

## FEDERAL CIRCUIT PATENT LAW CASE UPDATE

Summit Tech., Inc. v. Nidek Co., LTD, 05-1292 (Fed. Cir. Jan. 26, 2006) (Bryson, J.)

The court reduced Nidek's award of costs in its successful patent infringement suit from \$388,230.83 to \$173,434.82. It removed from the award consulting fees for documents that were not "exemplifications" for use in the case, and also reduced photocopying and deposition transcription fees substantially for lack of evidentiary support or insufficient record-keeping.

After prevailing on its patent infringement suit, Nidek was awarded costs that the court reviewed in an earlier appeal. Summit Tech., Inc. v. Nidek Co., 117 Fed. Appx. 107, 108 (Fed. Cir. 2004).

A panel of this court vacated the award and remanded for further proceedings, including a specification of findings. . . . On remand, the district court held an evidentiary hearing, which consisted entirely of direct and cross-examination testimony by Neil B. Siegel, an attorney with the law firm of Sughrue Mion, PLLC . . . [discussing whether costs were within the] scope of 28 U.S.C. § 1920, which lists the expenses that may be taxed as costs under Federal Rule of Civil Procedure 54(d)(1).

The court applied regional circuit law to the § 1920 issue. Ultimately, it reduced the award from \$388,230.83 to \$173,434.82.

The court eliminated certain graphics arts and related consulting from the award.

Summit first argues that the district court erred by awarding Nidek \$98,786.79 for fees paid to FTI Consulting, Inc. FTI assisted Nidek's counsel in preparing trial exhibits, including computer animations, videos, Powerpoint presentations, and graphic illustrations.

The court found that these were "neither 'exemplification[s] [nor] copies of papers necessarily obtained for use in the case.'"

In light of the First Circuit's recognition of the "stunted reach of Rule 54(d)," we are persuaded that the First Circuit would adopt the narrow, legal definition of the term "exemplification" endorsed by the Fifth Circuit, the Eleventh Circuit, and this court applying Sixth Circuit law.

Next, the court reduced the award of some of the approximately \$200,000 in photocopying costs.

Under First Circuit law, photocopy expenses are taxable only "if the costs were reasonably necessary to the maintenance of the action."

The court accepted the approach to account for third-party copying fees, but did not accept the differing approach for internal copying.

With respect to Sughrue's internal copy expenses, Nidek calculated the cost differently. . . . The resulting expense on the bill of costs is \$25,321.96. No explanation was provided for the use of a different methodology in the case of Sughrue's internal copies. . . . In the absence of any support for the methodology used to calculate the costs for Sughrue's internal copies, that portion of the award was improper. . . . A third category of copy costs is \$78,553.69 in internal copy expenses incurred by the law firm of Testa, Hurwitz & Thibeault, LLP, Sughrue's co-counsel in this case. Those submitted costs are unsupported by any evidence of record. Testa did not specifically track photocopy expenses related to its work on this case. Instead, Testa billed Nidek a seven percent overhead fee on top of all of its legal fees for the case. . . . Although section 1920(4) does not demand page-by-page precision, a bill of costs must represent a calculation that is reasonably accurate under the circumstances.

Finally, in a similar vein, the court reduced somewhat the total award for deposition transcript costs, which was \$38,095.44 originally, but reduced to \$26,403.94 because the invoices were insufficiently specific.

Ultimately, Nidek and the district court seem to have relied heavily on the proposition that the overall cost award in this case was not disproportionate to the stakes or the complexity of the underlying patent infringement suit. While that may be true, the fact that a case is particularly complex does not give the prevailing party an unchecked right to collect nearly \$400,000 in costs. Cost awards are bound by the constraints of section 1920, and, when challenged, a prevailing party must offer some reliable documentation or other proof that its bill of costs represents the allowable costs that it actually and necessarily incurred during the litigation.

