

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

ERICH SPECHT, et al.,)	
)	Civil Action No. 09-cv-2572
Plaintiffs,)	
v.)	Judge Leinenweber
)	
GOOGLE INC.)	Magistrate Judge Cole
)	
Defendant.)	

GOOGLE INC.’S REPLY BRIEF IN SUPPORT OF ITS BILL OF COSTS

On March 23, 2011, Defendant Google Inc. (“Google”) filed its Bill of Costs (Dkt. No. 321) and supporting documentation,¹ requesting that the Court tax \$45,282.00 in costs against Plaintiffs to which Google is entitled under Fed. R. Civ. P. 54(d)(1) as the prevailing party in this litigation. Plaintiffs filed a response to Google’s Bill of Costs styled as a “Motion to Disallow or Stay Taxation of Costs” (“Response”, Dkt. No. 328), in which Plaintiffs opposed Google’s entitlement to various items listed in Google’s Bill of Costs. Regrettably, Plaintiffs’ response is what this Court has become accustomed to -- a pleading that is unsupportable in either fact or law causing both the Court and Google unnecessary effort and expense. Google responds to Plaintiffs’ arguments as set forth below.

I. AS THE PREVAILING PARTY, GOOGLE IS ENTITLED TO RECOVER ITS TAXABLE COSTS FROM PLAINTIFFS UNDER RULE 54(d)(1)

As the prevailing party in this litigation, Google is entitled to recover its taxable costs under Fed. R. Civ. P. 54(d)(1), which provides that “costs other than attorney’s fees shall be allowed as of course to the prevailing party unless the court otherwise directs.” Rule 54 creates a “presumption that the losing party will pay costs but grants the court discretion to direct

¹ Google’s supporting documentation for its Bill of Costs included the Declaration of Cameron M. Nelson attached as Exhibit G thereto (“Nelson Decl.”), together with copies of invoices from Google’s counsel and third-party vendors attached as Exhibits A-F.

otherwise.” *Rivera v. City of Chicago*, 469 F.3d 631, 634 (7th Cir. 2006). However, that presumption is difficult to overcome, and the district court’s discretion is narrowly confined. Indeed, Rule 54(d)(1) establishes a “principle of preference,” under which the district court must award costs unless it states good reasons for denying them. *Congregation of the Passion, Holy Cross v. Touche, Ross & Co.*, 854 F.2d 219, 222 (7th Cir. 1988). Generally, only misconduct by the prevailing party worthy of a penalty or the losing party’s inability to pay will suffice to justify denying costs. *Id.*

Clearly, Google is the “prevailing party” in this case for purposes of Rule 54(d)(1), and Plaintiffs have not argued otherwise. “Prevailing party” is interpreted to mean “the party in whose favor judgment has been entered.” *Republic Tobacco Co. v. N. Atlantic Trading Co.*, 481 F.3d 442, 446 (7th Cir. 2007). The Clerk entered judgment on March 11, 2011 in favor of Google on all counts of Plaintiffs’ Second Complaint and Counts I and III of Google’s Counterclaim (Dkt. No. 311).² Google prevailed on every claim decided by the Court on the merits, and therefore is clearly the prevailing party under Rule 54(d)(1). *See Slane v. Mariah Boats, Inc.*, 164 F.3d 1065, 1068 (7th Cir. 1999) (noting that “when one party gets substantial relief it ‘prevails’ even if it doesn’t win on every claim”).

While Plaintiffs argue that Google is not entitled to an award of costs because the Court’s judgment “did not specifically allow costs” (Response, pp. 2-3), that argument is unavailing and

² Plaintiffs argue that the taxation of costs is premature because the Seventh Circuit Court of Appeals has now raised questions as to whether it has jurisdiction to hear Plaintiff’s appeal at this time (Response, pp. 1-2). Regardless of whether this Court’s decision is appealable according to the Seventh Circuit, Google respectfully submits that as the prevailing party on all of Plaintiffs’ claims, it has established entitlement to an award of costs under Rule 54(d)(1), and this Court need not wait for the conclusion of the appeal process to enter an award of Google’s taxable costs. Indeed, the interest of judicial economy would be promoted by entering such an award now, so that in the event that Plaintiffs or Google choose to appeal any award, the Seventh Circuit can address that issue together with Plaintiffs’ appeal on the merits.

unsupported by the Federal Rules. It is not surprising that Plaintiffs have not identified any legal support for their allegation -- as the law is clearly to the contrary.

Under Rule 54(d)(1), a judgment silent about costs is a judgment allowing costs because the district court has not “otherwise directed.” *Congregation of the Passion*, 854 F.2d at 221. As the prevailing party, Google is entitled to an award of costs in the absence of any finding by this Court of good reasons to deny such an award. *Id.* at 222. Because Plaintiffs have not identified any “good reasons” which would serve to rebut the presumption in favor of awarding costs, this Court must award Google its taxable costs. *Id.*

II. GOOGLE IS NOT REQUIRED TO “ITEMIZE” ITS COSTS AMONG SPECIFIC CLAIMS OR PLAINTIFFS

Plaintiffs next argue that Google should be denied *any* award of costs because Google purportedly failed to “itemize” its costs among specific Plaintiffs and/or between Plaintiffs’ claims and Google’s counterclaims (Response, pp. 3-4). That argument is also unsupported by any authority, and is once again unavailing.

First, Plaintiffs’ argument that Google should not be awarded costs because it did not prevail on every one of its asserted counterclaims ignores both the law and reality. A party need not prevail on every single claim asserted in order to be the “prevailing party.” *See Slane*, 164 F.3d at 1068 (plaintiff who was awarded \$225,000 by the jury and thus “won the battle” was the prevailing party, even though he prevailed on only two of the four claims asserted). As in *Slane*, Google “won the battle” by defeating Plaintiffs’ infringement claim and obtaining the cancellation of Plaintiffs’ federal trademark registration, and therefore is entitled to recover all costs permitted under 28 U.S.C. §1920.

Further, the law provides that liability for an award of costs to a prevailing party is joint and several unless it is clear that one or more of the losing parties is responsible for a

disproportionate share of the costs. *Anderson v. Griffin*, 397 F.3d 515, 522-23 (7th Cir. 2005). Thus, joint and several liability among each of the Plaintiffs is presumed, and it is Plaintiffs' burden, not Google's, to "itemize" those costs between one another if there is some legitimate reason to do so. *See White v. Sundstrand Corp.*, 256 F.d 580, 586-87 (7th Cir. 2001) (finding liability to be joint and several where plaintiffs made no contention that specific plaintiffs were responsible for discrete portions of the prevailing defendant's costs). Plaintiffs have made no such contention that costs should be divided up because of differing responsibilities. Nor should they, because the named plaintiff corporations (Android Data Corporation and The Android's Dungeon, Inc.) are nothing more than alter egos of Plaintiff Erich Specht, who has at all times been the "sole officer, director and shareholder" of ADC and the sole shareholder of ADI (see Plaintiffs' Second Amended Complaint, Dkt. No. 134, at ¶¶ 7-8). Plaintiffs' "itemization" argument is nothing more than a red herring raised by Plaintiffs in an improper effort to make this Court and Google incur unnecessary effort in addressing a non-issue.

III. THE COSTS ITEMIZED BY GOOGLE ARE PROPERLY TAXABLE AS COSTS UNDER 28 U.S.C. §1920

As discussed below, each of the costs itemized by Google in its Bill of Costs qualifies as a taxable cost under 28 U.S.C. §1920.³ At the outset, Plaintiffs' confusing argument that Google's bill of costs should be denied because Google somehow "inflated its costs" (Response, pp. 4-6) lacks any merit. While Google strongly disputes the veracity of Plaintiffs' unsupported, disparaging representations as to what transpired during settlement negotiations, there is no need to engage in a "he said, she said" debate, inasmuch as Google's prior settlement demand and

³ Google hereby withdraws its request for an award of \$1,326.14 for printing costs associated with its response to Plaintiffs' Petition for Writ of Mandamus to the Seventh Circuit (see Nelson Decl., ¶13).

Plaintiffs' prior settlement offer⁴ is simply irrelevant to the entry of an award of costs under Rule 54(d)(1). Google has submitted a properly itemized and supported Bill of Costs, and Plaintiffs' disjointed, unsupported and inflammatory accusations have no bearing on the issue now before this Court.⁵

A. Google is Entitled to Recover Its Costs for Private Process Servers

Plaintiffs concede that fees of private process servers are recoverable under §1920(1), provided they do not exceed the U.S. Marshals rate at the time process was served. *Collins v. Gorman*, 96 F.3d 1057, 1060 (7th Cir. 1996). To award costs for the service of subpoenas, the Court need only determine that the subpoenas were reasonably necessary “in light of facts known at the time of service.” *Perry v. City of Chicago*, 2011 WL 612342, *3 (N.D.Ill. Feb. 15, 2011) (citing *Movitz v. First Nat. Bank of Chicago*, 982 F.Supp. 571, 574 (N.D.Ill. 1997)). The party contending that service was not reasonably necessary has the burden of proving that service was unreasonable, and “must offer some *evidence* to show that it was unreasonable for [the prevailing party] to believe that the documents or the testimony were necessary at the time [they were] sought.” *Id.* (emphasis added).

Plaintiffs have again offered nothing more than unsupported attorney argument, devoid of any evidence or citation to the record, in support of their argument that service of the subpoenas at issue was not reasonably necessary. As such, those arguments (which Google again does not

⁴ In the spirit of Federal Rule of Evidence 408, the undersigned had attempted to avoid disclosing the actual settlement discussions between the parties. However, in view of Plaintiffs' disclosure of such discussions and Mr. Murphy's unjustified characterization of the undersigned as somehow being untruthful as to what Plaintiffs' demanded as a settlement offer, the undersigned must clarify further. When he and Richard Harris met with Mr. Murphy in person to discuss settlement on Tuesday, January 25, 2010, Mr. Murphy orally requested \$5 Million as a settlement amount. We trust that Mr. Murphy's statements to the contrary, *i.e.* that no demand was ever discussed (Response p 4-5), were nothing more than mis-recollection.

⁵ Moreover, Google fails to see the logic in Plaintiffs' argument that Google somehow “inflated” its taxable costs by seeking far less than it had initially estimated.

concede the veracity of) are insufficient to justify denial of subpoena service fees. *See id.* (awarding service fees where plaintiff provided “no sound basis for an outright denial of subpoena service fees”).

Moreover, Plaintiffs concede that the testimony of Robblee and Eide was reasonably necessary for use in this case (Response, pp. 9-10). The remaining entities who were served with subpoenas by Google (Northwest Repossession/NRI, Picket Fence Realty, and Design Toscan) were all identified by Plaintiffs as entities having relevant knowledge regarding their purported trademark use.⁶ *See id.* at *2 (noting that each subpoenaed person or institution was identified by the plaintiff as having discoverable information). As such, Plaintiffs have identified no sound basis for denying Google’s request for recovery of its service fees.

Google agrees that, under the controlling law, and without some other showing of need, it is entitled to no more than \$55 in taxable costs per subpoena where the invoice does not identify the actual time spent by the process server. *See Davis v. Budz*, 2011 WL 1303435, *2 (N.D.Ill. Mar. 31, 2011) (when an invoice fails to indicate the time spent effectuating service, courts will award costs for one hour based on current Marshals Service rate of \$55 per hour for service of process). Accordingly, Google limits its request for service fees to a total of \$490, based on an award of \$55 for subpoenas served on each of the following entities (see invoices collected at Ex. B to Bill of Costs):

<u>Entity</u>	<u>Invoice No.</u>	<u>Invoice Date</u>
Eide C.P.A., LLC	26444	09/30/2009
Kenneth A. Robblee (document subpoena)	29212	10/21/2009
Kenneth A. Robblee (deposition subpoena)	0908762	11/6/2009

⁶ See Ex. A, Plaintiffs’ Third Supplemental Responses to Google’s First Set of Interrogatories, at pp. 6-7 (Design Toscano), pp. 12-13 (Northwest Repossession/NRI), pp. 14-17 (Picket Fence Realty).

Northwest Repossession LLC	0909577	11/17/2009
NRI, LLC	0909577	11/17/2009
Picket Fence Realty, Ltd.	0909577	11/17/2009
Design Toscan, Inc.	0909577	11/17/2009
Design Toscan Commercial LLC	0909577	11/17/2009

B. Google is Entitled to Recover its Costs for Both Video and Stenographic Transcription of Depositions

While Plaintiffs claim that a Court may not award a prevailing party its costs for transcribing a deposition by both video and stenographic means (Response, p. 9), the cases cited by Plaintiffs are no longer good law. The Seventh Circuit has more recently held that district courts may tax costs for both video recording and stenographic transcription of a deposition.⁷ *Little v. Mitsubishi Motors N. Am., Inc.*, 514 F.3d 699, 702 (7th Cir. 2008). Further, most transcripts of video-recorded depositions fall into the category of “necessarily obtained for use in the case,” because the Federal Rules require a party seeking to use deposition testimony at trial to provide a written transcript. *Id.* Thus, where a party uses a video-recorded deposition to support its motion for summary judgment, the stenographic transcript of that deposition was necessarily obtained for use in the case. *Id.*

Google seeks its costs for transcripts from fourteen (14) depositions taken during discovery in this case, as summarized in the spreadsheet included in Exhibit C to Google’s Bill

⁷ While Plaintiffs note that Rule 30(b)(3)(A) states that the noticing party “bears the recording costs” for a deposition (Response, p. 9), Plaintiffs, as per their practice, cite no authority for the proposition that this language precludes the Court from taxing those costs to the losing party under Rule 54(d)(1)—a disingenuous proposition which directly contradicts the vast body of case law holding that costs for recording a deposition (by audio, audiovisual and/or stenographic means) are taxable under Rule 54(d)(1).

of Costs. Five of those depositions were noticed and taken by Plaintiffs, and therefore Plaintiffs cannot seriously argue that those depositions were not reasonably necessary for use in this case.⁸

Of the remaining depositions noticed and taken by Google, each of those transcripts was relied upon by Google in either its motion for summary judgment and/or its currently pending motion for sanctions and attorney's fees.⁹ While Plaintiffs baldly claim that most of those transcripts were not necessarily obtained for use in the case, they provide no detailed assertions or evidence in support of that claim. *See BDT Products, Inc. v. Lexmark Int'l, Inc.*, 405 F.3d 415, 419-20 (6th Cir. 2005) (noting that the party objecting to costs has the burden of demonstrating "which depositions fall outside the reach of necessity"). Because Google has actually used each of those transcripts in this case, this Court is justified in finding that they were necessarily obtained for use in the case, and awarding Google its costs associated therewith. *See Apostol v. City of Crystal Lake*, 165 F.R.D. 508, 511 (N.D.Ill. 1996) (awarding costs where all of the depositions for which defendants sought reimbursement were used in their motion for summary judgment); MOORE'S FEDERAL PRACTICE (3rd ed.), §54.103[3][c][i] ("If the deposition was actually used in the case, the necessity of taking it is established by that use, whether the deposition is offered into evidence at trial, or is merely used in pretrial proceedings, such as on a motion to dismiss or for summary judgment.").

⁸ Specifically, the depositions of Nickolas Sears, Andy Rubin, Jennifer Flannery, Christopher White and Cliff Petrovsky were noticed and taken by Plaintiffs. Notably, Google does not seek to recover its actual costs for those transcripts, but rather only seeks to recover the \$0.90 per page permitted under this Court's fee schedule.

⁹ See Google's LR 56.1 Statement of Uncontested Facts (Dkt. No. 256) at ¶¶ 54-56 (Robblee), ¶¶ 20, 62 (Megan Specht), ¶¶ 26, 47, 54, 59-63, 66, 68, 72, 75 (Erich Specht), ¶49 (May), ¶ 52, 73 (Crum); Google's Response to Plaintiffs' Motion to Strike Google's LR56.1 Statement of Uncontested Facts (Dkt. No. 286) at pp. 4-5 (Eide), pp. 8-9 (Martin Murphy); Google's Reply to Plaintiffs' Response to Google's LR 56.1 Statement of Uncontested Material Facts (Dkt. No. 289), at p. 11 (Wendy Murphy).

Moreover, as noted in the Nelson Declaration, Google's videotaping of several depositions was justified and necessary, in view of the fact that (i) Mr. Robblee was in ill health at the time of his deposition, and (ii) the misconduct of Plaintiffs' counsel at the deposition of Mr. Murphy. The videotaping of subsequent depositions was in order to minimize the disruptive behavior that prevented Google from obtaining factual information should be taxed to Plaintiffs as well. Notably, Plaintiffs do not contend that the costs associated with videotaping those depositions were unreasonable. Accordingly, Google may recover its costs associated with videotaping those depositions under Rule 54(d)(1), in addition to the cost of preparing stenographic transcripts of those depositions. *Little*, 514 F.3d at 702.

C. Google is Entitled to Recover its Itemized Costs for Exemplification and Copy Fees

As discussed in the Nelson Declaration, Google has properly itemized its costs for exemplification and copy fees, and recovery of those costs is permitted under 28 U.S.C. §1920. First, Plaintiffs' statement that "[e]xpenditures for a computerized litigation support system are not taxable costs" (Response, p. 11) again misstates the law. In the 1991 Seventh Circuit case which Plaintiffs cite, the Seventh Circuit did not hold that costs for document imaging are never taxable; rather, it simply held that the district court's one-sentence comment in that case regarding a particular database expense was insufficient to permit the appeals court to determine whether the expense was reasonable and necessary. *Northbrook Excess and Surplus Ins. Co. v. Procter & Gamble Co.*, 924 F.2d 633, 644 (7th Cir. 1991).

However, in the twenty years since *Northbrook*, courts have repeatedly recognized that in this day and age, electronic document imaging has to a large extent replaced making paper copies, and therefore document imaging expenses can properly be taxed as costs for "exemplification and copies of papers necessarily obtained for use in the case." *See, e.g., Fast*

Memory Erase, LLC v. Spansion, Inc., 2010 WL 5093945, *5 (N.D.Tex. Nov. 10, 2010) (“Recent decisions accounting for technological advances in document storage and retrieval have recognized that electronic scanning and imaging of paper documents is the modern-day equivalent of ‘exemplification and copies’ of paper.”). Thus, courts now routinely allow a prevailing party to recover the costs of converting documents into electronic files. *See, e.g., BDT Prods.*, 405 F.3d at 420 (finding no abuse of discretion in the district court’s taxation of scanning and imaging costs, and stating that “electronic scanning and imaging could be interpreted as ‘exemplification and copies of papers’”); *Tilton v. Capital Cities/ABC, Inc.*, 115 F.3d 1471, 1476 (10th Cir. 1997) (affirming district court’s taxation of costs for imaging documents); *Brown v. McGraw-Hill Cos., Inc.*, 526 F.Supp.2d 950, 959 (N.D.Iowa 2007) (taxing costs of scanning documents because “the electronic scanning of documents is the modern-day equivalent of ‘exemplification and copies of paper’”). Moreover, where, as here, the parties expressly agreed to produce documents electronically in TIFF/OCR format, the prevailing party is entitled to recover its costs for creating TIFF/OCR images of responsive documents. *Fast Memory Erase*, 2010 WL 5093945 at *5. *See also Neutrino Development Corp. v. Sonsonite, Inc.*, 2007 WL 998636, *4 (S.D.Tex. Mar. 30, 2007) (where electronic data was produced by agreement, in lieu of paper copies, the cost of production was recoverable under §1920).

As noted in the Nelson Declaration, Google seeks to recover \$17,002.67 for imaging and creating TIFF/OCR versions of documents exchanged during discovery (see Nelson Decl., ¶16). Moreover, producing documents in that format resulted in significant cost savings over printing and copying all of the documents that were produced in this case (*Id.*). *See Nault v. Dorel Indus., Inc.*, 2010 WL 3064007, *4 (W.D.Tex. Aug. 2, 2010) (finding cost of electronic production taxable where “the electronic data was produced in lieu of extremely costly paper

production”). Because the parties in this case agreed that documents would be exchanged in such a format,¹⁰ such costs are properly taxed as exemplification costs under §1920.

Further, while Plaintiffs challenge Google’s right to \$2,152.15 for photocopying costs, the law is clear that the prevailing party is “not required to submit a bill of costs containing a description so detailed as to make it impossible economically to recover photocopying costs,” and must simply “provide the best breakdown obtainable from retained records.” *Bodum USA, Inc. v. La Cafetiere, Inc.*, 2009 WL 1702808, *4 (N.D.Ill. June 17, 2009) (citing *Northbrook*, 924 F.2d at 643). Indeed, a party need not provide a “detailed breakdown of which documents were copied on which dates,” but need merely produce the best records that it has. *Id.*

Google has provided in the Nelson Declaration a detailed description of the types of documents that were copied by Google’s counsel for use in this case, together with copies of counsel’s invoices showing the precise amounts charged by counsel to Google for copying costs (see Nelson Decl., ¶15). While Plaintiffs argue that Google should only be entitled to recover copying costs for documents actually filed with the Court (Response, p. 11), that is not the law. Copies of documents “necessary for use in the case” may also include “copies attributable to discovery.” *Perry*, 2011 WL 612342 at *2. Given the fact that nearly 300,000 pages of documentation were ultimately produced in this case, and that fourteen depositions were taken by the parties (each involving many exhibits), Google submits that its request for in-house photocopying costs for 21,522 pages is manifestly reasonable. *See Bodum USA*, 2009 WL 1702808 at *4 (finding that requested costs for in-house copying were low “given the amount of discovery, exhibits and filings required in the case”).

¹⁰ See Ex. B, March 26, 2010 Dunning e-mail.

IV. CONCLUSION

For the reasons set forth above, Google requests that the Court enter an Order requiring Plaintiffs to pay Google's taxable costs pursuant to Rule 54(d)(1), in the amount of \$43,375.86, calculated as follows:

Fees for service of summons and subpoena:	\$490.00
Fees of the court reporter for all or any part of the transcript necessarily obtained for use in the case:	\$20,879.70
Fees for witnesses:	\$55.00
Fees for exemplification and copies of papers necessarily obtained for use in the case:	\$21,951.16

Respectfully submitted,

Dated: May 2, 2011

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CERTIFICATE OF SERVICE

I hereby certify that on the date set forth below, I electronically filed the foregoing GOOGLE INC.'S REPLY BRIEF IN SUPPORT OF ITS BILL OF COSTS with the Clerk of Court using the CM/ECF system, which will send notification of such filings to all counsel of record.

Dated: May 2, 2011

/s Herbert H. Finn _____