

EXHIBIT F

LEXSEE 2001 U.S. DIST. LEXIS 12665

EPCON GAS SYSTEMS and NORMAN LOREN, Plaintiffs, v. BAUER COMPRESSORS, INC., Defendant.

CIVIL ACTION NO. 98-CV-75392

UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF MICHIGAN, SOUTHERN DIVISION

2001 U.S. Dist. LEXIS 12665; 49 Fed. R. Serv. 3d (Callaghan) 45

March 26, 2001, Decided
March 26, 2001, Filed

DISPOSITION: [*1] Recommended that this Plaintiff's Motion for a Stay be DENIED, that Plaintiff's Motion for Review be GRANTED, and that Bauer be awarded \$ 9,166.13 in costs.

COUNSEL: For EPCON GAS SYSTEMS INCORPORATED, NORMAN S. LOREN, plaintiffs: Gerald E. McGlynn, III, Bliss McGlynn, Troy, MI.

For EPCON GAS SYSTEMS INCORPORATED, plaintiff: Joseph G. Burgess, Bliss McGlynn, Troy, MI.

For BAUER COMPRESSORS, INCORPORATED, defendant: John A. Artz, John S. Artz, Lyon & Artz, Southfield, MI.

For BAUER COMPRESSORS, INCORPORATED, counter-claimant: John S. Artz, Lyon & Artz, Southfield, MI.

For EPCON GAS SYSTEMS INCORPORATED, counter-defendant: Gerald E. McGlynn, III, Joseph G. Burgess, Bliss McGlynn, Troy, MI.

JUDGES: DONALD A. SCHEER, UNITED STATES MAGISTRATE JUDGE. DISTRICT JUDGE ARTHUR J. TARNOW.

OPINION BY: DONALD A. SCHEER

OPINION

REPORT AND RECOMMENDATION

I. RECOMMENDATION:

This cause comes before the Court on "Plaintiffs' Motion for Review of Taxation of the Bill of Cost and Stay Pending Appeal"; "Defendants' Opposition to Plaintiffs' Motion for Review of Taxation of the Bill of Cost and Stay Pending Appeal"; and Plaintiffs' Reply. For the reasons stated herein, I recommend that [*2] Plaintiffs' Motion for Stay be **DENIED**, that their Motion for Review be **GRANTED**, and that Bauer be awarded \$ 9,166.13 in costs.

II. REPORT:

A. FACTUAL AND PROCEDURAL BACKGROUND

This is a patent infringement action. On February 28, 2000, the District Court held a *Markman* hearing concerning the interpretation of two claims of a patent held by Plaintiff Epcon Gas Systems. Defendant Bauer Compressors Inc. filed a "Motion For Summary Judgment That it Does Not Infringe U.S. Patent No. 5,118,455 and Request To Have This Case Declared Exceptional". It also file a "Motion for Summary Judgment that U.S. Patent No. 5,118,455 is Invalid As In Public Use or On Sale Under 35 U.S.C. § 102(b)". The District Court heard oral argument on the motions on June 21, 2000. On September 19, 2000, the Court entered an order interpreting the two disputed claims of the patent, granted Bauer's Motion for summary judgment on the issue of noninfringement, denied its motion to declare the case exceptional, and declined to rule on the motion for summary judgment on the issue of invalidity. Both Epcon and Bauer appealed the District Court's decision. Their [*3] appeals are now pending in the Court of Appeals for the Federal Circuit.

On October 18, 2000, Bauer filed an "Itemization of Bauer's Bill of Costs", seeking costs of \$ 21,222.84. It is undisputed that Bauer neglected to serve Epcon with a

copy of its Bill of Costs at that time. On February 6, 2001, the Clerk of the Court issued a Taxed Bill of Costs awarding Bauer \$ 10,456.13 in costs.

Epcon now seeks a stay of the award of costs pending the outcome of the appeal. Alternatively, it seeks a review of the award of costs. Epcon argues that Bauer should not recover any costs because it failed to serve Epcon with an itemized Bill of Costs, that Bauer's itemized Bill of Costs includes court reporter fees that are not taxable, and that it includes certain nontaxable fees for service in connection with documents sought by third parties.

B. DISCUSSION AND ANALYSIS

1. STAY PENDING APPEAL

Epcon first argues that the Court should stay the Bill of Costs pending the outcome of the appeal in the Federal Circuit. The Court has discretion to issue a stay or to award costs where a case is pending on appeal. While there is always the possibility that the Court of Appeals may disagree [*4] with the District Court's judgment, it is in the interest of judicial economy to resolve all of the remaining issues in this case at this time. Accordingly, I recommend that Plaintiff's motion for a stay be denied, and that the Court review the Clerk's Taxed Bill of Costs.

2. SERVICE OF BILL OF COSTS

Epcon next contends that Bauer's Bill of Costs should be disallowed because Bauer failed to serve a copy of the Bill on Epcon at the time they filed it with the Court. Bauer admits that it inadvertently failed to serve Epcon with a copy of the Bill of Costs at the time it filed the Bill with the Court, but it did serve them with a copy the day after the Clerk entered its Taxed Bill of Costs. Bauer contends that Epcon did not suffer prejudice, as Epcon had no right to object or respond to Bauer's Bill of Costs. Epcon counters that it was prejudiced because it lost more than three months that it could have had to review each of the itemized costs, and that it was forced to investigate, research, and prepare its motion for review in four days.

Epcon did lose time that could have been utilized to review Bauer's Bill of Costs. However, as Bauer notes, Epcon was not entitled to [*5] file a response or objections to the Bill of Costs until the Clerk filed the Taxed Bill of Costs. Until that time, Epcon could not know what costs the Clerk would allow. Once the Taxed Bill of Costs was filed, Epcon was afforded the full prescribed period of time within which to file its Motion for Review. Accordingly, I do not find that it suffered prejudice such that Bauer's entire request for fees be disallowed.

3. TRANSCRIPTS

Bauer seeks reimbursement for costs of the *Markman* hearing transcripts, and for the deposition transcripts of Paul Dier, Richard Goralski, Norman Loren, John Watters, Art Apkarian, Helmut Eckhardt, Andrew McKraig, Michael Lynch, Jon Erikson, Leslie Rhue, William Weaver, and William Nelson.

Epcon argues that Bauer was not ordered by the Court to obtain copies of the *Markman* hearing transcript, as it represented in its Bill of Costs. Rather, the Court set the post-hearing briefing schedule based upon the date that the transcript would be available. Title 28 U.S.C. § 1920(2) provides that costs may be taxed for "fees of the court reporter for all or any part of the stenographic transcript necessarily obtained for use [*6] in the case." Judge Tarnow, at the *Markman* hearing, in setting a briefing schedule for supplemental briefs, stated, "How much time do you need? Well, first of all, let's make it a certain number of days after the transcript is made." (Transcript of *Markman* Hearing, February 28, 2000, p. 198). Regardless of whether Judge Tarnow's comments can be interpreted as an order of the court, it is clear that the transcripts were necessarily obtained for use in preparing the supplemental briefs that were ordered by the Judge. Since both parties required the transcript to complete their supplemental briefs, I recommend that each party bear fifty percent of the total cost of the transcript. Accordingly, I recommend that Epcon be taxed \$ 250.00 for the *Markman* transcript.

With respect to the deposition transcripts, Epcon contends that because Bauer only prevailed on the noninfringement summary judgment motion, its recovery of costs should be limited to those deposition transcripts used in support of that motion. In that motion, Bauer referenced only seven pages of the testimony of Jon Erikson. Epcon asserts that recovery for the remaining deposition transcripts should be disallowed. [*7] Bauer responds that the Clerk properly taxed the costs of the depositions transcripts that it used in one or more of its motions.

The fee statute does not require that the deposition transcripts that the prevailing party seeks to tax as costs be used in the "winning motion". Bauer used the depositions of Eckhardt and Loren in its motion for summary judgment on the issue of invalidity. Although the Court ultimately declined to rule on that motion, the motion was not improvidently filed. Since those depositions were used to support that motion, the costs of the transcripts are compensable. Bauer also used the deposition transcripts of Erikson and Watters in its motion for summary judgment on the issue of noninfringement. The cost of those transcripts are clearly compensable.

In its Bill of Costs, Bauer contends that Epcon used the deposition of Paul Dier in opposition to the nonin-

fringement motion. To assess Epcon's Opposition and to prepare a reply, it was necessary for Bauer to obtain that transcript. Therefore, it may be taxed as costs. The same rationale applies to the transcript of the deposition of Richard Goralski. I find no specific explanation in the Bill of Costs for the [*8] necessity of the deposition transcripts of Lynch, Rhue, Weaver, and Nelson. Accordingly, I recommend that the Court tax costs for the deposition transcripts of Erikson, Loren, Watters, Dier and Goralski.

4. SERVICE FEES

Finally, Epcon contends that the Clerk incorrectly taxed \$ 58.00 for service fees in connection with documents sought from third parties and used during the *Markman* proceeding. Epcon argues that Bauer did not prevail at the *Markman* proceeding and, therefore, the service fees are not recoverable. In addition, they argue that the Bill of Costs Handbook forbids recovery for services fees for discovery subpoenas. Bauer claims that it is entitled to the award as the prevailing party in this case. In addition, it asserts, in its Opposition, that some of the subpoenaed documents were attached to its motion for summary judgment and therefore are recoverable. Bauer states, in its Bill of Costs, that the subpoenas were served to obtain documents that it used in its *Markman* brief.

Although Bauer has offered an explanation for the need for the subpoenas, the Bill of Costs Handbook clearly states that service fees for discovery subpoenas will not be taxable. [*9] Accordingly, I recommend that the Court not permit recovery for those subpoenas.

C. CONCLUSION

For the reasons stated above, I recommend that Plaintiff's Motion for a Stay be **DENIED**, that Plaintiff's Motion for Review be **GRANTED**, and that Bauer be awarded \$ 9,166.13 in costs.¹

1 The award amount includes \$ 1,257.50 for the "agreed upon other costs" in Item G of the Itemization of Bill of Costs, and \$ 7,909.13 in deposition costs.

III. NOTICE TO PARTIES REGARDING OBJECTIONS

The party to this action may object to and seek review of this Report and Recommendation, but are required to act within ten (10) days of service of a copy hereof as provided for in 28 U.S.C. § 636(b)(1) and E.D. Mich. LR 72.1(d)(2). Failure to file specific objections constitutes a waiver of any further right of appeal. *United States v. Walters*, 638 F.2d 947 (6th Cir. 1981), *Thomas v. Arn*, 474 U.S. 140, 88 L. Ed. 2d 435, 106 S. Ct. 466 (1985), [*10] *Howard v. Secretary of Health and Human Services*, 932 F.2d 505 (6th Cir. 1991). Filing of objections that raise some issues but fail to raise others with specificity, will not preserve all the objections a party might have to this Report and Recommendation. *Smith v. Detroit Federation of Teachers Local 231*, 829 F.2d 1370, 1373 (6th Cir. 1987), *Willis v. Secretary of Health and Human Services*, 931 F.2d 390, 401 (6th Cir. 1991). Pursuant to E.D. Mich. LR 72.1(d)(2), a copy of any objection is to be served upon this Magistrate Judge.

Within ten (10) days of service of any objecting party's timely filed objection, the opposing party may file a response. The response shall not be more than five (5) pages in length unless by motion and order such page limit is extended by the Court. The response shall address specifically, and in the same order raised, each issue contained within the objections.

DONALD A. SCHEER

UNITED STATES MAGISTRATE JUDGE

DATED: March 26, 2001