1147 at 7) As Defendants observe, the Federal Circuit in *Summit Tech* approved a 50 percent reduction in copy costs as being a reasonable method of taxing such costs. (D.I. 1135 at 16) (citing 435 F.3d at 1378) ("[I]n complex patent litigation involving hundreds of thousands of documents and copies, parties cannot be expected to track the identity of each photocopied page along with a record of its relevance to the litigation. Thus, although a simple 50 percent reduction is a somewhat crude method of accounting for non-necessary copies, we believe the district court acted within its discretion" in applying such a reduction). The Court agrees with Fuji that an appropriate and efficient way of dealing with the circumstances presented here is to apply an across-the-board reduction to the copying and exemplification costs Defendants incurred.

However, reducing the costs only by half is inadequate. Given the record, a more appropriate reduction is to tax only 25% of the printing, exemplification, and copy costs. This reduction should ensure that Defendants do not improperly recover for ineligible expenditures, such as the "intellectual effort involved" in producing documents, including time spent searching for and reviewing documents (*Cordance*, 855 F. Supp.2d at 251; *see also* D.I. 1144 at 17 (Honeywell noting Defendants' invoices showing hourly rates for "Design" and "Consulting")), and the costs of copies made solely for the convenience of counsel for Defendants (*see* D.I. 1026 Ex. I) ("In House Copies"). Thus, with the exceptions of the two expenditures discussed in the succeeding two paragraphs, the Court awards Fuji and Samsung 25% of their requested copying and exemplifications costs. *See generally Schering*, 198 F.R.D. at 428 (taxing half of costs of video tutorial provided to Court for Markman).

The first exception is that Fuji shall recover the entire $3,354.49 of copy costs directly

attributable to the costs of producing the third-party documents Fuji obtained from Boeing, which led to the judgment of invalidity based on the on-sale bar. (D.I. 1135 at 16) Honeywell has leveled no meaningful objection to this cost.

The second exception is that Fuji shall not recover "$6,800 . . . for courtroom support during the [Markman] presentation and $2,768 for equipment rental [for the same presentation]." (D.I. 1147 at 9) "Courtroom support" is the type of activity typically performed by paralegals or support staff employed at a law firm, and is therefore akin to attorneys fees, which are not recoverable as costs. Additionally, the Court has equipment that it makes available to litigants to allow the display of demonstratives and evidence, and no reason emerges from the record to suggest that the Court's equipment would have been unavailable or inadequate for the Markman hearing.

5. Document Translation Costs

Fuji seeks $107,172.14 in "translation of exhibits" costs. (D.I. 1025 at 4) The Clerk of Court denied this request, finding that Fuji did not, pursuant to D. Del. LR 54.1(a)(2), "clearly describe" how "each item of [translation of exhibits] cost" met the requirements of D. Del. LR 54.1(b)(5), stating that translation costs are only taxable if "the document translated is taxable." (D.I. 1128 at 10)

At the time of the Clerk's determination, and still at the time the parties briefed the Costs Motions, the law allowed the taxability of the translation costs to follow the taxability of the underlying document itself. (*See* D.I. 1144 at 8) (Honeywell observing "translation costs are only taxable if the underlying document is taxable") In the time the motions have been pending, however, the law has changed.

On May 21, 2012, the Supreme Court handed down its opinion in *Taniguchi v. Kan Pacific Saipan, Ltd.*, 132 S.Ct. 1997 (2012). In *Taniguchi*, the Supreme Court held that "compensation of interpreters" as used in Section 1920 "is limited to the cost of oral translation and does not include the cost of document translation." *Id.* at 2000; *see also Davila-Feliciano v. Puerto Rico State Ins. Fund*, 683 F.3d 405, 406 (1st Cir. 2012) (finding plain error in district court's failure to deny, in light of *Taniguchi,* document translation costs to prevailing party). The Court, by its Local Rules or otherwise, therefore lacks the authority to tax costs for translation of documents. *See Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 441-42 (1987) ("Section 1920 enumerates expenses that a federal court may tax as a cost under the discretionary authority found in Rule 54(d). . . . The discretion granted by Rule 54(d) is not a power to evade this specific congressional command. Rather, it is solely a power to decline to tax, as costs, the items enumerated in § 1920."). It follows that Fuji's request for the costs of "translation of exhibits" must be denied.

6. Special Master Costs

Fuji requests $47,029.15 and Samsung requests $32,597.36 incurred as "special master fees." (*See* D.I. 1025; D.I. 1027) For the reasons stated by the Clerk in the Taxation of Costs (D.I. 1128; D.I.1130), the Court will affirms the Clerk's denial of such costs.

LR 54.1(b)(7) governs the taxing of "fees to masters," stating: "Fees to masters shall be assessed in accordance with Fed. R. Civ. P. 53(a)." In turn, Fed. R. Civ. P. 53(a)(3) states that, with respect to special master fees, "the court must consider the fairness of imposing the likely expenses on the parties and must protect against unreasonable expense or delay." Also applicable at the pertinent time was then-Chief Judge Sue L. Robinson's standing order of

September 15, 2004, entitled "Procedures to Govern the Appointment to Hear Discovery Disputes in Intellectual Property Cases," which provides in paragraph 4(b): "The compensation, costs and expenses of a Special Master shall be allocated equally among the parties unless otherwise ordered by the Court upon recommendation by the Special Master."[17]

By order dated April 16, 2008 Judge Farnan appointed the Honorable Vincent J. Poppiti as Special Master in this case, stating, "Plaintiffs shall be responsible for one-half of the payment for the Special Master's time and the affected defendants shall be responsible for payment of the other half." (D.I. 997) This order has not been modified. (D.I. 1128 at 12; D.I. 1130 at 10) While the Court recognizes it retains discretion to modify the order and tax some or all of Defendants' "special master fees" to Plaintiffs, Defendants provide no persuasive reason for the Court to do so.[18] Defendants request for taxation of their special masters costs is denied.

7. Other Trial Preparation Costs

Under the general heading "costs incurred for preparation for trial," Samsung seeks $36,015 in costs stemming from "hotel accommodations," "war room accommodations," and "computer network for trial." (D.I. 1027 at 4) Samsung asserts that such costs were "necessary for preparation and presentation of demonstratives at trial." The Clerk denied these requests, finding that Samsung failed to satisfy LR 54.1(a)(2), which requires that Samsung "clearly describe each item of cost." (D.I. 1130 at 8)

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[17]The Court subsequently modified its special master standing order on June 8, 2011. *See* http://www.ded.uscourts.gov/court-info/local-rules-and-orders/general-orders.

[18]Defendants point to a Special Master's oral order, whereby the parties allocated the relevant fees, but Judge Farnan never entered this allocation as an order. (*See* D.I. 1135 at 20) (citing C.A. No. 04-1338 D.I. 1196) Defendants have not persuaded the Court that these circumstances warrant the relief they seek.

The Court affirms the Clerks' denial of these costs. Not all costs that are necessary in order to prepare exhibits and demonstratives are taxable and recoverable. *See generally Crawford Fitting*, 482 U.S. at 442-43; *see also Race Tires*, 674 F.3d at 170 ("[G]athering, preserving, processing, searching, culling, and extracting ESI simply do not amount to 'making copies.'"). Section 1920 does not authorize the Court to award Samsung these requested costs.[19] Samsung's request is denied.

CONCLUSION

For the reasons stated above, IT IS HEREBY ORDERED THAT:

1. Fuji's Costs Motion (D.I. 1134) is GRANTED IN PART and DENIED IN PART.

2. Samsung's Costs Motion (D.I. 1137) is GRANTED IN PART and DENIED IN PART.

3. The parties shall meet and confer and submit, no later than ***June 14, 2014***, proposed forms of order calculating the amount of costs to be taxed to Honeywell, consistent with the rulings of the Court provided in this Memorandum Order.

4. The parties shall meet and confer and submit, no later than ***June 14, 2014***, a joint status report, addressing, among other things, whether the Court can and should revisit its denial of Defendants' request for attorneys fees in light of subsequent Supreme Court authority.

5. Because this Memorandum Order has been filed under seal, the parties shall submit for the Court's review a proposed redacted version no later than ***June 4, 2014***, and the

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[19]D. Del. LR 54.1(b)(11) provides for recovery of "other costs," but Samsung presents no argument that it should recover the listed costs pursuant to this provision of the Local Rules.

Court will subsequently release a public version of its Memorandum Order.

May 30, 2014
Wilmington, Delaware

UNITED STATES DISTRICT JUDGE