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# **REPLY BRIEF**

2011-1199

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UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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IN RE RICOH COMPANY, LTD. PATENT LITIGATION

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SYNOPSYS, INC.,

Plaintiff-Appellee,

v.

RICOH COMPANY, LTD.

Defendant-Appellant.

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RICOH COMPANY, LTD.,

Plaintiff-Appellant,

v.

AEROFLEX INCORPORATED, AMI SEMICONDUCTOR, INC.,  
MATROX ELECTRONIC SYSTEMS, LTD., MATROX GRAPHICS, INC.,  
MATROX INTERNATIONAL, INC., MATROX TECH, INC.,  
and AEROFLEX COLORADO SPRINGS, INC.,

Defendants-Appellees.

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Appeal from the United States District Court for the Northern District Of  
California in Case No. 03-cv-2289, Judge James Ware

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**REPLY BRIEF OF APPELLANT RICOH CO. LTD.**

**FILED**  
U.S. COURT OF APPEALS FOR  
THE FEDERAL CIRCUIT

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## SUMMARY

The district court's taxation of more than \$900,000 of costs of a case resolved on summary judgment, if affirmed, would substantially transform the American rule of litigation into a "loser pays" rule. There is no statutory basis for the district court's taxation of more than \$680,000 of costs. The Supreme Court has emphasized that cost-shifting under 28 U.S.C. §1920 is subject to "rigid controls." The district court failed to apply those rigid controls in this case.

The parties agree that the threshold question in any review of taxed costs is whether the costs are specifically authorized by §1920. The parties also agree that this threshold question is a matter of *de novo* review. Synopsys, however, does not perform this threshold analysis to any of the categories of challenged costs, and refuses to apply the *de novo* standard. Instead, Synopsys tries to rely on a presumption that costs should be awarded to the prevailing party. But that presumption applies only to costs *specifically enumerated* in §1920. A court has *no* discretion to award costs that are not enumerated under §1920.

Ricoh's opening brief showed that there was no controlling law in support of the district court's taxation of \$234,702.43 for Synopsys's share of the third-party electronic database that was used for counsels' convenience in reviewing documents. Synopsys tacitly agrees, because it cites no controlling law to support the taxation of costs related to Stratify's document review database. The best

Synopsys can do is to analogize those costs to Bates stamping, but there is no similarity between those expenses. With regard to the district court's taxation of \$322,515.71 in other copy costs, or the \$102,070.67 in deposition costs challenged by Ricoh, Synopsys fails to respond to Ricoh's citation of controlling Ninth Circuit law, including the *Alflex*, *Kemart* and *Disc Golf* cases, which require proof that those costs were "necessary" to the case, as opposed to merely convenient, to be taxable within the scope of §1920.

Alternatively, even if some of these costs were within the scope of §1920, reversal is still required because the taxation was based upon clearly erroneous factual findings and in derogation of the undisputed evidence. Synopsys presents no factual counterstatement, and does not seriously dispute Ricoh's factual recitation. Instead of presenting evidence to defend the district court's erroneous factual findings, for example regarding the Stratify contract, Synopsys merely repeats them while ignoring Ricoh's substantial evidentiary showing to the contrary. A remand with instructions is appropriate.

## AMENDED STATEMENT OF DISPUTED COSTS

Synopsys specifically contests only 1% (\$8,027.14) of the costs referenced in Ricoh's opening brief, of which only \$1,549.69 was appealed by Ricoh. The following corrected table summarizes the dispute. Changes are explained in the footnotes.

Cost Category	Amount Requested by Synopsys	Amount Allowed by the District Court	Amount Disputed by Ricoh
Stratify Document Review Databases	\$235,281.03	\$235,281.03	\$234,702.43
Other Copy Costs Claimed Under §1920(4)	\$731,494.59	\$469,100.54	\$322,515.71 <sup>1</sup>
§1920(4) SUBTOTAL	\$966,775.62	\$704,381.57	\$557,218.14
Deposition Costs Claimed Under §1920(2)	\$112,170.47	\$109,640.37	\$102,070.67 <sup>2</sup>
Interpretation and Translation Costs	\$110,122.34 <sup>3</sup>	\$110,122.34	\$29,176.61
§1920(2) SUBTOTAL	\$222,292.81	\$219,762.71	\$131,247.28
<b>TOTAL</b>	<b>\$1,189,068.43</b>	<b>\$924,144.28</b>	<b>\$688,465.42</b>

<sup>1</sup> Although Synopsys correctly states (at 27) that it withdrew the expense associated with the A1844 invoice, that expense was not included in the \$322,515.71 of other copying costs challenged by Ricoh. *See* A2846 (Ex. 16).

<sup>2</sup> The Clerk disallowed \$1,928.10 of Synopsys's requested deposition costs without further explanation. A3016, n.9. The parties cannot determine whether that reduction included the \$1,549.69 cancellation fees referenced in Ricoh's opening brief (at 51-52); however, Ricoh withdraws its objection to these cancellation fees in light of Synopsys's argument (at 37-39) that the cancellation fees were not taxed.

<sup>3</sup> Synopsys sought \$112,483.75 in interpretation and translation fees in its amended bill (A2636), but says (at 35 n.5) that it withdrew \$2,361.41 of those fees before the district court. *See* A16 n.23. While this does not change the challenged amount, Ricoh has reduced the amount requested by Synopsys by \$2,361.41.

## ARGUMENT

### I. SYNOPSISYS'S BRIEF CONTAINS SEVERAL FACTUAL MISSTATEMENTS

Synopsys presents no factual counterstatement to Ricoh's statement of facts regarding the parties' Stratify agreement. Pursuant to Circuit Rule 28(b), Ricoh's statement of these facts is uncontroverted.

Synopsys nevertheless makes some factual misstatements in its brief. For example, Synopsys repeatedly claims (at 1, 4, 6, 9) that it was the undisputed prevailing party. In 2006, however, Ricoh successfully obtained summary judgment on Defendants Aeroflex and Aeroflex Colorado, Inc.'s affirmative defense of authorization and consent. A3807-08. In its Motion for Review of the Clerk's Taxation of Costs, Ricoh argued that there was a "mixed result" in the case and Synopsys's affirmative defense of authorization and consent required a considerable amount of document and deposition discovery. A3010. The district court, however, taxed *against* Ricoh the cost of the documents and deposition associated with Ricoh's successful partial summary judgment motion. *See infra* pp. 27-28.

Synopsys also misstates facts regarding the Stratify databases. First, Synopsys's assertion (at 15) that "RicoH itself placed an additional 10 gigabytes of data from Synopsys's customers on the Stratify database—data which Synopsys

previously provided to Ricoh in native format” is wrong. *Synopsys* insisted on loading that data *at its expense* into the Stratify databases. A3417-18; A3420.

Second, *Synopsys* misleadingly contends (at 17, 23) that Stratify charged *nothing* for its cloned database. The record shows otherwise. *Synopsys*’s brief (at 23) references waiving the “cost for **setting up** the clone database,” but omits the other costs associated with maintaining two databases. For example, the Stratify contract states that data hosting, storage and support charges for 100 to 500 gigabytes (GB) of data would be “\$4,000 per month for *both* Databases.” A3372. A total of 166.3 GB of data was processed and loaded into the Stratify databases, at a cost of \$432,380. A2228, A2232. Ricoh already paid half of that data processing cost; 92% of the district court’s taxation of Stratify expenses (or \$216,190) is of *Synopsys*’s share of loading and maintaining the databases.

Third, *Synopsys* misstates (at 15) that the Stratify databases were required due to “Rico’s excessive discovery requests and unwillingness to agree on a list of search terms.” The cited support (A3047-52) is an inaccurate declaration of *Synopsys*’s prior trial counsel. Rico’s discovery requests were reasonable, and were sustained on a motion to compel. *See Rico Br.* at 12. And Rico proposed search terms, but *Synopsys* refused to cooperate. *See* A3065-66; A3068; A3353-55.

Finally, Synopsys asserts (at 15) that native e-mails converted to TIFF format are searchable. Not only does this miss the primary point – native emails are easily searchable – but it is wrong. A TIFF file is an unsearchable image. A3069. To search a TIFF file, it must be scanned via Optical Character Recognition, which has an error rate of about 5%. *Id.* The added cost and error rate was why Ricoh asked Synopsys to provide native files. A3047-48. Had Synopsys produced native files to Ricoh, the Stratify database would not have been needed. But Synopsys refused to do so, leading to the Stratify compromise.

## **II. THE DISTRICT COURT’S TAXATION OF SYNOPSYS’S SHARE OF THE STRATIFY COSTS MUST BE REVERSED**

The district court’s taxation of Synopsys’s *entire* share of the Stratify expenses cannot stand, both because the court had no authority to tax costs for a third-party electronic database service used for counsel’s convenience in reviewing documents, and because the court based the award on clearly erroneous factual findings and interpretations of the law.

There is no dispute on the applicable standard of review, although Synopsys tries mightily to evade it. Synopsys concedes (at 10, 13-14) that the question of whether costs are taxable under §1920 is a matter of *de novo* review. This standard of review must begin with the Supreme Court’s instruction that “Congress meant to impose rigid controls on cost-shifting in federal courts.” *Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 444 (1987). The parties agree that, if the district

court taxed costs that are not authorized by §1920, this Court must reverse. *See* Ricoh Br at 21-22; Synopsys Br at 8-10.

Synopsys asserts (at 10) that “[t]here is a ‘strong presumption in favor of awarding costs to the prevailing party,’” when in fact the Supreme Court has held that such presumption applies only to taxable costs, because a court has *no* discretion to award costs not enumerated under §1920. *See Crawford* at 442 (holding that the discretion granted by Rule 54(d) “is solely a power to decline to tax” allowable costs, not to tax costs in the absence of statutory authorization); *Dawson v. City of Seattle*, 435 F.3d 1054, 1070 (9th Cir. 2006) (under Rule 54(d), “there is a presumption that the prevailing party will be awarded its *taxable* costs”). “The *Crawford Fitting* rule that *only those costs expressly allowed by statute may be awarded* under Rule 54(d)(1) implicitly rejected a line of authority recognizing other possible sources for an award of costs, including local rules, the custom of the district, and the court's general equitable powers.” 10 James Wm. Moore et al., *Moore's Federal Practice* § 54.103[3][a].<sup>4</sup>

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<sup>4</sup> The cases cited by Synopsys are no different. *Miles v. California*, 320 F.3d 986, 988 (9th Cir. 2003) (“If an exercise of discretion is based on an erroneous interpretation of the law, the ruling should be overturned.”); *K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F.2d 54, 60 (9th Cir. 1969) (finding no abuse of discretion in trial judge's refusal to award K-S-H all of its costs); *Summit Tech., Inc. v. Nidek Co.*, 435 F.3d 1371, 1374 (“Although a district court's award of costs under Federal Rule of Civil Procedure 54(d)(1) is reviewed for abuse of discretion, the court's discretion is limited to awarding costs that are within the scope of 28 U.S.C. §1920.”).

**A. The District Court Had No Authority To Tax The Majority Of Synopsys's Stratify Expenses**

The parties agree that there is no controlling case law to support the district court's taxation under §1920(4) of costs for a third-party electronic database service used for counsel's convenience in reviewing documents. While Synopsys tries to spin this absence of controlling law by claiming (at 14) that "Ricoh does not dispute the district court's determination that databases used as a means of production are within the scope of §1920(4)," this is not accurate.<sup>5</sup> Ricoh's position is that third party electronic database services are generally not taxable under §1920(4), especially when the statute is viewed through the "rigid controls" of *Crawford*.<sup>6</sup>

In the absence of controlling law, the Court should look to guidance from other circuits. *See Summit Tech., Inc. v. Nidek Co.*, 435 F.3d 1371, 1376 (Fed. Cir. 2006) (examining other circuit law in the absence of controlling circuit law). The

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<sup>5</sup> Synopsys (at 13-14) mischaracterizes the *de novo* issue as whether a database "used as a means of document production is within the scope of § 1920." In the district court, however, Synopsys characterized Stratify as "a third-party electronic database service," and not a document production vendor. A3034; A3045; *see also* A13. The proper *de novo* issue is whether the district court had statutory authority to tax the types of expenses charged by the third-party electronic database service. *See infra* pp. 13-15.

<sup>6</sup> Ricoh did not waive the argument that costs relating to intellectual efforts are not recoverable, as Synopsys asserts at 18-19. Before the district court, Ricoh argued that the Stratify expenses were not taxable because they related to the intellectual effort in database development and operation, not to the actual production of documents, and thus outside the scope of §1920. *See* A2788-89; A3298-99, n.4. And in any event such questions of law still may be considered by the Ninth Circuit. *See Huerta-Guevara v. Ashcroft*, 321 F.3d 883, 886 (9th Cir. 2003) (Ninth Circuit may consider an issue regardless of waiver where issue is purely one of law and opposing party will suffer no prejudice).

law of other circuits and district courts show that electronically stored information (ESI) costs generally are not taxable. The narrow exceptions to that general rule are not applicable to this case.

**1. Other Circuits And District Courts Generally Have Found ESI Costs Are Not Taxable Under §1920**

Most courts apply *Crawford's* rigid controls and exclude most electronic discovery costs under §1920. This Court stated that costs for “database development by an outside vendor . . . is clearly beyond the scope of section 1920.” *Summit Tech.*, 435 F.3d at 1374. Stratify was an outside vendor that developed the parties’ document review databases. Stratify is a type of the computerized litigation support system that is not taxable. *See Northbrook Excess & Surplus Ins. Co. v. Procter & Gamble Co.*, 924 F.2d 633, 643-44 (7th Cir. 1991) (costs “for a computerized litigation support system are not taxable costs under section 1920”).

Following *Crawford*, most district courts will not tax costs of electronic data processing under §1920(4). *See, e.g., Fells v. Va. Dept. of Transp.*, 605 F.Supp.2d 740, 743-44 (E.D. Va. 2009) (collecting cases, and holding that the prevailing party did not meet its burden of showing that costs of electronic data processing that go beyond merely reproducing paper documents in electronic form were recoverable under 1920(4)); *Kellogg Brown & Root Int’l, Inc. v. Altanmia Commercial Mktg. Co.*, No. H-07-2684, 2009 WL 1457632, at \*5 (S.D. Tex.

May 26, 2009) (comprehensively analyzing the case law on whether ESI costs are taxable under §1920, and holding that a vendor's ESI "extraction and storage are not within the 'exemplification and copying' category of §1920"); *Fast Memory Erase, LLC v. Spansion, Inc.*, No. 3-10-CV-0481, 2010 WL 5093945, at \*5-6 (N.D. Tex. Nov. 10, 2010) (summarizing case law, and following *Fells* and *Kellogg* to exclude most e-discovery vendor costs). There is no dispute that the Stratify expenses are very similar to the third party vendor costs that were excluded in those cases.

Synopsys (at 14, 20) contends that the Stratify expenses are electronic equivalents of exemplification and copying. Synopsys goes so far as to ask (at 20) this Court to find that Stratify's software user license fees, custom hourly work for removing privileged documents, computer training for Synopsys's attorneys, courier charges, and data processing charges, are analogous to the Bates stamping and electronic scanning of paper documents. Not so. First, there is no similarity between Stratify's ESI processing, and Bates stamping or scanning paper documents.

Second, Synopsys acknowledges that Stratify was a "third party electronic database service" (A3034; A3045) that enabled the parties to review emails and other electronic documents and, at a separate cost, select emails for production. Ricoh Br. at 14-15, 31-32; *see also* A3367 (the Stratify contract stating that both

parties retained Stratify to perform “electronic discovery services for document processing, review, production and hosting”). Synopsys does not dispute that Stratify’s separate cost for “document production” included the conversion of selected documents to TIFF format and Bates stamping of those documents – costs that Ricoh does not challenge. All other Stratify expenses were incurred for services *other* than “document production.” Ricoh Br. at 33-34.

Third, just like the ESI costs discussed in *Fast Memory*, the cost for the production of documents selected from the Stratify databases are distinct from the other Stratify costs that are unrelated to document production. The \$578.60 taxed for the production of the 16,000 documents selected by Ricoh from the Stratify databases is like the subset of costs allowed in *Fast Memory* for creating produced documents after the electronic documents were selected for production. 2010 WL 5093945, at \*4-6. On the other hand, the remaining \$234,702.43 of taxed Stratify expenses are like the approximately \$860,000 in ESI costs denied in *Fast Memory* for extracting and indexing the text and metadata of the electronic documents, removing identical copies of documents, and exporting the data to an online hosting review tool for attorney review. *Id.* In both cases, there is no statutory authority for the district court’s taxation of those database administration expenses.

## 2. The Exceptions To The General Rule That ESI Costs Are Not Taxable Are Not Applicable Here

Some courts have approved the taxation of limited ESI costs relating to the conversion of paper documents into electronic form, which is different from Stratify's loading of native data into two review databases. *See BDT Prods., Inc. v. Lexmark Intern., Inc.*, 405 F.3d 415, 419-20 (6th Cir. 2005) ("electronic scanning and imaging could be interpreted as 'exemplification and copies of papers'"); *El Dorado Irrigation Dist. v. Traylor Bros.*, No. CIV. S-03-949, 2007 WL 512428, at \*10 (E.D. Cal. Feb. 12, 2007) (allowing scanning costs because scanning is akin to photocopying).

Those courts have been careful to not let the exception swallow the rule, so they may tax only the scanning of *paper* documents into electronic form *as long as those costs were for the physical production of documents and necessary to the case.*<sup>7</sup> *See, e.g., Kellogg Brown*, 2009 WL 1457632, at \*4-5 (rejecting argument that scanned digital versions of paper documents were necessary to the case because they were "merely more convenient for counsel to search and examine");

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<sup>7</sup> The \$234,702.43 Stratify expenses disputed by Ricoh are nearly identical to the ESI costs denied by the Eastern District of California in *Comm. Concerning Cmty. Improvement v. City of Modesto*, No. CV-F-04-6121, 2007 WL 4365584, at \*4-5 (E.D. Cal. Dec. 11, 2007), *vacated on other grounds*, 584 F.3d 690 (9th Cir. 2009). In that case, the prevailing defendant was also trying to recover expenses incurred for using a third-party ESI vendor to upload over a million e-mails which defendant produced in discovery to plaintiffs. *Id.* at \*4-5. Stratify's charges of \$432,780 for "data processing" and web-based training are like the unrecoverable "Upload Fee Per Gig" and "Technical time," respectively charged by the third-party ESI vendor in *City of Modesto*. *See id.* at \*5; A2225; A2226; A2228; A2232.

*Fells*, 605 F.Supp.2d at 743 (“techniques of processing records, extracting data, and converting files, which served to *create* electronically searchable documents, rather than merely *reproduce* paper documents in electronic form” are non-taxable) (emphasis original); *Francisco v. Verizon S., Inc.*, No. 3:09cv737, 2011 WL 781933, at \*8 (E.D. Va. Mar. 2, 2011) (denying defendant’s ESI costs for producing emails requested by plaintiff).<sup>8</sup> Because the disputed Stratify costs did not involve the conversion of paper to electronic format, but rather was a technique of processing electronic records into a document review database, the costs are not taxable under §1920(4).<sup>9</sup>

**3. The District Court’s “Means of Document Production” Standard Is Meaningless; Each Type Of Expense Is To Be Reviewed *De Novo***

The district court’s standard for allowing all the Stratify expenses on the grounds that Stratify was the “means of document production” is meaningless. A13. Under this standard, *everything* charged by a third-party electronic database vendor such as Stratify could be taxed as “exemplification.” In addition, the

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<sup>8</sup> Synopsys’s case law is inapposite. In *Lockheed Martin Idaho Techs. Co. v. Lockheed Martin Advanced Envtl. Sys., Inc.*, No. CV-98-316, 2006 WL 2095876, at \*2 (D. Idaho July 27, 2006), the court awarded costs for a litigation database that was shown to be necessary because the paper documents would otherwise have to be manually reviewed. Here, by contrast, the ESI was never in paper form, and could have been electronically reviewed by Ricoh without the Stratify database.

<sup>9</sup> Synopsys does not respond to Ricoh’s showing (at 12-14, 16-17) that the Stratify expenses were not necessary to the case. Synopsys contends (at 14) that had it provided the emails at issue directly to Ricoh, as opposed to Stratify, then the cost of the media containing the e-mails may have been taxable. Such a production would have avoided the entire cost of the Stratify database, but Synopsys does not dispute that it refused to produce them in that form. *See Ricoh Br.* at 12.

“means of document production” standard would also include plainly non-taxable expenses relating to document collection, pre-production privilege review, shipping, and many other costs never contemplated by §1920.

Synopsys avoids responding to Ricoh’s showing (at 35 & n.12) that this Court is obligated to review *de novo* each expense charged by Stratify and determine whether the district court had the statutory authority to tax that expense, and whether Synopsys had met its burden of proof. Synopsys has no response to the Ninth Circuit’s *Zuill* case and misconstrues (at 19-20) the Ninth Circuit’s *Romero* case supporting the disallowance of ESI costs for services other than the physical preparation and duplication of documents because those services involve some intellectual effort. *See Ricoh Br.* at 33-34. Contrary to Synopsys’s contention (at 19), *Romero* did not deny the fees simply because they related to expert witnesses. Rather, the court examined the types of fees, including computer programming, data entry, computer usage fees, and research/archive assistant charges, and found them to be untaxable because they were paid for intellectual efforts in assembling and preparing content. *Romero v. City of Pomona*, 883 F.2d 1418, 1427-28 (9th Cir. 1989), *overruled in part on other grounds by Townsend v. Holman Consulting Corp.*, 929 F.2d 1358, 1363 (9th Cir. 1991).

Even assuming that the district court correctly determined that certain Stratify costs are taxable under §1920(4), it does not justify the district court’s

*wholesale* taxation of all Stratify expenses as related to document production and necessary for the case.<sup>10</sup> A14. Simply because a fee was charged by Stratify does not mean that it inexorably related to the physical preparation and duplication of documents and was necessary to the case. This is especially true because over 90% of the taxed Stratify costs were for the vendor's processing, loading and hosting of ESI. *See, e.g.*, A2988; A2990; A3372. Synopsys argues (at 20) that the "processing and loading data is at the heart of physically preparing and duplicating documents for production." This does not justify taxing those costs for two reasons. First, merely because ESI must be collected and processed prior to review does not make those expenses taxable. Second, according to the Stratify contract and the parties' agreements, the "data processing" charges included services such as the decompression of data, identification of duplicate documents, and creation of concept folders and search indexes. A3369; A3407. Synopsys does not dispute that courts have found these types of services to be outside the scope of §1920, requiring reversal.

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<sup>10</sup> Synopsys inaccurately states (at 7, 14) that Ricoh does not dispute that expenses relating to production databases are recoverable. While Ricoh does not challenge the district court's taxation of \$578.60 of costs for the production of the approximately 16,000 documents selected from the Stratify databases, Ricoh challenges the district court's authority to tax all other Stratify expenses, because they are not related to the physical production of documents. *See Ricoh Br.* at 25, n.8, 33-35.

**B. Alternatively, The District Court Abused Its Discretion In Awarding All Of Synopsys's Stratify Expenses**

Only after this Court rigidly applies §1920 and finds that each challenged cost is expressly allowable under the statute, may the Court examine whether it *should* shift the cost, applying the abuse of discretion standard.

Synopsys erroneously claims (at 21) that Ricoh cites no cases where the Ninth Circuit reversed a taxation of costs under the abuse of discretion standard. Ricoh's opening brief cited (at 26) *Disc Golf Ass'n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002, 1010 (9th Cir. 1998), in which the Ninth Circuit found the district court abused its discretion in awarding copy costs. Other circuits, including this Circuit, routinely reverse improper taxations under that standard. *See, e.g., Summit Tech.*, 435 F.3d at 1380 (finding the district court abused its discretion under First Circuit law by awarding internal copying costs absent reasonable proof); *Cengr v. Fusibond Piping Sys.*, 135 F.3d 445, 454 (7th Cir. 1998) (vacating costs because the district court failed to make factual findings as to whether the copies were necessarily obtained for use in the case).

The district court's taxation of all Stratify expenses is an abuse of discretion because the award was based on clearly erroneous factual findings and interpretations of the law.<sup>11</sup> The district court abused its discretion in finding that

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<sup>11</sup> The Ninth Circuit reviews issues of contract interpretation *de novo*. *Hobson v. Orthodontic Ctrs. of Am. Inc.*, Nos. 05-15105, 05-15857, 2007 WL 295488, at \*1 n.6 (9th Cir. Jan. 29, 2007); *Assurance Co. v. Wall & Assocs. LLC*, 379 F.3d 557,

the Stratify databases were setup solely for Ricoh's benefit when the Stratify contract and the parties' understanding prove otherwise. The district court also abused its discretion in awarding an amount that is unreasonable.

**1. The District Court Abused Its Discretion In Ignoring The Stratify Contract Which Shows The Databases Were Setup For The Convenience Of Both Parties' Counsel**

The district court found that the Stratify contract is "not an agreement as to the taxability of data production costs." A13-14. But as the Third Circuit explained in *Thomas v. Duralight Co.*, 524 F.2d 577, 590 (3rd Cir. 1975), when parties agree to share expenses, they should not be taxed. Similarly, the court in *El Dorado*, 2007 WL 512428, at \*9, refused to tax the shared cost of obtaining transcripts because the parties had agreed to split the cost. And in *Sun Studs, Inc. v. ATA Equip. Leasing, Inc.*, Civ. No. 78-714, 1990 WL 293887, at \*1 (D. Or. Dec. 12, 1990), the court granted costs for certain transcripts but denied costs for trial transcripts because the parties agreed to share the expense for trial transcripts.

Synopsys twists (at 15) the parties' communications prior to executing the Stratify contract by claiming that Ricoh demanded the use of Stratify. On the contrary, it was Synopsys's refusal to comply with an order to compel, and its vague security concerns over producing emails in native form, that led to the agreed-upon use of Stratify. Ricoh Br. at 12-14. Synopsys concedes (at 14) that

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563 (9th Cir. 2004) (overturning the district court ruling for erroneous contract interpretation).

“had [it] provided the e-mails at issue directly to Ricoh,” no Stratify database would have been needed. After Ricoh identified Stratify (among other potential options, A3363-64), Synopsys decided that Stratify met its need for security and control over the email review process. Ricoh Br. at 13-14.

Synopsys does not dispute that the Stratify contract and the parties’ correspondence in 2005-2006 show that the Stratify databases were established to “provide secure access for *online review* of documents.” A3369; *see* Ricoh Br. at 14-17; A3512. The Stratify contract distinguished “the original documents” (*e.g.*, ESI to be reviewed) from “the produced documents” (*e.g.*, ESI selected for production) and enabled the parties to conduct “online review” of both. A3371. The contract also stated that “Stratify shall create a search index for documents . . . to further reduce of [sic] the set of documents to be loaded in the Database for review.” A3369. The district court’s finding that the databases were setup *solely* for Ricoh’s benefit is an abuse of discretion in view of the contract and related evidence.

Even if the Court finds that *one* of the Stratify databases was setup solely for Ricoh’s benefit, the district court’s implicit conclusion that Synopsys did not benefit from the *other* database – something Ricoh never saw or used – is an abuse of discretion. Synopsys does not dispute Ricoh’s characterization of the two Stratify databases. Synopsys does not deny that it insisted on the additional

database and that Ricoh was not given access to that database. How could a *second* database that was inaccessible to Ricoh have *solely* benefited Ricoh? Synopsys offers no explanation or justification for why it was reasonable and necessary for it to have its own cloned database, other than for its own convenience. These undisputed facts show that the Stratify databases were the convenience of counsel, and thus not properly taxable.

The district court's award of the Stratify expenses must be vacated if the databases were created because they were "merely only more convenient for counsel to search and examine." *Roehrs v. Conesys, Inc.*, No. 3:05-CV-829, 2008 WL 755187, at \*3 (N.D. Tex. Mar. 21, 2008) (rejecting argument that scanned documents were necessary to the case because they were "merely only more convenient for counsel to search and examine"). In *Northbrook*, 924 F.2d at 643, the prevailing party sought costs associated with a database, which was "designed, in part, to reduce *the time and expenses of reviewing documents*, and reduce storage and duplication expenses, which are recoverable as a part of copying costs." The district court in that case awarded the database costs, stating that "the database was a 'less expensive substitute for otherwise recoverable costs.'" *Id.* Vacating the award, the appellate court explained that even if the database performs functions which, in a different guise, would be allowable costs, the

district court failed to “determine whether the expense was reasonable and necessary.” *Id.* at 644 & n.15. The same result is appropriate here.

**2. The District Court’s Award Of All The Stratify Expenses Was Unreasonable**

Even if the Court finds the district court was authorized to award the Stratify expenses and the Stratify services were necessarily obtained in the case, the amount of the award requested must be reasonable. “Even if the court finds the costs were for materials or services necessarily obtained, the amount of the award requested must be reasonable.” *U.S. Indus., Inc. v. Touche Ross & Co.*, 854 F.2d 1223, 1245 (10th Cir. 1988), *overruled in part on other grounds by Cent. Bank of Denver v. First Interstate Bank of Denver*, 511 U.S. 164 (1994).

The district court’s taxation of Synopsys’s share of the Stratify expenses means that Ricoh would be paying nearly half a million dollars for the production of native emails. Ricoh has already paid for its document production database by paying over \$200,000 of the Stratify expenses and bearing the full cost for producing the 16,000 produced documents. If sustained, Ricoh would be paying over \$30 per page for the documents produced from the Stratify database. This is an unreasonable cost for Ricoh to bear especially since it was Synopsys who refused to produce emails in native format; had Synopsys done so, no Stratify expenses would have been incurred.

### III. THE DISTRICT COURT'S TAXATION OF OTHER COPYING COSTS MUST BE REVERSED

#### A. The Majority Of Synopsys's Other Copying Costs Are Not Taxable

##### 1. Synopsys Failed To Show That The Majority Of The Copies Were Necessarily Obtained For Use In The Case

Synopsys fails to respond to Ricoh's citation (at 25-26) of controlling Ninth Circuit law, including the *Alflex* and *Disc Golf* cases, which require proof that copy costs were "necessary" to the case, as opposed to merely convenient, to be taxable within the scope of §1920(4).

Of the \$469,100.54 taxed for other copy costs, \$146,584.83 is tied to invoices that contain Bates numbers reflecting that the copies were associated with produced documents.<sup>12</sup> The invoices associated with the remaining \$322,515.71 contain no Bates numbers. Synopsys does not provide any information to allow Ricoh or this Court to determine the identity of those documents, or whether the copies were produced to Ricoh, or how many copy sets were made as convenience

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<sup>12</sup> Many courts do not tax the copying costs of discovery documents. *See, e.g., Whitaker v. Trans Union Corp.*, No. 03-2551, 2006 WL 2574185, at \*3 (D. Kan. Aug. 8, 2006) (holding costs incurred in responding to discovery are not taxable because the producing party possessed the original documents so the copies are not 'obtained' for purposes of §1920(4)); *Ortho-McNeil Pharm., Inc. v. Mylan Labs. Inc.*, No. 1:02CV32, 2008 WL 7384877, at \*8 (N.D. W.Va. Aug. 18, 2008) (same), *rev'd on other grounds*, 569 F.3d 1353 (Fed. Cir. 2009). Under this standard, only \$799.31 of the \$469,100.54 in awarded copy costs would be taxable, because the remaining copy costs are either for document production or there is insufficient proof of necessity. *See* A2837-947. Northern District of California Civil Local Rule 54-3(d)(2), however, permits recovery of "[t]he cost of reproducing disclosure or formal discovery documents when used for any purpose in the case." To the extent that Local Rule goes beyond §1920, it must be stricken. *See Ricoh Br.* at 22.

copies for Synopsys's counsel. Such a failure to show that the copy costs are within the scope of §1920(4) requires reversal. *See Fogleman v. ARAMCO*, 920 F.2d 278, 286 (5th Cir. 1991) (refusing to tax copying cost because the prevailing party failed to provide a breakdown of costs, making it "impossible to tell to what extent copies . . . were necessarily obtained for use in the case rather than obtained simply for the convenience of counsel") (emphasis original); *Denner v. Tex. Dep't of Criminal Justice*, No. SA-05-CA-184-XR, 2007 WL 294191, at \*7 (W.D. Tex. Jan. 29, 2007) (denying copying costs because the prevailing party did not show "what the copies were of and thus fails to show that they were 'necessarily obtained for use in the case.'"); *see also Kellogg Brown*, 2009 WL 1457632, at \*6 (denying copying costs because furnishing the copy rate, the number of documents copied and a spreadsheet showing the number of copies made on each date was insufficient to show necessity without some information of the types or categories of documents copied and the reason for the copies.).<sup>13</sup>

Synopsys's evidence in support of the disputed copying costs is even scantier than the evidence the courts in *Fogleman*, *Denner*, and *Kellogg Brown*

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<sup>13</sup> Synopsys claims (at 25-26) that Ricoh misconstrues *Pixion Inc. v. Placeware Inc.*, No. C-03-02909, 2005 WL 3955889 (N.D. Cal. May 26, 2005), because Ricoh seeks to limit what copying costs are taxable to the definition proposed by *Pixion*. This is not true. Ricoh is not challenging \$146,584.83 of Synopsys's copying costs that could conceivably constitute an original response to discovery requests and Rule 26 disclosures. *Pixion* would exclude those copy costs because they are not discovery requests and responsive pleadings. *See* 2005 WL 3955889, at \*3.

found insufficient to show necessity. The following invoices are exemplary of Synopsys's invoices that fail to show the costs were necessary for use in the case:

QTY	DESCRIPTION	UNIT PRICE	TOTAL
120865	<p><b>PREPRODUCTION DOCUMENT BLOWBACKS</b></p> <p>Re: Native File Blowbacks</p> <p>Printing Services-Blowbacks with Separators-STD</p>	\$12	\$14,503.80
<p><i>JMM</i> <i>OK to PAY</i></p>			Subtotal: \$14,503.80
			Messenger and Freight: \$0.00
			Postage and Handling: \$0.00
			Tax: \$1,232.83
Total Invoice:			\$15,736.63

A1838.

QTY	DESCRIPTION	UNIT PRICE	TOTAL
12140	<p>Re: Blowbacks from 10-11 Folder</p> <p>Printing Services-Blowbacks with Separators-STD</p>	\$12	\$1,456.80
<p><i>Re</i> <i>Production</i> <i>Review</i> <i>OK TO</i> <i>PAY</i></p>			Subtotal: \$1,456.80
			Messenger and Freight: \$0.00
			Postage and Handling: \$0.00
			Tax: \$123.83
Total Invoice:			\$1,580.63

A1832. The invoices provide no explanation as to what native files were copied or whose documents were copied. No bates numbers are identified, making it impossible to determine if the documents reviewed ever were produced. The handwritten notes of "PREPRODUCTION DOCUMENT BLOWBACKS" and "RE PRODUCTION REVIEW" suggest they were for review by Synopsys's counsel in hard copy format instead of its electronic form – in other words, for the

convenience of counsel.<sup>14</sup> Despite the absence of evidence to explain and justify the expenses, the district court taxed \$15,736.62 for the A1838 invoice and \$1,580.63 for the A1832 invoice. A2652; A16.

Ricoh has reviewed every one of Synopsys's invoices to identify the basis for the claimed costs, and to try to determine how they could be necessary to the case. *See* A2794-95; A2837-947 (detailed spreadsheet with Ricoh's analysis). That analysis shows that Synopsys has failed to provide sufficient evidence, either to the district court, or this Court, that those expenses are within the scope of §1920(4). Synopsys does not try to respond to that analysis in its brief. Because there is no evidence to support Synopsys's assertion that \$322,515.71 of claimed costs were necessarily obtained for use in the case, there is no basis to conclude that those costs are authorized by §1920(4). *See Summit Tech.*, 435 F.3d at 1380 (denying all internal copying costs after finding the district court abused its discretion by awarding these costs in the absence of reasonable proof).<sup>15</sup>

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<sup>14</sup> Synopsys's later characterization of the invoice A1838 states "MERRELL COMMUNICATIONS LLC Preproduction Document Work; INV440918." A2652, Ex. 13. This description is of no use in determining the *necessity* of the 120,865 pages printed. Its later characterization of the invoice A1832, states "MERRELL COMMUNICATIONS LLC Re; Document Production (AMI, Aeroflex, Matrox); Blowbacks from 10-11 Folder." A2652, Ex. 10. While this description appears to identify three Defendants as the *source* of the documents, it fails to show the *necessity* of the 12,140 pages printed.

<sup>15</sup> Alternatively, the Court could reduce Synopsys's other copying costs by 50% to account for any unnecessary copies. *See Summit Tech.*, 435 F.3d at 1378 (affirming the district court's reduction of 50% of the copying costs to account for unnecessary copies); *Montgomery Cnty. v. Microvote Corp.*, No. 97-6331, 2004 WL 1087196, at \*7-8 (E.D. Pa. May 13, 2004) (reducing copy costs by 50% after

## **2. Synopsys's Blowback Copies Were Not Necessary**

Ricoh does not argue that blowbacks *per se* are not taxable. Ricoh Br. at 43-44. However, the case law and §1920(4) require blowback copies to be necessary to the case. *Id.* Blowbacks of documents *already produced* in electronic form are not necessary and Synopsys has made no showing to the contrary. Therefore, the district court's award of \$56,144.62 in blowback copying costs must be reversed.

Neither case cited by Synopsys (at 29-30) support the taxation of unnecessary blowbacks of documents. *See Tahoe Tavern Prop. Owners Ass'n v. U.S. Forest Serv.*, No. S-06-407, 2007 WL 1725494, at \*2 (E.D. Cal. June 14, 2007) (no mention of blowback copies); *Scherer v. Home Depot U.S.A., Inc.*, No. S-04-0109, 2007 WL 1087045, at \*1 (E.D. Cal. Apr. 10, 2007) (no indication the blowback costs were of documents already produced to the non-prevailing party).

### **B. Synopsys's Shipping And Assembly Costs Were Not Necessary**

Synopsys essentially concedes (at 30) that its taxed document assembly costs were for the convenience of counsel, because they used tabs and binders "to review the documents . . . [and] know on which page a document begins and ends."

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finding that the prevailing party's description of them, which included dates, copy rates, total costs, and an affidavit stating that the copies were reasonably necessary, was insufficient to determine their necessity); *cf. El Dorado*, 2007 WL 512428, at \*10 (reducing copying costs by 25% because not all the copies were necessary). The district court allowed \$469,100.54 in other copying costs. *See supra* p.3. Therefore, a 50% reduction of this amount would be \$234,550.27.

Ricoh *never* received document productions with tabs and binders from Synopsys, and Synopsys does not claim otherwise. There is no basis to tax those expenses.<sup>16</sup>

With respect to Synopsys's shipping fees, Synopsys admits (at 31) that some charges are for FedEx, which is not taxable. *See* A1820; A2238. Nor does Synopsys dispute that some shipping charges are for shipping documents to Synopsys's counsel, not to Ricoh, which is not taxable. *See* A1820; A2221. Nor has Synopsys explained the abnormally high shipping costs as anything other than nontaxable expedited shipping. *See* A1881-83; A2018. Finally, Synopsys lumped shipping/courier charges together and provided no explanation, as courier charges are not taxable. *See* A2043; *Kraft v. Arden*, No. CV. 07-487, 2009 WL 73869, at \*9 (D. Or. Jan. 8, 2009) (holding that costs for courier are outside the scope of §1920).

#### **IV. THE DISTRICT COURT'S TAXATION OF DEPOSITION AND INTERPRETER COSTS MUST BE REVERSED**

##### **1. Synopsys's Reliance On District Court Cases Cannot Trump Ricoh's Ninth Circuit Cases**

Synopsys cites several district court cases that have awarded all deposition expenses. Those cases, however, cannot overcome Ricoh's reliance (at 46-47) on

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<sup>16</sup> Synopsys mischaracterizes the *Tahoe Tavern* and *Art Attacks* cases. The opinion in *Tahoe Tavern* does not mention tabs or binder costs. The court in *Art Attacks Ink, LLC v. MGA Entertainment, Inc.* found costs for tabs and binders taxable because the prevailing party "sought these [costs] only as to papers shared with opposing counsel." No. 04cv1035, 2008 U.S. Dist. Lexis 21476, at \*8 (S.D. Cal. Mar. 19, 2008). Here, by contrast, Synopsys never produced documents in tabs and binders to Ricoh.

Ninth Circuit cases showing that only depositions used to obtain the judgment are taxable. And Synopsys's reliance (at 37) on a handful of district court cases that award both video and written transcription cases cannot change that the statute is written in the disjunctive, not the conjunctive, as numerous other courts have found. *See Ricoh Br.* at 49-50.

**2. The District Court Abused Its Discretion In Taxing Costs For Depositions Used In Ricoh's Winning Summary Judgment Motion**

The district court awarded Synopsys nearly all of its deposition costs, including the deposition costs associated with Ricoh's successful motion for summary judgment on the affirmative defense of authorization and consent. A9-10; A3807-08. That affirmative defense required both document and deposition discovery, but Synopsys did not reduce its Bill of Costs to account for those costs. A3010. For instance, Ricoh's winning summary judgment motion cited to the Milliken deposition taken on June 7, 2006. A3768-72; A3779-81. Yet, Ricoh was taxed \$1,231.40 for this deposition. A2647, Ex. 79; A16. Ricoh was also taxed for the production of at least 1,763 pages<sup>17</sup> of documents that were either cited in

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<sup>17</sup> Synopsys produced at least 1,763 pages of Aeroflex, Inc. documents relevant to its affirmative defense of authorization and consent based on the documents cited in Ricoh's Motion for Summary Judgment on Aeroflex's Affirmative Defense of "Authorization and Consent," Synopsys's Opposition motion, and used in the Milliken deposition. A3781-84; A3787; A3794-95; A3797-801; A3805-06; A3809-10.

Ricoh's winning summary judgment motion and/or relevant to the affirmative defense of authorization and consent.<sup>18</sup>

### CONCLUSION

The District Court exceeded its statutory authority in awarding costs not enumerated in §1920, and in the alternative, abused its discretion in awarding costs. Ricoh respectfully requests this Court to vacate the district court's ruling and reduce the taxed amount by \$688,465.42.

Dated: July 14, 2011

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<sup>18</sup> Because the majority of Synopsys's invoices for document production do not specify the Bates numbers (*see supra* pp.21-24), Ricoh is unable to provide the Court with the exact amount that was taxed for the production of the 1,763 pages. However, assuming a cost of \$0.18/page, the Court can estimate that cost to be \$317.34. *See, e.g.*, A1928 (\$0.18/page for heavy handling litigation copies).

## CERTIFICATE OF FILING AND SERVICE

I hereby certify that on this 14th day of July, 2011, copies of the foregoing  
REPLY BRIEF OF APPELLANT RICOH COMPANY, LTD. were served via  
email and two (2) bound copies were served via Federal Express on the below  
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I further certify that on this 14th day of July, 2011, the original and eleven  
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Jon Baitlon

**CERTIFICATE OF COMPLIANCE WITH  
FEDERAL RULE OF APPELLATE PROCEDURE 32(a)**

The undersigned counsel for Appellant, Ricoh Company, Ltd. hereby  
certifies that:

1. This Brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B). The Brief contains 6,910 words (as calculated by the word processing system used to prepare this brief), excluding the parts of the Brief exempted by Federal Rule of Appellate Procedure 32(a)(7)(B)(iii).

2. This Brief complies with the type face requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). The Brief has been prepared in proportionally spaced typeface using Microsoft Word in 14 point Times New Roman style font.

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