CARLTON FIELDS

E-Discovery Pop Quiz: Shared Electronic Database Costs May Create Trap for Unwary Litigants

February 06, 2012

The Question During discovery in a federal case, your company and the other side agree to use a third-party vendor to create a database of native-format emails to be produced in response to document requests. The parties enter into a written agreement to evenly split the cost of the database. After you win the litigation, you seek to recover your half of the expense of database as taxable costs. Will you recover? **The Answer** You probably can, but not if you fall into a trap for unwary litigants. *In re Ricoh Co., Ltd. Patent Litig.*, 661 F.3d 1361 (Fed. Cir. 2011). Ricoh sued Synopsis for alleged patent infringement. Ricoh sought Synopsis internal emails in discovery, and refused to accept the emails either in paper format or as single-page TIFF images. Instead, Ricoh suggested using a native-format database hosted by a third-party vendor, Stratify. Synopsis agreed to use the Stratify database if both parties could access the database and Ricoh would agree to pay half the cost. When Synopsis won the case, it sought to recover its costs from Ricoh, including $234,702.43, representing Synopsis's half of the cost of the Stratify database. The trial court awarded Synopsis its costs, and Ricoh appealed, arguing that the cost of the electronic database was not a "taxable cost" under 28 U.S.C § 1920(4), which allows recovery of "costs of making copies of any materials where the copies are necessarily obtained for use in the case…" The appellate court first held that, when parties use an electronic database as a means of document production in litigation, the costs are recoverable under § 1920(4). The court noted that Congress had amended that statute in 2008 to change the phrase "copies of papers" to "copies of any materials." The court cited *BDT Prods., Inc. v. Lexmark Int'l, Inc.*, 405 F.3d 415, 420 (6th Cir. 2005) as an example of other courts allowing recovery of the costs of electronic document production. The court also found that no part of the Stratify database fell into "the unrecoverable category of 'intellectual efforts'" discussed in *Romero v. City of Pomona*, 883 F.2d 1418, 1428 (9th Cir. 1989). Nevertheless, the court concluded that Synopsis could not recover its half of the costs because, in its cost-sharing agreement with Ricoh, Synopsis had not specifically reserved its right to seek to shift those costs at the end of the case. The court noted that, in their 14-page agreement with Stratify, the parties "characterized this agreement as a cost-

sharing agreement, but never indicated that the cost-sharing was only temporary….There is no indication in any of the extensive communications between the parties that they intended this cost-sharing agreement to be anything other than a final settlement of the cost of the Stratify database." 661 F.3d at 1366. **Practice Pointer** When they entered into their cost-sharing agreement, the parties in *In re Ricoh* probably never thought ahead to whether it would affect their right to recover taxable costs. Litigants who made such agreements before *In re Ricoh* could still try to distinguish the language of their own agreements, or argue that the case was wrongly decided because the court should have required better evidence of a conscious intent to waive a known right. Nevertheless, after *In re Ricoh*, this may be an uphill battle. Avoid that risk by specifying in your cost-sharing agreement that the agreement is for temporary cost-sharing during the litigation, and that neither party waives its right to recover its portion of the expense as taxable costs. While you're at it, if your vendor will also host the database or engage in coding or similar "intellectual efforts," remember to require your vendor to itemize its billing so that the court has an adequate basis to distinguish between the recoverable cost of making "copies of any materials," and the unrecoverable cost of "intellectual efforts."