

United States District Court
For the Northern District of California

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

MONOLITHIC POWER SYSTEMS, INC.,
Plaintiff,
v.
O2 MICRO INTERNATIONAL LIMITED,
Defendant.

O2 MICRO INTERNATIONAL LIMITED,
Counterclaimant,
v.
MONOLITHIC POWER SYSTEMS, INC.;
ASUSTEK COMPUTER INC.; ASUSTEK
COMPUTER INTERNATIONAL AMERICA; BENQ
CORPORATION; and BENQ AMERICA CORP.,
Counterclaim-Defendants.

No. C 08-04567 CW

ORDER GRANTING IN PART MPS AND ASUSTEK'S MOTION FOR ATTORNEYS' FEES AND NON-TAXABLE COSTS, GRANTING MPS AND ASUSTEK'S MOTION FOR REVIEW OF THE CLERK'S TAXATION OF COSTS AND GRANTING IN PART AND DENYING IN PART O2 MICRO'S MOTION FOR REVIEW OF THE CLERK'S TAXATION OF COSTS (Docket Nos. 410, 438 and 439)

Plaintiff and Counterclaim-Defendant Monolithic Power Systems, Inc. (MPS) and Counterclaim-Defendants ASUSTeK Computer, Inc., and ASUS Computer International (collectively, ASUSTeK) move for an award of reasonable attorneys' fees and non-taxable costs. Defendant and Counterclaimant O2 Micro International Limited

1 opposes MPS and ASUSTeK's motion. MPS and ASUSTeK also move for a
2 review of the Clerk's taxation of their costs against O2 Micro. O2
3 Micro opposes MPS and ASUSTeK's motion for review and seeks review,
4 for other reasons, of the Clerk's taxation of MPS and ASUSTeK's
5 costs against it. MPS and ASUSTeK oppose O2 Micro's motion for
6 review. The motions were taken under submission on the papers.
7 Having considered the papers submitted by the parties, the Court
8 GRANTS in part MPS and ASUSTeK's motion for attorneys' fees and
9 non-statutory costs, GRANTS MPS and ASUSTeK's motion for review of
10 their costs against O2 Micro and GRANTS in part and DENIES in part
11 O2 Micro's motion for review of the Clerk's taxation of MPS and
12 ASUSTeK's costs against it.

13 BACKGROUND

14 I. Previous Litigation

15 Since 2001, O2 Micro and MPS, or MPS customers, have litigated
16 before this Court five lawsuits in which O2 Micro asserted patent
17 infringement claims.¹ This lawsuit was the fifth.

18 In October, 2001, O2 Micro filed suit against MPS, alleging
19 infringement of its U.S. Patent No. 6,259,615 ('615 patent). See
20 generally O2 Micro Int'l Ltd. v. Monolithic Power Sys, Inc., Case
21 No. C 01-3995 CW. The Court granted summary judgment of
22 noninfringement in favor of MPS, which was affirmed by the Federal

23
24 ¹ In November, 2000, O2 Micro filed suit against MPS, seeking
25 declarations that MPS's U.S. Patent Nos. 6,144,814 ('814 patent)
26 and 6,316,881 ('881 patent) were invalid and not infringed by O2
27 Micro's products. See generally O2 Micro Int'l Ltd. v. Monolithic
28 Power Sys, Inc., Case No. C 00-4071 CW. In 2005, a jury concluded
that O2 Micro did not infringe the asserted claims of the patents-
at-issue and that the patents were invalid as anticipated by prior
art.

1 Circuit. See generally O2 Micro Int'l Ltd. v. Monolithic Power
2 Sys., Inc., 467 F.3d 1355 (Fed. Cir. 2006).

3 In May, 2004, MPS filed a declaratory judgment action against
4 O2 Micro based on a patent infringement lawsuit O2 Micro filed in
5 the Eastern District of Texas against an MPS customer. See
6 generally Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd., Case
7 No. C 04-2000 CW (N.D. Cal.). MPS sought declarations that O2
8 Micro's U.S. Patent No. 6,396,722 ('722 patent) was not infringed
9 and invalid. O2 Micro counterclaimed for infringement. During the
10 litigation, O2 Micro proffered schematics bearing the text, "Feb.,
11 18, 1998 [sic]," to corroborate its assertion that O2 Micro
12 engineer Dr. Yung-Lin Lin conceived of subject matter claimed in
13 the '722 patent before MPS's development of its MP1010 product,
14 which MPS asserted rendered the '722 patent invalid. At trial, Lin
15 testified as follows:

16 Q: There's a printed date in the title block of
17 February 18, 1998. What does that date indicate,
18 Dr. Lin?

19 A: That's the program date, which is when the file, the
20 circuit diagram generated. That computer
21 automatically print the date when I save the file.

22 Dunlavey Decl., Ex. 24, at 570:14-19. O2 Micro executive Adam
23 Badgett echoed Lin's claim that the software automatically inserted
24 the "Feb., 18, 1998" text. Badgett testified at trial as follows:

25 Q: These have a date in the title block of February
26 18th 1998. Can you explain to us how that date is
27 put on these documents?

28 A: This date is automatically inserted by the software
program.

Id., Ex. 1, at 748:18-22. A jury found the '722 patent invalid
based on the on-sale bar and obviousness.

1 In October, 2004, O2 Micro filed a lawsuit against two MPS
2 customers in the Eastern District of Texas, accusing them of
3 infringing its U.S. Patent No. 6,804,129 ('129 patent). The case
4 was subsequently transferred to this district and consolidated with
5 the '722 patent action discussed above. See generally O2 Micro
6 Int'l Ltd. v. Monolithic Power Sys., Inc., Case No. C 06-2929 CW
7 (N.D. Cal.). Thereafter, O2 Micro stipulated to the dismissal of
8 the infringement claims and covenanted not to sue MPS and its two
9 customers for infringement of the '129 patent.

10 In May, 2007, MPS filed a declaratory judgment action against
11 O2 Micro based on a patent infringement lawsuit O2 Micro filed in
12 the Eastern District of Texas against another MPS customer. See
13 generally Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd., Case
14 No. C 07-2363 CW (N.D. Cal.). MPS sought declarations that the
15 '129 patent was invalid and not infringed by MPS products. O2
16 Micro counterclaimed for infringement. After the Court denied O2
17 Micro's two motions to dismiss for lack of subject matter
18 jurisdiction, O2 Micro stipulated to the dismissal of an
19 infringement counterclaim and covenanted not to sue MPS and its
20 customers for infringement of the '129 patent.

21 II. Current Litigation

22 MPS brought the current declaratory judgment action, which
23 initially involved O2 Micro's U.S. Patent Nos. 6,856,519 ('519
24 patent), 6,809,938 ('938 patent), 6,900,993 ('993 patent) and
25 7,120,035 ('035 patent) (collectively, '519 patent family). Later,
26 MPS amended its complaint to include U.S. Patent No. 7,417,382
27 ('382 patent), which was part of the same family as the '722
28 patent. MPS sought declarations of non-infringement and invalidity

1 with respect to these patents.

2 After MPS initiated this lawsuit, O2 Micro filed a complaint
3 in the International Trade Commission (ITC), alleging infringement
4 of these patents by MPS and its customers, including ASUSTeK, BenQ
5 Corporation and BenQ America Corp. (collectively, BenQ).² See
6 generally In the Matter of Certain Cold Cathode Fluorescent Lamp
7 ("CCFL") Inverter Circuits and Products Containing Same, Inv. No.
8 337-TA-666. O2 Micro moved to stay MPS's lawsuit pending
9 completion of the ITC proceeding. The Court denied O2 Micro's
10 motion. To avoid duplication and a waste of resources, the Court
11 ordered that all discovery in the ITC proceeding would apply in
12 this action.

13 In this lawsuit, O2 Micro counterclaimed against MPS and BenQ
14 for infringement of the '519 patent family and counterclaimed
15 against MPS, ASUSTeK and BenQ for infringement of the '382 patent.
16 On June 10, 2009, O2 Micro and BenQ stipulated to dismiss the
17 infringement claims asserted against BenQ. Shortly thereafter, O2
18 Micro dismissed all claims concerning infringement of the '519
19 patent family, both in this case and in the ITC proceedings. O2
20 Micro also covenanted not to sue MPS or its customers for past or
21 future infringement of the '519 patent family by certain MPS
22 products. At this point, only claims concerning the '382 patent
23 remained in this action.

24 Because they were part of the same family, the '382 patent
25 claimed subject matter claimed by the '722 patent. Also, like the

26
27 ² Although MPS filed its lawsuit in October, 2008, it did not
28 serve O2 Micro with process until January, 2009. However, O2 Micro
learned of the lawsuit during the intervening period. Tr. of March
3, 2009 Hrg. 8:10.

1 '722 patent, the '382 patent claimed priority based on Provisional
2 Application No. 60/145,118, which was filed on July 22, 1999. To
3 defend against MPS and ASUSTeK's assertions of invalidity based on
4 prior art, O2 Micro again relied on Lin's "Feb., 18, 1998"
5 schematics to establish an invention date before the date the
6 provisional application was filed.

7 Throughout the litigation, O2 Micro asserted, as it had in the
8 trial regarding the '722 patent, that Lin's software automatically
9 inserted the "Feb., 18, 1998" date in the schematics. On May 11,
10 2009, in response to an interrogatory regarding the schematics, O2
11 Micro stated, "Dr. Yung-Lin Lin used a PSPICE simulation program on
12 February 18, 1998 to create the identified document, which was
13 printed out. The program automatically provided a date stamp on
14 the day it was created." Dunlavey Decl., Ex. 26, at 6. Then, on
15 July 21, 2009, O2 Micro's Rule 30(b)(6) designee Stephen Krems
16 testified that the schematics were created using OrCAD Capture,
17 which was "the only software ever seen at O2 Micro," and that the
18 software "automatically put in" the "Feb., 18, 1998" text. Id.,
19 Ex. 27, 67:4-5, 68:19. On July 23, 2009, in interrogatory
20 responses, O2 Micro repeated that the "program automatically
21 provided a date stamp on the day the" schematics were created and
22 referred to Krems's testimony. Id., Ex. 28, at 6-7. O2 Micro,
23 however, acknowledged that it did "not have information as to who
24 else saw the" schematics between the alleged February 18, 1998
25 conception date and June 24, 1999. Id. at 8.

26 On July 31, 2009, MPS served O2 Micro with the report of its
27 expert, Dr. Marc E. Herniter. MPS had retained Dr. Herniter to
28 testify regarding the functions of relevant software packages,

1 including PSpice and OrCAD, and to address whether the "Feb., 18,
2 1998" text in Lin's schematics was automatically generated by
3 software or manually entered by a user. Dr. Herniter concluded
4 that the schematics were created using PSpice, not OrCAD as Krems
5 had represented. Further, Dr. Herniter opined that PSpice "did not
6 automatically provide a date stamp on the day the schematic
7 diagrams were created" and that the text, which clearly contained a
8 typographical error, was manually entered. Dunlavey Decl., Ex. 30
9 ¶ 26. Finally, Dr. Herniter noted that, on some of the other
10 schematics proffered by O2 Micro that were attributed to Lin, the
11 directory path of the file, which appeared in the header of the
12 printouts, had been redacted. On the printouts in which the header
13 did appear, the directory path indicated that the files had been
14 stored in a file folder named "MPS." Id. ¶¶ 60-62. Lin testified
15 that "MPS" referred to "multiple power systems" or "multiple power
16 supplies," not Monolithic Power Systems. Id., Ex. 15, at 165:16-
17 17.

18 After receiving Dr. Herniter's report, O2 Micro investigated
19 the matter. On August 24, 2009, O2 Micro supplemented its
20 interrogatory responses, stating that Lin used PSpice to create the
21 schematics, contrary to Krems's testimony and its July 23
22 interrogatory responses. With regard to the software's date
23 function, O2 Micro stated,

24 When version 6.2j of PSpice Schematics is used to create
25 a new schematic, the program automatically populates the
26 "date" field of "titlblk" with the default date January
27 1, 2000, and will print that date in the title block of
28 the schematic unless changed by the user. The program
automatically prints the date that has been entered into
the "date" field of "titleblk" using the Attributes edit
function. The date in the title block remains the same
until it is edited. If the "date" attribute was changed

1 using the edit function on the date the document was
2 created and the document was printed on that date, the
software would automatically print that date in the title
block at the lower right hand corner of the schematic.

3 Dunlavey Decl., Ex. 29, at 7-8. Approximately one week later, O2
4 Micro moved to strike Dr. Herniter's report, asserting that his
5 opinion was irrelevant because he did not offer any testimony
6 regarding any disputed issue. O2 Micro asserted that it agreed
7 that the "'Feb., 18, 1998' date was printed by the simulation
8 software on the day the schematics were created to the extent the
9 information was entered by the user into the 'date' attribute of
10 the file." O2 Micro's Mot. to Strike Herniter Expert Report 3-4.
11 O2 Micro also argued that the doctrine of collateral estoppel
12 precluded MPS and ASUSTeK from re-litigating the "authenticity of
13 the schematics" because this issues was settled in the '722
14 litigation. Id. at 6. The Court denied O2 Micro's motion to
15 strike.

16 On October 20, 2009, Lin admitted in testimony in the parallel
17 ITC proceeding that he entered the "Feb., 18, 1998" text on his
18 schematics and that his assertion that software automatically
19 inserted the date was incorrect.

20 On February 16, 2010, the Court construed claims of the '382
21 patent and ruled on the parties' motions for summary judgment and
22 summary adjudication. The Court denied O2 Micro's motion for
23 summary adjudication of the authenticity of the schematics dated
24 "Feb., 18, 1998," which repeated arguments raised in O2 Micro's
25 motion to strike Dr. Herniter's report. The Court also denied O2
26 Micro's motion for summary adjudication that Lin conceived of
27 subject matter claimed in the '382 patent in February, 1998.
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1 After the parties completed their briefing for the pretrial
2 conference, but approximately one week before the conference was to
3 be held, O2 Micro filed a motion to dismiss with prejudice all
4 claims concerning the '382 patent. Similar to what it had done
5 with respect to the '519 patent family, O2 Micro covenanted not to
6 sue MPS and its customers for past and future infringement of the
7 '382 patent by certain MPS products. The Court granted O2 Micro's
8 motion and dismissed all claims and counterclaims with prejudice
9 for lack of subject matter jurisdiction. The Clerk entered
10 judgment accordingly.

11 MPS and ASUSTeK filed a timely bill of costs. On August 9,
12 2010, the Clerk taxed costs against O2 Micro in the amount of
13 \$429,693.31, which was the sum of \$2,130.26 for service of
14 subpoenas; \$18,169.37 for deposition transcripts; \$392,171.73 for
15 exemplification and copying costs; and \$17,221.95 for the
16 compensation of court-appointed experts. The Clerk had disallowed
17 \$70.00 from MPS and ASUSTeK's request for subpoena costs and
18 \$96,624.28 from their request for exemplification and copying
19 costs. Am. Bill of Costs.

20 DISCUSSION

21 I. MPS and ASUSTeK's Motion for Attorneys' Fees and Non-Statutory
22 Costs

23 In patent infringement actions, courts "may award reasonable
24 attorney fees to the prevailing party" in "exceptional cases." 35
25 U.S.C. § 285. O2 Micro does not dispute that MPS and ASUSTeK were
26 prevailing parties in this action.

27 To determine whether attorneys' fees are warranted, a court
28 undertakes a two-step process: (1) the court considers whether

1 clear and convincing evidence supports a finding that a case is
2 exceptional and, if so, (2) the court then decides whether it
3 should exercise its discretion to award attorneys' fees. Wedgetail
4 Ltd. v. Huddleston Deluxe, Inc., 576 F.3d 1302, 1304 (Fed. Cir.
5 2009).

6 A. Exceptionality

7 "A case may be deemed exceptional when there has been some
8 material inappropriate conduct related to the matter in litigation,
9 such as willful infringement, fraud or inequitable conduct in
10 procuring the patent, misconduct during litigation, vexatious or
11 unjustified litigation, conduct that violates Fed.R.Civ.P. 11, or
12 like infractions." Brooks Furniture Mfg., Inc. v. Dutallier Int'l,
13 Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005). In evaluating whether
14 a case is exceptional, a court must consider "the totality of the
15 circumstances." Yamanouchi Pharm. Co. Ltd. v. Danbury Pharmacal,
16 Inc., 231 F.3d 1339, 1347 (Fed. Cir. 2000).

17 Here, MPS and ASUSTeK assert that O2 Micro engaged in an
18 abusive and vexatious litigation strategy, inequitable conduct
19 before the Patent and Trademark Office (PTO) and litigation
20 misconduct. They also assert that this litigation was baseless.

21 As explained below, the Court finds this case exceptional
22 because O2 Micro engaged in a vexatious litigation strategy and
23 litigation misconduct. Because these bases sufficiently support an
24 exceptionality finding, the Court does not consider whether O2
25 Micro committed inequitable acts before the PTO or filed baseless
26 litigation.

27 1. Vexatious Litigation Strategy

28 As noted above, O2 Micro and MPS, which are competitors, have

1 litigated a series of patent cases before this Court. The Court is
2 familiar with the parties, the technology and the patents-at-issue.

3 In three of the five cases discussed above, O2 Micro undertook
4 a strategy by which it sued MPS customers, prompting MPS to file
5 declaratory judgment actions in this Court. Thereafter, in each of
6 the three cases, O2 Micro covenanted not to sue, thereby enabling
7 it to avoid litigation on the validity of its patents. However,
8 this only occurred after substantial litigation had taken place.
9 In this case, for instance, O2 Micro sought to dismiss its
10 counterclaims of infringement, based on a covenant not to sue, only
11 after MPS and ASUSTeK completed their filings for the parties'
12 impending final pretrial conference. This wasted MPS's, ASUSTeK's
13 and the Court's resources. Settlement and dismissal of claims on
14 the eve of trial is not uncommon and, indeed, is preferable to no
15 settlement. However, O2 Micro's conduct takes on a different hue
16 when viewed in light of its competitive relationship with MPS and
17 its resort to this litigation strategy on multiple occasions in its
18 cases before this Court.

19 O2 Micro asserts that most of the actions in which the parties
20 were involved were initiated by MPS. This is false. Including the
21 ITC investigation, precipitated by O2 Micro's complaint filed after
22 MPS initiated this lawsuit, the parties have initiated an equal
23 number of proceedings involving infringement of O2 Micro's patents:
24 O2 Micro initiated three coercive proceedings against MPS or its
25 customers, and MPS initiated three declaratory judgment actions
26 against O2 Micro. Further, MPS's actions were prompted by O2

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1 Micro's patent enforcement activity against MPS customers.³ O2
2 Micro's representation that it was a passive party, haled into this
3 Court only because of MPS's filing of declaratory judgment actions,
4 is not true.

5 Based on its knowledge of the series of cases discussed above,
6 the Court finds that O2 Micro engaged in a vexatious litigation
7 strategy that supports finding this case to be exceptional.

8 2. Litigation Misconduct

9 "Litigation misconduct and unprofessional behavior are
10 relevant to the award of attorney fees, and may suffice to make a
11 case exceptional." Taltech Ltd. v. Esquel Enters. Ltd., 604 F.3d
12 1324, 1329 (Fed. Cir. 2010) (citation and internal quotation marks
13 omitted).

14 MPS and ASUSTeK assert that this case is exceptional because
15 O2 Micro engaged in litigation misconduct through its
16 representations concerning how Lin's schematics came to be dated
17 "Feb., 18, 1998" and its insistence, in two separate motions, that
18 the authenticity of these schematics could not be re-litigated.
19 Further, as noted above, O2 Micro sought summary adjudication that
20 Lin invented subject matter claimed by the '382 patent in February,
21 1998. This conduct, along with O2 Micro's vexatious litigation
22 strategy, supports finding this case to be exceptional.

23 Notwithstanding the clear typographical error in the "Feb.,
24 18, 1998" date block, O2 Micro insisted in the '722 trial, in the

25
26 ³ O2 Micro notes that, in this case, no evidence has been
27 offered suggesting that it was attempting to enforce its patents
28 against MPS customers, suggesting that this action was not
necessary. However, O2 Micro did not move to dismiss this action
for lack of subject matter jurisdiction and, as a result, MPS was
not required to proffer such evidence.

1 ITC investigation and in this litigation that computer software,
2 not Lin, inserted this text. O2 Micro presented three witnesses
3 who testified that the text was computer-generated and offered
4 verified interrogatory responses stating the same. O2 Micro admits
5 that it did not perform its own investigation into the veracity of
6 these representations, despite their materiality, until after MPS
7 served it with Dr. Herniter's report. And, after concluding based
8 on its own investigation "that the 'Feb., 18, 1998' date must have
9 been manually inserted," O2 Micro Opp'n to MPS/ASUS Fee Mot. 12:26,
10 O2 Micro supplemented its interrogatory responses with a convoluted
11 paragraph in which it obfuscated the fact that Lin had entered the
12 date.

13 O2 Micro then filed baseless motions, prolonging litigation on
14 the "Feb., 18, 1998" schematics. O2 Micro moved to strike Dr.
15 Herniter's report, arguing that his opinions were irrelevant
16 because it agreed that "the 'Feb., 18, 1998' date was printed by
17 the simulation software on the day the schematics were created to
18 the extent the information was entered by the user into the 'date'
19 attribute." O2 Micro's Mot. to Strike Herniter Expert Report 3:26-
20 27. Thus, O2 Micro argued, "the parties agree on this point,
21 eliminating any need for expert testimony on the subject." Id.
22 4:1-2. O2 Micro then asserted that the doctrine of collateral
23 estoppel precluded MPS and ASUSTeK from re-litigating this issue,
24 implicitly suggesting that MPS and ASUSTeK had a full and fair
25 opportunity to litigate the "Feb., 18, 1998" date in the '722
26 trial, even though Lin and Badgett had offered false testimony. O2
27 Micro repeated these arguments in a motion for summary adjudication
28 that Lin conceived of the subject matter claimed by the '382 patent

1 in February, 1998.

2 Rather than straightforwardly admit the truth, O2 Micro
3 dissembled and sought, through motion practice, to mask its proffer
4 of false testimony. This constitutes litigation misconduct that,
5 along with O2 Micro's vexatious litigation strategy, warrants
6 designating this case exceptional.

7 B. Attorneys' Fees and Non-Statutory Costs

8 Based on O2 Micro's vexatious litigation strategy, litigation
9 misconduct and unprofessional behavior, MPS and ASUSTeK are
10 entitled to reasonable attorneys' fees pursuant to 35 U.S.C. § 285.

11 The Court, however, reserves its decision on the amount of
12 attorneys' fees to which MPS and ASUSTeK are entitled. MPS and
13 ASUSTeK seek \$13,507,643.50 in attorneys' fees. In support of this
14 request, MPS and ASUSTeK proffer a "high-level 'Statement of
15 Services Rendered,'" Flagel Decl. ¶ 3, which does not indicate the
16 tasks for which hours were billed. This is not sufficient for the
17 Court to evaluate their fee request. Further, MPS and ASUSTeK
18 represent that their fee request may include some amounts that were
19 taxed as costs, which makes double recovery possible.

20 Within twenty-eight days of the date of this Order, the
21 parties shall meet and confer to attempt to resolve any disputed
22 issues concerning the amount in light of this ruling. If the
23 parties cannot reach an agreement, MPS and ASUSTeK shall file
24 documents supporting its fee request. Such documentation must
25 include detailed records from which the Court can determine the
26 nature of the tasks billed. Additionally, the fees request shall
27 not contain any amounts for costs taxed.

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1 II. Motions for Review of the Clerk's Taxation of Costs Against O2
2 Micro

3 Federal Rule of Civil Procedure 54(d)(1) authorizes the Court
4 to grant the prevailing party its costs. The determination of
5 taxable costs is governed by 28 U.S.C. § 1920 and, more
6 particularly, Civil L.R. 54-3, which specifically enumerates the
7 standards for costs recoverable in this District. This Court may
8 only tax costs explicitly authorized by § 1920. See Alflex Corp.
9 v. Underwriters Labs., Inc., 914 F.2d 175, 177-78 (9th Cir. 1990);
10 see also Crawford Fitting Co. v. J.T. Gibbons, Inc., 482 U.S. 437,
11 442 (1987).

12 The parties seek review of the Clerk's taxation of MPS and
13 ASUSTeK's costs against O2 Micro. MPS and ASUSTeK object only to
14 the Clerk's disallowance of \$96,624.28 for deposition expenses
15 incurred in the ITC investigation. O2 Micro objects to the Clerk's
16 taxation of costs on several grounds: (1) costs for documents
17 produced in the ITC proceeding should not be recovered in this
18 case; (2) costs taxed for exemplification and copying costs include
19 duplicate entries and charges for non-taxable services; (3) costs
20 taxed for deposition transcripts include amounts for multiple
21 copies and non-taxable services; and (4) costs taxed for service of
22 subpoenas include amounts for third parties subpoenaed but not
23 deposed.

24 A. Costs Attributable to Discovery Obtained for Use in This
25 Action and the ITC Proceeding

26 O2 Micro attributes a large portion of MPS and ASUSTeK's costs
27 to the ITC proceeding and argues that such costs should be
28 disallowed because they did not arise in this case. This broad
objection is not well-taken. As noted above, in the interest of

1 efficiency, the Court ordered all discovery obtained through the
2 ITC parallel investigation to pertain to this case, and vice versa.
3 Had O2 Micro not precipitated the ITC investigation, the same
4 discovery-related costs would have been incurred in this
5 litigation. Indeed, O2 Micro does not dispute that it used -- in
6 this case -- discovery obtained in the ITC proceedings. In seeking
7 to stay this case in favor of the ITC investigation, O2 Micro
8 acknowledged the overlap between the two proceedings, stating that
9 "all of the patents that are issue in this case are certainly at
10 issue in the ITC." Tr. of Mar. 3, 2009 Hrg. 7:18-19. Despite now
11 claiming ignorance, O2 Micro was on notice that discovery obtained
12 through the ITC proceeding was deemed to apply to this action. O2
13 Micro offers no authority that bars recovery of discovery-related
14 costs simply because they related to discovery obtained through an
15 ITC proceeding. Accordingly, subject to exceptions discussed
16 below, MPS and ASUSTeK may recover deposition, exemplification and
17 copying costs, incurred during the ITC investigation, relating to
18 discovery relevant and obtained for use in this case.

19 B. Exemplification and Copying Costs

20 Under 28 U.S.C. § 1920(4), a court may tax costs "for
21 exemplification and [for] making copies of any materials where the
22 copies are necessarily obtained for use in the case." "Fees for
23 exemplification and copying 'are permitted only for the physical
24 preparation and duplication of documents, not the intellectual
25 effort involved in their production.'" Zuill v. Shanahan, 80 F.3d
26 1366, 1371 (9th Cir. 1996) (citing Romero v. City of Pomona, 883
27 F.2d 1418, 1428 (9th Cir. 1989), abrogated on other grounds,
28 Townsend v. Holman Consulting Corp., 914 F.2d 1136 (9th Cir.

1 1990)).

2 O2 Micro objects to various costs attributed to
3 exemplification and copying. MPS and ASUSTeK did not respond
4 specifically to O2 Micro's objections, but instead asserted
5 generally that the costs to which O2 Micro objects are recoverable
6 under Civil L.R. 54-3(d).

7 MPS and ASUSTeK also seek to recover costs for the preparation
8 of visual aids used in the ITC proceeding; O2 Micro objects to
9 recovery of such costs. Costs may be recoverable for visual aids
10 that are "reasonably necessary to assist the jury or the Court in
11 understanding the issues at the trial." Civil L.R. 54-3(d)(5).
12 The costs to which O2 Micro objects were billed between October,
13 2009 and December, 2009, which was before the Court ruled on the
14 parties' motions for summary judgment. Thus, at that time, it was
15 not evident that those visual aids were necessary for trial in this
16 action. Further, these costs are not related to discovery-related
17 expenses. The Court accordingly disallows recovery of \$84,125.61
18 in costs related to the preparation of visual aids used in the ITC
19 proceeding.

20 O2 Micro argues that costs for optical character recognition
21 (OCR) are not taxable as reproduction or exemplification costs.
22 Courts have concluded that OCR processing of documents are
23 generally for the convenience of counsel and, thus, expenses
24 related to it are not recoverable. See, e.g., Computer Cache
25 Coherency Corp. v. Intel Corp., 2009 WL 5114002, at *4 (N.D. Cal.).
26 Accordingly, recovery of \$17,655.57 in OCR processing costs is
27 disallowed.

28 O2 Micro also objects to costs for the conversion of documents

1 in excess of the first set. For instance, one invoice contains two
2 charges for \$9,799.88 related to the conversion of documents from
3 their native file format to a generally-accessible file format: one
4 charge was for conversion services with Bates stamping, whereas the
5 other was for such services without Bates stamping. See, e.g.,
6 Bill of Costs, Ex. 3, at 23. Although electronic conversion
7 charges are generally recoverable, MPS and ASUSTeK have not
8 established the necessity of multiple conversions of the same
9 documents. Thus, recovery of \$26,702.86 in such costs is
10 disallowed.

11 O2 Micro also contests costs related to creating duplicate
12 copies of DVDs containing electronic discovery and copying a DVD
13 entitled "Preparing for a Deposition in a Business Case," Bill of
14 Costs, Ex. 3, at 69. For reasons stated above, costs for duplicate
15 copies of electronic discovery DVDs are disallowed. Costs related
16 to duplicating the deposition preparation DVD are disallowed
17 because this DVD does not appear to be discovery material. Thus,
18 recovery of \$1,160.75 related to such services is disallowed.

19 Additionally, O2 Micro contends that costs related to copies
20 made for use at the ITC hearing should not be recoverable. In
21 particular, O2 Micro objects to costs to create witness binders for
22 the ITC hearing and to duplicate briefs filed in the ITC
23 proceeding. See, e.g., Bill of Costs, Ex. 3, at 58; id. at 79.
24 Although the "cost of reproducing disclosure or formal discovery
25 documents when used for any purpose in the case is allowable,"
26 Civil L.R. 54-3(d)(2), MPS and ASUSTeK have not established that
27 the copies of discovery documents used in the ITC hearing were used
28 for any purpose in this case. Further, the cost of reproducing

1 "motions, pleadings, notices, and other routine papers is not
2 allowable." Civil L.R. 54-3(d)(3). Thus, the Court disallows
3 recovery of \$5,480.26 for duplication costs incurred around the
4 date of the ITC hearing and evidently related to that hearing.

5 O2 Micro also objects to \$390.59 in costs related to the
6 deposition of "M. Grover," who O2 Micro claims was not deposed in
7 this case. This amount is disallowed.

8 O2 Micro objects to various costs for "Native Processing Plus
9 Images." See Bill of Costs, Ex. 3, at 44-45. Unlike other
10 electronic discovery expenses, these costs bear no indication that
11 they related to document production. Compare id. at 44 with id. at
12 36. Thus, recovery of \$25,214.17 for costs related to "Native
13 Processing Plus Images" services is disallowed.

14 Finally, O2 Micro objects to recovery for the "auto-coding" of
15 documents. Bill of Costs, Ex. 3, at 83. MPS and ASUSTeK do not
16 establish that such coding related to exemplifying or copying
17 documents. Thus, recovery of \$26,247.65 for coding documents is
18 disallowed.

19 O2 Micro's remaining objections are not well-taken. O2 Micro
20 complains of costs related to multiple copies for exhibits used
21 during depositions. However, the three prevailing parties are
22 entitled to recovery of these costs.

23 The Clerk taxed \$392,171.73 for exemplification and copying
24 costs. Of this amount, the Court disallows \$186,977.46 for the
25 reasons stated above. This reduces MPS and ASUSTeK's award for
26 such costs to \$205,194.27.

27 C. Deposition Costs

28 As noted above, MPS and ASUSTeK may recover costs related to

1 depositions taken for both this action and the ITC proceeding. In
2 addition to its general objection concerning discovery used in the
3 ITC proceeding, O2 Micro also argues that the ten-deposition limit
4 provided under Federal Rule of Civil Procedure 30(a)(2) precludes
5 MPS and ASUSTeK from recovering costs for more than ten
6 depositions. However, 28 U.S.C. § 1920(2) does not link recovery
7 for deposition costs to Rule 30(a)(2). Further, in the ITC
8 investigation, all parties evidently exceeded the number of
9 depositions permitted under Rule 30(a)(2). Accordingly, O2 Micro's
10 objection on this point is not well-taken.

11 O2 Micro also objects to costs to make additional copies of
12 deposition transcripts. However, MPS and two ASUSTeK entities were
13 prevailing parties in this action. Thus, recovery of costs for
14 additional copies is allowable.

15 Finally, O2 Micro objects to \$25.00 for FedEx charges
16 attributed to deposition costs. This amount is disallowed because
17 it is not recoverable as deposition costs under 28 U.S.C. § 1920(2)
18 or Civil L.R. 54-3(c).

19 The Clerk taxed \$18,169.37 for deposition costs, disallowing
20 recovery of \$96,624.28 for "billings in ITC case." Am. Bill of
21 Costs. The Court reverses this disallowance; MPS and ASUSTeK are
22 entitled to recover costs related to depositions taken in the ITC
23 proceedings. However, the Court disallows \$25.00 in expedited
24 shipping costs. Accordingly, \$114,768.65 in deposition costs is
25 taxed against O2 Micro.

26 D. Costs for Service of Subpoenas

27 The Clerk taxed \$2,130.26 for costs related to service of
28 subpoenas. Of this amount, O2 Micro objects to \$1,178.17 for costs

1 related to service of third-party subpoenas, asserting that these
2 subpoenas were unnecessary. However, MPS and ASUSTeK have
3 established that such service was reasonably required. Civil L.R.
4 54-3(a)(2). Accordingly, the Clerk's taxation of such costs is
5 left undisturbed.

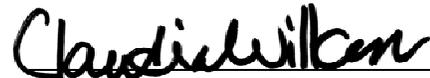
6 CONCLUSION

7 For the foregoing reasons, the Court GRANTS in part MPS and
8 ASUSTeK's motion for attorneys' fees and non-statutory costs
9 (Docket No. 410), GRANTS MPS and ASUSTeK's motion for review of the
10 Clerk's taxation of their costs against O2 Micro (Docket No. 438)
11 and GRANTS in part and DENIES in part O2 Micro's motion for review
12 of the Clerk's taxation of costs against it (Docket No. 439).
13 Although MPS and ASUSTeK are entitled to reasonable attorneys'
14 fees, the Court DEFERS its decision on the amount to which MPS and
15 ASUSTeK are entitled and directs the parties to, within twenty-
16 eight days of the date of this Order, meet and confer to attempt to
17 determine this amount. If the parties cannot agree, within thirty-
18 five days of the date of this Order, MPS and ASUSTeK shall file
19 documentation supporting its fees request. Such documentation
20 shall include detailed time records from which the Court can
21 determine the nature of the tasks billed. Additionally, any fees
22 request shall not contain any amounts for costs taxed. In support
23 of their fees request, MPS and ASUSTeK may file a brief, not to
24 exceed twenty pages. O2 Micro may respond, in a brief not to
25 exceed twenty pages, within fourteen days of the date MPS and
26 ASUSTeK file their supplementary documentation. If O2 Micro files
27 a response, MPS and ASUSTeK may reply, in a brief not to exceed ten
28 pages, within seven days of the date that response is filed.

1 MPS and ASUSTeK's costs are taxed against O2 Micro as follows:
2 \$2,130.26 for service of subpoenas; \$114,768.65 for deposition
3 transcripts; \$205,194.27 for exemplification and copying services;
4 and \$17,221.95 for compensation for the court-appointed expert.
5 For these costs, O2 Micro shall remit \$339,315.13 to MPS and
6 ASUSTeK forthwith.

7 IT IS SO ORDERED.

8
9 Dated: 3/3/2011



CLAUDIA WILKEN
United States District Judge