

**UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
NORFOLK DIVISION**

I/P ENGINE, INC.,)	
)	
Plaintiff,)	
v.)	Civ. Action No. 2:11-cv-512
)	
AOL, INC. et al.,)	
)	
Defendants.)	
)	

I/P ENGINE, INC.’S REPLY IN SUPPORT OF ITS BILL OF COSTS

I. INTRODUCTION

Defendants’ Opposition attempts to gloss over three crucial facts: (1) I/P Engine won on every issue it presented at trial regarding the infringement and validity of the two patents-in-suit; (2) the jury awarded I/P Engine damages consistent with its request, i.e., a reasonable running royalty at the requested royalty rate (though not the full total damages amount requested); and (3) the discovery and trial in this case was focused and limited to Google’s AdWords system.¹ Instead of acknowledging these facts, Defendants attempt to unnecessarily apportion the costs associated with the AdWords system and, at all costs, avoid admitting that I/P Engine is the prevailing party. Defendants cannot avoid any of these facts.

I/P Engine is the prevailing party on every issue presented at trial under Fed. R. Civ. P. 54. *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dept. of Health and Human Res.*, 121 S.Ct. 1835, 1839 (2001) (the Supreme Court has defined a prevailing party as “[a] party in whose

¹ Just like Defendants’ use of the term, I/P Engine’s use of the term “the AdWords system” includes Defendants’ use of the accused AdSense for Search system, AdSense for Mobile Search system and AOL Search Marketplace system – the four systems tried before the jury in this case.

favor judgment is rendered, regardless of the amount of damages awarded.”). Further, because discovery and trial was limited to only the AdWords system, no unnecessary apportionment is required to I/P Engine’s Bill of Costs. Thus, this Court should approve all of I/P Engine’s requests in its amended Bill of Costs.²

II. ARGUMENT

Defendants do not object to \$41,089.30 in costs sought by I/P Engine. Defendants do object to nine of I/P Engine’s requests:

- (1) \$21,736.55 in costs for video-taped depositions,
- (2) \$2,541.75 for its patent-related costs,
- (3) \$3,101.59 in costs for research materials,
- (4) \$3,505.26 in costs for deposition transcripts and videos for Messrs. Andrew Perlman, Alexander Berger, Donald Kosak and Andrew Ken Lang,
- (5) \$22,730.35 in costs for expedited transcripts,
- (6) \$3,596.60 in costs for Mr. Perlman’s travel related to trial and \$1,068.00 in costs for Mr. Perlman’s subsistence (lodging) related to trial,
- (7) \$5,545.92 in costs for Mr. Kosak’s travel related to trial and his deposition and \$2,039 in costs for Mr. Kosak’s subsistence (lodging) related to trial,
- (8) \$2,742.72 in costs for Mr. Lang’s travel related to trial and \$1,335.00 in costs for Mr. Lang’s subsistence (lodging) related to trial,
- (9) \$2,906.18 in costs for Dr. Stephen Becker’s travel related to trial and \$2,670.00 in costs for I/P Engine’s experts’ subsistence (lodging) related to trial, and
- (10) \$68,496.61 for vendor’s services in preparing and presenting trial exhibits.

Defendants additionally request that I/P Engine’s costs be apportioned by 60% because I/P Engine voluntarily dismissed some of the accused products in this case prior to trial.

² I/P Engine is filing concurrently herewith an Amended Bill of Costs to withdraw its request for \$68,496.61 for vendor’s services in preparing and presenting trial exhibits. Although the bill of costs is within this Court’s discretion, I/P Engine has decided to withdraw its request.

Opposition at 16. Defendants' arguments and objections, for at least the reasons set forth below, are without merit.

Consistent with its compromise proposal submitted to Defendants regarding the Bill of Costs before they filed their Opposition, which Defendants refused, I/P Engine withdraws its request for \$68,496.61 for vendor's services in preparing and presenting trial exhibits. I/P Engine maintains all of its other requests. Accordingly, concurrently herewith, I/P Engine respectfully submits an amended Bill of Costs (See Exhibit 1 to the Declaration of Charles J. Monterio, Jr. In Support of I/P Engine Inc.'s Reply In Support of Its Bill of Costs), for the convenience of this Court, to reflect I/P Engine's amended request for \$113,425.25 in costs.

A. I/P Engine's Bill of Costs Should Not Be Apportioned Because of Other Accused Products That Are Unrelated to the Costs Included in I/P Engine's Bill of Costs

Defendants argue that I/P Engine has "made no effort to apportion its requests for costs to account for the costs it incurred in litigating the claims against AOL's Advertising.com Sponsored Listings, just as it failed to apportion costs from the other dismissed systems." Opposition at 3. However, I/P Engine does not seek, and has not requested, costs associated with any of those dismissed systems. All of the costs sought by I/P Engine are related to the limited discovery conducted in this case or for trial itself.

For example, with respect to AOL's Advertising.com Sponsored Listings system, AOL and I/P Engine agreed before AOL's depositions began that I/P Engine would not seek discovery (or ask any questions) related to AOL's Advertising.com Sponsored Listings system. Exhibit 1. I/P Engine conducted its discovery in accordance with that agreement. Nor can it be disputed that AOL's Advertising.com Sponsored Listings system was not an accused system during trial in this case and thus any cost incurred at trial cannot be associated with that system.

Additionally, with respect to Google Search, I/P Engine did not depose – or even request for deposition – any of Google’s employees identified in any of Google’s Initial Disclosures as knowledgeable about the Google Search system. The same applies to the witnesses identified in IAC Search & Media’s Initial Disclosures that were knowledgeable about IAC’s Sponsored Listings system. Of course, because those systems were not at issue during trial, no cost incurred during trial can be apportioned to these systems.

In short, because no relevant discovery was conducted related to the dismissed systems and those systems were not at issue during trial, no cost included in I/P Engine’s Bill of Costs can be related to those systems and all of I/P Engine’s requested costs are recoverable under Fed. R. Civ. P. 54. Defendants’ “apportionment” argument is meritless and should be ignored.

B. I/P Engine’s Patent-Related Materials Request is Appropriate Under the Taxation of Costs Guidelines

Defendants contend that I/P Engine’s request for costs associated with patent-related materials should be stricken. Opposition at 6. Section 7(A)(5) of this Court’s Guidelines on taxation, however, states that “[t]he cost of patent file wrappers and prior art patent are taxable at the rate charged by the patent office.” I/P Engine’s request is consistent with that statement.

I/P Engine ordered the patent file histories for the patents-in-suit as well as the related patents in the patent family. As Defendants admit, the patents-in-suit were necessarily obtained for use in this case. Opposition at 7. Equally so, the related patents and their file histories were necessarily obtained for use in this case. Although the issue of any priority claim of the patents-in-suit to its parent did not ultimately reach trial in this case, it certainly was an issue during the case that I/P Engine needed to consider. Moreover, the related patents could have become relevant to this case with respect to the “mind pool” issue that was discussed during trial if this Court had ruled differently. Because these issues were at play, the copies of the patents-in-suit,

the related patents and their file histories were necessarily obtained for use in this case. I/P Engine should be allowed the entire **\$2,541.75** for its patent-related costs.

C. I/P Engine’s Research Materials Request is Appropriate Under the Taxation of Costs Guidelines

Defendants unexplainably contend that I/P Engine’s request for costs for research materials should be stricken. Opposition at 7. Section 7(A)(1) of this Court’s Guidelines on taxation specifically states that “[t]he reasonable cost of copies of papers necessarily obtained from third-party custodians is taxable.” I/P Engine’s request fits squarely into that category. I/P Engine ordered books and research materials that were necessary in this case, e.g., they were used during this Court’s *Markman* hearing, during depositions, and during trial. Thus, Defendants’ argument is unfounded. I/P Engine should be allowed the entire **\$3,101.59** for its research material costs.

D. I/P Engine is Entitled to its Request for Costs Associated with Video-Taped Depositions

Defendants contend that the costs of video-taped depositions are not taxable. Opposition at 8. However, courts in this circuit have allowed taxation of costs necessarily incurred in videotaping depositions where both parties videotaped depositions and obtained copies of video depositions of the other, and no objection to dual modes of recording was made at the time the deposition was noticed. *See, e.g., BCD, LLC v. BMW Mfg. Co.*, Civ. A. No. 6:05-cv-02152-*GRA*, 2008 WL 724061, at *1-2 (D.S.C. Mar. 17, 2008) (citing *Preis v. Lexington Ins. Co.*, 2007 WL 3120268, at *3 (S.D. Ala. Oct. 22, 2007) (quoting *Morrison v. Reichold Chems., Inc.*, 97 F.3d 406, 464-65 (11th Cir. 1996))). In fact, this Court has allowed taxation of costs associated with videotaping depositions. *Mann v. Heckler & Koch Def., Inc.*, Case No. 1:08-cv-611-JCC, 2011 WL 1599580, at *6 (E.D. Va. Apr. 28, 2011). Similar to the prevailing parties referred to in the *BCD, LLC* case, I/P Engine noticed all of its depositions in question by stenographic and

video means. Defendants did not object at the time and should be deemed to have waived such objections. Furthermore, Defendants noticed all of their depositions by stenographic and video means as well.

The necessity of the stenographic transcripts is apparent – many excerpts were used in I/P Engine’s pretrial and trial motions, and the original transcript served a valuable purpose. As for the videotapes, Defendants do not dispute that videotaped deposition testimony is far more compelling to the jury than the “dry page.” *See Williams v. Bd. Of Comm’rs*, 938 F. Supp. 852, 862 (S.D. Ga. 1996) (taxing costs of video depositions). While excerpting deposition testimony for written motions will suffice, the jury cannot be expected to judge the credibility and weigh the testimony of the written word, but needs to consider the witness as if they were testifying live at trial, as approximated by videotape. Thus, the cost for videotapes was also a necessary expense incurred by I/P Engine.

Defendants raise a red herring that certain depositions were not necessary because they were not ultimately used at trial. This argument fails to consider the fact that they were necessarily obtained for use in the case at the time they were taken. All of these witnesses, except those for defendant Gannett, reside outside of Virginia, and I/P Engine reasonably had to anticipate that it would rely upon their videotaped deposition testimony at trial. Further, Defendants never provided assurances that they would have its witnesses in attendance, which would allow I/P Engine to forgo videotaping the depositions.

I/P Engine should be allowed the entire **\$21,736.55** in costs sought for videotaping depositions. *Cherry v. Champion Int’l Corp.*, 186 F.3d 442, 449 (4th Cir. 1999) (citing 28 U.S.C. § 1920(2)) (fees for videography of a deposition are available when necessarily obtained for use in the case).

E. I/P Engine is Entitled to its Costs for Expedited Deposition Fees

Defendants contend that I/P Engine is not entitled to costs associated with expedited transcript fees because the depositions could have occurred earlier. Opposition at 10.

Defendants' argument is without merit. Where reasonably justified, expedited costs, i.e., rush fees, are indeed taxable. *See e.g., Mann*, 2011 WL 1599580, at *4-5; *Ferris v. AAF-McQuay, Inc.*, Case No. 5:06-cv-82, 2008 WL 495656, at *1 (W.D. Va. Feb. 21, 2008).

I/P Engine requests costs for the expedited transcripts for Messrs. Ortega, Cook, Diorio, Fox, and Culliss, and Drs. Ungar and Ugone. Expedited service was necessary because all of these depositions were taken in the final weeks of discovery either because of Defendants' conduct or based on the scheduling order in this case. For example, I/P Engine was forced to compel the depositions of Messrs. Cook, Diorio and Fox – who were all Google employees that were identified to I/P Engine by Google documents and/or other Google witnesses – due to Google's refusal to make witnesses available.³

The depositions of Drs. Ungar and Ugone occurred days before Defendants filed their summary judgment motion and within weeks of this Court's scheduled trial date. Because of the circumstances, the costs for the expedited transcripts were necessary given this Court's scheduling order, the dates of these depositions (August and September), Defendants' summary judgment motion (September), and the quickly approaching trial date in this case (October). I/P Engine should be allowed the entire **\$22,730.55** in costs sought for expedited transcript costs.

³ Google refused to make witnesses who were not listed on its Initial Disclosures available for deposition. *See* D.I. 177.

F. I/P Engine’s Request for Taxation Related to the Depositions of I/P Engine’s Own Witnesses is Permissible

Defendants contend that the taxation of costs for transcripts for one’s own witnesses is improper. Opposition at 9. This could not be further from the truth, because the witnesses at issue were necessary. Defendants do not fundamentally disagree with I/P Engine that stenographer fees and costs of deposition transcripts are properly taxed, but posit that I/P Engine is not entitled to costs associated with its *own witnesses*. Defendants specifically object to the costs associated with the depositions of Messrs. Perlman, Berger, Kosak and Lang. These objections are unfounded. Mr. Kosak and Mr. Lang are the inventors of the patents-in-suit – their testimony is, of course, relevant and necessary. For example, their testimony is at least relevant to Defendants’ counterclaims that were tried before the jury in this case. The same is true for Mr. Perlman and Mr. Berger. Defendants provide no reason why the costs associated with these witnesses should not be recovered.

Defendants instead rely on the conclusion of one case, *In re D&B Countryside, LLC* (217 B.R. 72, 79-80 (Bankr. E.D. Va. 1998)), to support their position. However, that case simply states that a plaintiff is not entitled to costs of deposition transcripts for its own witnesses *unless they are necessary*. The depositions of Messrs. Lang, Kosak, Perlman and Berger were certainly necessary because “[i]n order for the deposition to be necessary, it needs only to be ‘relevant and material’ for the preparation in the litigation.” *Ford v. Zalco Realty, Inc.*, 708 F.Supp.2d 558, 562 (E.D. Va. 2010) (citing *Cofield v. Crumpler*, 179 F.R.D. 510, 518 (E.D. Va.1998)). Additionally even if it is not used at trial, “[a] deposition taken within the proper bounds of discovery” is normally “deemed to be necessarily obtained for use in the case.” *Cofield*, 179 F.R.D. at 518 (internal citations omitted). Here, the deposition transcripts of Messrs. Lang, Kosak, Perlman and Berger were relevant and material for the preparation of this case and should

be deemed “necessarily obtained for use in this case.” Hence, Defendants’ reliance on *In re D&B Countryside* is misplaced. I/P Engine should be allowed the entire **\$3,505.26** in costs sought for deposition costs.

G. I/P Engine is Entitled to Mr. Perlman’s Travel and Subsistence Fees

Defendants contend that the costs associated with Mr. Perlman’s travel and subsistence are improper because they believe the costs are unreasonable. Opposition at 11-12. Defendants’ argument is without merit. Under Section 6(A)(1) and (2) of the Guidelines, Mr. Perlman’s fees are allowable because he was necessary at trial and all of the travel fees billed are associated with when this Court adjourned for weekends or other appropriate reasons.

Defendants rely on three cases to support their argument that they should not bear the costs related to Mr. Perlman’s attendance at trial because he was I/P Engine’s corporate representative. Opposition at 11-12. However, *Goldstein v. Costco Wholesale Corp.*, No. 02-1520-A, 2004 U.S. Dist. Lexis 22041, at *13-14 (E.D. Va. June 14, 2004), *Schmitz -Werke GMBH & Co. v. Rockland Indus., Inc.*, 271 F. Supp. 2d 734, 736 (D. Md. 2003), and *EEOC v. Sears, Roebuck & Co.*, 114 F.R.D. 615, 624 (N.D. Ill. 1987), are inapplicable in this instance. Those cases stand for the proposition that the taxation of costs for the portion of a witness’ time when he was serving as a corporate representative is *at the court’s discretion*. Thus, under the law and contrary to Defendants’ assertions, this Court *may* award I/P Engine’s request.

Defendant’s additional reliance on *Green Const. Co. v. Kansas Power & Light Co.* (153 F.R.D. 670, 681 (D. Kan. 1994)) to propose that this Court should reduce Mr. Perlman’s taxable costs to one round trip ticket is unfounded. Opposition at 12. The court in *Green Const.* anchored its decision solely to the language of 28 U.S.C. § 1821(c)(1). Here, this Court has Guidelines that specifically denote that taxation *will be allowed* for travel expenses associated

with when the court adjourns for a weekend or for other appropriate reasons. *See* Guidelines §§ 6(A)(1)-(2). Hence, Defendants' reliance on *Green Const.* is misplaced and inapplicable.

I/P Engine should be allowed the entire **\$3,596.60** and **\$1,068.00**, respectively, in costs sought for Mr. Perlman's travel and subsistence costs.

H. I/P Engine's Request for Mr. Kosak's Travel Expenses is Appropriate

Defendants contend that Mr. Kosak's travel expenses should be stricken from I/P Engine's Bill of Costs because they are not reasonable expenses under 28 U.S.C. §§ 1920 and 1821. Opposition at 13. While it is true that Section 1821(c)(1) limits the amount of travel expense to that of "a common carrier at the most economical rate reasonably available," there is no evidence that Mr. Kosak's travel expenses would have been drastically less expensive in this instance. I/P Engine's request reflects two round-trip business class airfares for Mr. Kosak from Hilo, Hawaii to Washington, DC (for his deposition) and to Norfolk, VA (for trial), respectively.

Each trip comprised of four connecting flights over a 15-hour time period. It is not unreasonable under the circumstances to fly business class given the distance, the four connecting flights, and the amount of travel time involved. In this instance, it was commercially reasonable for Mr. Kosak to travel by business class to and from his deposition and trial, particularly in light of the current unreliability of commercial airline schedules. *See Rapoca Energy Company, L.P. v. AMCI Expert Corp.*, No. 1:00-cv-00162, 2001 WL 855896, at*2 (W.D. Va. July 30, 2001) (finding it commercially reasonable under § 1821(c)(1) to travel by chartered flight when the situation warrants it). I/P Engine should be allowed the entire **\$5,545.92** in costs for Mr. Kosak's travel related to trial and his deposition.⁴

⁴ Furthermore, the cost for two round-trip unrestricted coach airfares from Hilo, Hawaii to Washington, DC (for his deposition) and to Norfolk, VA (for trial), respectively, for similar dates would have been approximately \$7,500.00 (\$3,501.00/each). Exhibit 2, ¶ 4.

I. I/P Engine's Request for Dr. Becker's Travel Expenses is Appropriate

Defendants only complaint with respect to Dr. Becker's travel expenses is that "there are no receipts included with [Dr. Becker's] invoice, so there is no way to evaluate whether Dr. Becker's travel costs were taxable." Opposition at 15. Defendants do not contend that the costs for Dr. Becker's travel expenses are inappropriate or unwarranted. In fact, as they admit, "Defendants have agreed to pay the expenses for Drs. Frieder and Carbonell," I/P Engine's other experts in this case. Thus, with the receipts, it is reasonable to believe that Defendants would likewise agree to pay the expenses for Dr. Becker. In direct response to Defendants' concern, I/P Engine requested those receipts from Dr. Becker and recently received them (and have attached them hereto). As the receipts show, each of Dr. Becker's expenses are rightfully recoverable under the Guidelines, as well as Sections 1920 and 1821.⁵ Consequently, I/P Engine should be allowed the entire revised **\$1,956.78** in costs for Dr. Becker's travel related to trial and his deposition.

J. I/P Engine's Request for Messrs. Kosak and Lang's and I/P Engine's Experts' Subsistence Costs are Appropriate

Defendants contend that I/P Engine is not entitled to the subsistence costs for Messrs. Kosak and Lang and for I/P Engine's experts because, based on the Guidelines, Defendants should not be responsible for costs incurred beyond a single day for deposition and the days during which each of them testified at trial. Opposition at 13, 14 and 15. However, the very first sentence of this Court's Guidelines on taxation states that "[t]he following statement does not purport to be a unanimous practice of this court"; nor are the Guidelines binding. *See Cofield*, 179 F.R.D. at 516 n.5.

⁵ I/P Engine's request has been adjusted from \$2,906.18 to \$1,956.78. This adjustment is because Dr. Becker was unable to locate one receipt corresponding to the remaining travel costs, and thus I/P Engine accordingly withdraws its request for the difference.

In this case, it was reasonable and necessary for I/P Engine to keep these witnesses in Norfolk, even after the witness had testified at trial. For example, Defendants preserved their right to recall Dr. Frieder during trial and thus made it *mandatory* for I/P Engine to keep Dr. Frieder in Norfolk for additional nights. Trial Tr. at 738:12-13 (this Court states “Dr. Frieder, you’re not excused. You are still available if needed to be called back.”).

Because of instances like this, it was necessary for I/P Engine to incur additional subsistence costs associated with Messrs. Lang and Kosak as well as its experts beyond the days in which they actually testified at trial. I/P Engine should be allowed the entire **\$2,039.00, \$1,335.00, and \$2,670.00, respectively**, in costs for the subsistence costs for Messrs. Lang and Kosak and I/P Engine’s experts related to trial.

K. I/P Engine is Entitled to Mr. Lang’s Travel Fees

Defendants contend that the costs associated with Mr. Lang’s subsistence fees are improper because they believe the costs are unreasonable. Opposition at 14. Defendants’ argument is without merit. Under Section 6(A)(1) and (2) of the Guidelines, Mr. Lang’s fees are allowable because he was necessary at trial, as described above, and all of the travel fees billed are associated with when this Court adjourned for weekends or other appropriate reasons.⁶ Further, it is within this Court’s discretion to award these costs. I/P Engine should be allowed the entire **\$2,742.72** in costs sought for Mr. Lang’s subsistence costs.

⁶ Defendants’ argument that Mr. Lang did something wrong by buying two airline tickets on the same day is misleading. As his records reflect, Mr. Lang did buy two one-way airline tickets (one from Norfolk to New York and one from New York back to Norfolk) to travel home to New York, New York, for the weekend during trial. As explained above, Mr. Lang is allowed under the Guidelines to do so and thus both airline tickets are rightfully included and are taxable.

III. CONCLUSION

Accordingly, I/P Engine respectfully requests that this Court enter an award of costs under Fed. R. Civ. P. 54(d)(1) in favor of I/P Engine, as the prevailing party, in the amount of **\$113,425.25**, or such other amount as this Court deems appropriate.

Dated: January 25, 2013

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CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of January, 2013, the foregoing **I/P ENGINE, INC.'S REPLY IN SUPPORT OF ITS BILL OF COSTS**, was served via the Court's CM/ECF system, on the following:

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