

# Recovering eDiscovery Costs as a Prevailing Party: Planning Today to Improve Your Chance of Returns Tomorrow

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## INTRODUCTION

For the prevailing party to recover “costs” at the end of a case in federal court, a straightforward process is spelled out by rule and statute. FED. R. CIV. P. 54(d)(1) states that costs “should be allowed to the prevailing party” unless a federal statute provides otherwise, and 28 U.S.C. § 1920 is the statute that enumerates the costs that a federal court may tax or assess under the court’s discretionary authority found in Rule 54(d). For the prevailing party to recover “eDiscovery” costs at the end of a case, however, the process can get complicated and confusing very quickly, in part because courts are applying the language of a statute with roots in the 19<sup>th</sup> century to technology of the 21<sup>st</sup> century. However, with the recent ascendancy of proportionality in defining the scope of discovery, prevailing parties should prospectively consider (or reconsider) the ways in which the cost recovery process can be used to successfully offset some eDiscovery costs.

Several recent decisions and articles have led many to believe that only limited eDiscovery costs are recoverable under § 1920. Indeed, many practitioners and judges believe that the Third Circuit Court of Appeals’ 2012 decision in *Race Tires Am. Inc. v. Hoosier Racing Tires Corp.*, 674 F.3d 158 (3d Cir. 2012) settled the issue, and many courts have followed its analysis in significantly limiting the eDiscovery costs that could be recovered under FED. R. CIV. P. 54(d) and § 1920(4). However, a close look at *Race Tires* and other decisions reveals a number of opportunities for prevailing parties to recover significant eDiscovery costs at the end of a case. Importantly, however, advanced planning is necessary to set up the opportunities at the end of the case. This article sets forth the legal groundwork for such opportunities, as well as the practice tips to place parties in the best position possible to recover eDiscovery costs upon prevailing in federal court.

## I. FED. R. CIV. P. 54(d)

The modern legal framework for recovery of costs relies upon a gatekeeping rule – FED. R. CIV. P. 54(d) – that courts use to assess the prevailing<sup>1</sup> party’s ability to tax certain litigation expenses. FED. R. CIV. P. 54(d) states that, “[u]nless a federal statute, these rules, or a court order provides otherwise, costs—other than attorney’s fees—should be allowed to the prevailing party.”<sup>2</sup> 28 U.S.C. § 1920 contains the express statutory provisions referenced in FED. R. CIV. P. 54,<sup>3</sup> but the law does not require a court to award costs to the prevailing party; the award is discretionary.

The Supreme Court found that Congress authored § 1920 in a permissive fashion and that FED. R. CIV. P. 54(d) grants courts the discretion to award or refuse to tax costs in favor of the prevailing party.<sup>4</sup> The district court’s discretion to award costs is set on two conditions: (i) the court award costs only to the prevailing party, and (ii) if the court is going to deny a request for costs that it provide a “valid reason” for the denial.<sup>5</sup> Thus, the only discretion retained by the district court in relation to costs is the power to decline to tax the items enumerated in § 1920.

## II. HISTORY OF 28 U.S.C. § 1920

The taxation of costs is by no means a new tool for successful litigants to recover expenses inherent to litigation in general. The principle underlying the procedure is deeply rooted within our legal system and the bedrock tenet in United States jurisprudence of easy access to the courts. For example, the first session of

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<sup>1</sup> The question of which party is the prevailing party is beyond the scope of this article. Moreover, FED. R. CIV. P. 54(d) provides no guidance in determining who the prevailing party is in instances of a mixed verdict involving claims and counterclaims. Thus, it is up to the court to decide which party qualifies as the prevailing party on a particular issue. *See, e.g.,* U.S. v. W. Surety Co., C14-1963, 2016 WL 4617654 at \*1 (W.D. Wash. Sept. 2, 2016) (court found that while plaintiff prevailed on one claim, because the defendant prevailed on plaintiff’s principal claim and also on its counterclaim, the defendant was the prevailing party for purposes of § 1920(4)).

<sup>2</sup> FED. R. CIV. P. 54(d).

<sup>3</sup> *See* Crawford Fitting Co. v. J. T. Gibbons, Inc., 482 U.S. 437, 441 (1987).

<sup>4</sup> *Id.* at 442.

<sup>5</sup> *See* In re Williams Sec. Litig.–WCG Subclass, 558 F.3d 1144, 1147 (10th Cir. 2009).

Congress in its Judiciary Act of 1789 included language that “[c]osts are the pecuniary allowance made by law to the successful party to a suit, or to some distinct proceeding in a suit in consideration of and to reimburse his probable expense.”<sup>6</sup> For the next half century, there was no uniform federal law on taxation of costs in federal courts and results varied depending on the law of the state in which the federal court was located, creating a great disparity between jurisdictions as to the amount of costs and fees that a prevailing party could recover. In 1853, Congress passed the Fee Act in an attempt to standardize the types of costs a federal court could award.<sup>7</sup> The limited list of taxable costs in the Fee Act reinforced the American concept of affordable access to the courts, a “depart[ure] from the English practice of attempting to provide the successful litigant with total reimbursement.”<sup>8</sup>

In the 1948 modernization of the United States Code, Congress organized taxation of costs under 28 U.S.C. § 1920.<sup>9</sup> The list of items which a judge or clerk could tax included: (4) Fees for exemplification and copies of papers necessarily obtained for use in the case.<sup>10</sup>

The statutory basis for authorizing the taxation of costs in subsection 4 generally remained unchanged until 2008—two years after the concept of electronically stored information (“ESI”) was added to the Federal Rules—when Congress expanded § 1920(4) from “copies of papers” to “the costs of making copies of any materials.”<sup>11</sup> The amendment sought to clarify uncertainty raised by courts about whether costs associated with new technologies used to prepare for trial should be taxable, and whether copying electronic information was included in the phrase “making

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<sup>6</sup> Patrick Gunckel, *Taxation of Costs in Federal Courts 1* (1904). For a detailed discussion of the history of cost recovery, see Steven Baicker-McKee, *The Award of E-Discovery Costs to the Prevailing Party: An Analog Solution in a Digital World*, 63 CLEV. ST. L. REV. 397, 407-409 (2015).

<sup>7</sup> See *Alyeska Pipeline Serv. Co. v. Wilderness Soc.*, 421 U.S. 240, 251-252 (1975) (noting that the result of the 1853 Act “was a far-reaching Act specifying in detail the nature and amount of the taxable items of cost in the federal courts.”).

<sup>8</sup> 10 Charles Alan Wright et al., *FED. PRAC. AND PROC.* § 2665 (3d ed.1998).

<sup>9</sup> *Jud. Code and Judiciary*, Pub. L. No. 80-773, 62 Stat. 869, 955 (1948).

<sup>10</sup> 28 U.S.C. § 1920(4).

<sup>11</sup> *Jud. Admin. and Tech. Amends. Act of 2008*, Pub. L. No. 110-406, 122 Stat. 4291 (2008) (codified as amended 28 U.S.C. § 1928(4)).

copies.”<sup>12</sup> The Judicial Conference Committee on Court Administration and Case Management refused to recommend further revisions to the statute, worrying that providing for the taxation of other costs related to complex eDiscovery technology or handling of ESI might exceed the intent of the drafters of the statute.<sup>13</sup> The limited nature of the recommendation of the Judicial Conference Committee follows the judiciary’s conservative approach towards its treatment in the United States Code. As a result, the tension remains between the rising “costs” associated with handling ESI and the intent of the drafters of the statute to keep these numbers relatively low and not allow the taxation of costs to rise to the level of “cost-shifting” or “loser pays.”

When interpreting sections of the code, courts follow “a well-established principle governing the interpretation of provisions altered in the 1948 revision [which] is that ‘no change is to be presumed unless clearly expressed.’”<sup>14</sup> For example, in 1987, the Court in *Crawford Fitting Co. v. J. T. Gibbons* determined that taxable costs for the fees of an expert witness were limited by the explicit language in § 1920(3) and § 1821(b).<sup>15</sup> These sections provide that courts may tax witness fees, but set a daily limit on the taxable cost of a witness.<sup>16</sup> Thus, although the petitioner purportedly spent more than \$80,000 for its expert witness, the court refused to allow recovery of costs exceeding the daily statutory limit of \$30.<sup>17</sup> Absent explicit statutory authority or contractual authorization, the Court found its ability to tax costs constrained by the language of the existing statutes.<sup>18</sup>

### III. EVOLUTION OF “COPIES”

Modern computing introduced various efficiencies to the business world. Collecting, reviewing, and producing documents

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<sup>12</sup> Report of the Proceedings of the Judicial Conference of the United States, JUD CONF.US, 9-10 (March 18, 2003).

<sup>13</sup> *Id.*

<sup>14</sup> *Tidewater Oil Co. v. U.S.*, 409 U.S. 151, 162 (1972).

<sup>15</sup> *Crawford Fitting Co. v. J. T. Gibbons, Inc.*, 482 U.S. 437, 445 (1987).

<sup>16</sup> 28 U.S.C. §1920(3); 28 U.S.C. §1821(b).

<sup>17</sup> *Crawford Fitting Co.*, 482 U.S. at 439, 445.

<sup>18</sup> *See id.* at 445.

for trial arguably are not among them. A myriad of technical complexities lurks below the surface of the computing environments of many businesses. As businesses grow, merge, and shift priorities, IT departments must link disparate systems to ensure the continued functionality of the business. Large-scale extractions of data—common to document productions—are typically not a business requirement, and environments are not configured to accommodate that task. In many cases, it is a great challenge—requiring time and money—to preserve, collect, analyze, and produce data properly.

Industry organizations have developed methodologies to help organizations through the eDiscovery process. By illustrating the various steps that an organization should follow to produce ESI, these frameworks provide a picture of where organizations incur eDiscovery costs. The Electronic Discovery Reference Model (“EDRM”) depicts the process in several phases. The phases that generate costs that are requested in the Bill of Costs under § 1920(4) typically include: (1) preservation and collection; (2) processing, review, and analysis; and (3) production. The model also indicates that as the steps progress, the amount of data involved decreases. Much of the information that an organization initially preserves and collects is ultimately whittled down through review and analysis. As a result, a substantial amount of the costs associated with eDiscovery occurs prior to the actual production.

#### IV. CASE LAW ANALYSIS – THE PATH TO THE THIRD CIRCUIT’S DECISION IN *RACE TIRES*

After the amendment of the statute in 2008, courts were confronted with requests from prevailing parties to recover large sums of money related to eDiscovery costs. However, parties have made some missteps and injected ambiguities in making their requests to tax costs. The result has been inconsistency in judicial decisions addressing the award of eDiscovery costs under FED. R. CIV. P. 54(d) and 28 USC § 1920. Because the Federal Rules of Civil Procedure do not expressly address costs related to electronic discovery, even after the 2008 amendments to § 1920(4), courts are still ironing out the appropriate approach to determine which types of eDiscovery costs may be taxed. The differences in

interpretation can lead to a swing of hundreds of thousands of dollars in recoverable costs.

*A. The District Courts*

*i. Race Tires America, Inc. v. Hoosier Racing Tire Corp*

Race Tires America, Inc. filed an antitrust action against Hoosier Racing Tire Corp. and others in the Western District of Pennsylvania. The district court granted summary judgment in favor of Hoosier Racing and against Race Tires, finding that Race Tires failed to demonstrate an antitrust injury.<sup>19</sup> After an unsuccessful appeal by Race Tires, defendants filed a Bill of Costs.<sup>20</sup> The district court approved the clerk's decision allowing defendants to recover from Race Tires over \$367,000 for costs associated with processing data from five custodians, and imaging nineteen hard drives and four servers that contained 490 gigabytes of data and over 270,000 files.<sup>21</sup> The invoices presented by Hoosier Racing in support of its motion reflected that the vendor "extracted data, processed data, loaded data, and performed all tasks associated with putting electronic documents in the position to be produced" to plaintiffs.<sup>22</sup> The court also noted that the parties had negotiated a "detailed and exhaustive" order which specifically addressed ESI.<sup>23</sup>

*ii. In re Aspartame Antitrust Litig.*

In the same time frame, but on the other side of Pennsylvania, the district court in *In re Aspartame Antitrust Litig.* granted summary judgment to defendants in an antitrust action, and then awarded more than \$500,000 for the eDiscovery costs incurred by defendants.<sup>24</sup> The district court provided a survey of then-existing case law on the issue of taxation of eDiscovery costs, observing that it "is a new area of law where courts have diverged

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<sup>19</sup> Race Tires Am. Inc. v. Hoosier Racing Tire Corp., No. 2:07-cv-1294, 2011 WL 1748620 at \*3 (W.D. Pa. May 6, 2011).

<sup>20</sup> *Id.*

<sup>21</sup> *Id.* at \*3, \*10-11.

<sup>22</sup> *Id.* at \*10.

<sup>23</sup> *Id.* at \*5.

<sup>24</sup> *In re Aspartame Antitrust Litig.*, 817 F. Supp. 2d 608, 623 (E.D. Pa. 2011).



in their approaches.”<sup>25</sup> Several factors played into the court’s analysis, including the volume of discovery; the complexity of the litigation; the eDiscovery methods used by the defendants; which parties benefitted from those methods; which parties requested the use of those methods; the “necessity” of the chosen methods; whether the costs were those typically incurred by lawyers or non-lawyers; and the adequacy of documentation submitted to support the defendants’ Bill of Costs.<sup>26</sup> Following the reasoning of the district court’s decision in *Race Tires*, the court in *In re Aspartame* allowed for the taxation of the following costs that were “necessary for litigation”:

- Creating a litigation database;
- Storing data;
- Imaging hard drives;
- Deduplication, data extraction, and processing;
- Hosting electronic data;
- Conducting keyword and privilege screens;
- Making documents searchable using Optical Character Recognition (“OCR”) software;
- Capturing metadata;
- Creating “load” files (requested by the plaintiffs);
- Creating CDs and DVDs of the electronic documents;
- Data recovery and restoration; and
- Technical support.<sup>27</sup>

The court refused to award costs associated with the use of a “sophisticated e-discovery [document management] program . . . , a document review tool” and “converting a TIFF document to a PDF document” because the parties’ stipulated discovery order provided that the parties could produce documents in PDF, TIFF, or native format.<sup>28</sup> As a result, the defendants’ decision to convert TIFF documents to PDF format was not a necessary cost for litigation.<sup>29</sup> Rather, that cost was incurred merely for the

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<sup>25</sup> *Id.* at 614.

<sup>26</sup> *Id.* at 614-17.

<sup>27</sup> *See id.* at 615-17.

<sup>28</sup> *Id.* at 616, 620.

<sup>29</sup> *Id.* at 616.

convenience of counsel.<sup>30</sup> Finally, the court denied a \$600.00 cost for hard drives as being insufficiently itemized.<sup>31</sup>

### *B. The Circuit Courts of Appeal*

#### *i. Race Tires - The Third Circuit Decision*

In March 2012, the Court of Appeals for the Third Circuit rejected the district court decisions allowing for taxation of large eDiscovery costs.<sup>32</sup> In *Race Tires Am., Inc. v. Hoosier Racing Tire Corp.*, the court noted that “decisions that allow taxation of all, or essentially all, electronic discovery consultant charges . . . are untethered from the statutory mooring.”<sup>33</sup> The Court of Appeals vacated the district court’s decision awarding in excess of \$367,000 in taxable costs for activities related to eDiscovery, finding that many of the activities allowed by the district court such as gathering, preserving, processing, searching, culling, and extracting ESI were not recoverable under 28 USC § 1920.<sup>34</sup> However, the Court of Appeals allowed the award of costs for conversions from native to TIFF, scanning of documents to create digital duplicates, and conversions of video from VHS to DVD format.<sup>35</sup> In total, the court reduced the award from more than \$367,000 in eDiscovery charges to about \$30,000.<sup>36</sup>

In its analysis of which costs were recoverable, the Third Circuit looked to the ordinary meaning of the words in the statute and simply analyzed whether a service was indeed an

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<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 620.

<sup>32</sup> Prior to the Third Circuit’s decision in *Race Tires*, courts in the Seventh, Ninth, and Federal Circuits generally had embraced the power to tax eDiscovery costs against the non-prevailing party. See *Hecker v. Deere & Co.*, 556 F. 3d 575, 591 (7th Cir. 2009) (affirming an award of about \$165,000 in costs under 28 U.S.C. § 1920(4) for “converting computer data into a readable format in response to plaintiffs’ discovery requests”); *Jardin v. DATAlegro, Inc.*, No. 08-CV-1462, 2011 WL 4835742 (S.D. Cal., Oct. 12, 2011); *LG Elecs. U.S.A., Inc. v. Whirlpool Corp.*, 2011 U.S. Dist. LEXIS 121361 (N.D. Ill. Oct. 20, 2011); *Synopsys, Inc. v. Ricoh Co. (In re Ricoh Co. Patent Litig.)*, 661 F.3d 1361 (Fed. Cir. 2011).

<sup>33</sup> *Race Tires Am. Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d 158, 169 (3d Cir. 2012).

<sup>34</sup> *Id.* at 160.

<sup>35</sup> *Id.* at 171.

<sup>36</sup> *Id.* at 171-72.

“exemplification” or included the “making of copies.”<sup>37</sup> First, the court concluded that preliminary activities completed by defendants’ eDiscovery vendors (*e.g.*, processing and culling) could not be regarded as “exemplification” of materials.<sup>38</sup> The court then found that the conversions to TIFF and DVD, and the document scans, were the only services that could constitute “making copies” and thus be recoverable under 28 U.S.C. § 1920(4).<sup>39</sup> The court refused to analyze whether the steps leading to production required “technical expertise not ordinarily possessed by the typical legal professional,” were indispensable to the production, or were of the type that would “encourage cost savings.”<sup>40</sup> The court noted that these considerations, among others that might be raised, are not included in the language of § 1920.<sup>41</sup>

## ii. Influence from the U.S. Supreme Court

Two months after the Third Circuit’s decision in *Race Tires*, the United States Supreme Court issued a decision in which it interpreted the scope of 28 U.S.C. § 1920.<sup>42</sup> In *Taniguchi v. Kan Pac. Saipan Ltd.*, the trial court in the Northern Mariana Islands permitted the defendants, after the court granted summary judgment in their favor, to recover costs the defendants had incurred in translating from Japanese to English written documents and medical records used by the defendant in preparing its defense.<sup>43</sup> The court addressed the definition of an “interpreter” under § 1920(6), noting that it would look to the ordinary meaning of the listed terms when interpreting the statutory language.<sup>44</sup> The Court further noted that “[t]axable costs are a fraction of the nontaxable expenses borne by litigants for

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<sup>37</sup> *Id.* at 165-66; *see also* *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S.Ct. 1997, 573 (2012) (“Rule 54(d) thus provides no sound basis for casting aside the ordinary meaning of the various items enumerated in the costs statute . . .”).

<sup>38</sup> *Race Tires Am., Inc.*, 674 F.3d at 160.

<sup>39</sup> *Id.* at 160, 171.

<sup>40</sup> *Id.* at 169.

<sup>41</sup> *Id.*

<sup>42</sup> *See generally* *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997 (2012).

<sup>43</sup> *See* *Taniguchi v. Kan Pac. Saipan, Ltd.*, 633 F.3d 1218, 1219, 1222 (9th Cir. 2011).

<sup>44</sup> *Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 1998 (2012).

attorneys, experts, consultants, and investigators.”<sup>45</sup> The Court reasoned that its decision “is in keeping with the narrow scope of taxable costs,” which are “limited to relatively minor, incidental expenses as is evident from § 1920.”<sup>46</sup> Further, the Court noted that “[b]ecause taxable costs are limited by statute and are modest in scope, we see no compelling reason to stretch the ordinary meaning of the cost items Congress authorized in § 1920.”<sup>47</sup>

### iii. Post-*Race Tires* – The Fourth Circuit

In *The Country Vintner of North Carolina, LLC v. E. & J. Gallo Winery, Inc.*, the Fourth Circuit affirmed a decision from the Eastern District of North Carolina permitting the recovery of only \$218.59 for the costs of converting electronic files into non-editable formats and transferring files onto CDs.<sup>48</sup> At the trial level, the prevailing defendant submitted a Bill of Costs that included \$111,047.75 for ESI-related expenses for the following activities:

“[F]lattening” and “indexing” ESI;

Searching, metadata extraction, and loading data on to a review platform;

TIFF and PDF production;

Electronic bates numbering;

Copying images onto a CD or DVD;

“[M]anagement of the processing of the electronic data;”

“[Q]uality assurance procedures;”

“[A]nalyzing corrupt documents and other errors;” and

“[P]reparing the production of documents to opposing counsel.”<sup>49</sup>

In adopting the reasoning advanced in *Race Tires* and *Taniguchi*, the Fourth Circuit held that the reference to “making copies” in § 1920(4) must be given its “ordinary meaning” under § 1920(4), which meant that the defendant was only entitled to

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<sup>45</sup> *Id.* at 2006.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.*

<sup>48</sup> *Country Vintner of N.C., LLC v. E. & J. Gallo Winery, Inc.*, 718 F.3d 249, 253 (4th Cir. 2013).

<sup>49</sup> *Id.* at 252-53.

recover the costs for the conversion of native files to TIFF and PDF formats, and the transfer of files onto CDs.<sup>50</sup>

#### iv. Post-*Race Tires* – A More Expansive View

While many courts have followed the reasoning of the Third Circuit's decision in *Race Tires* regarding the taxation of eDiscovery costs, some courts have ruled that the decision in *Race Tires* was too narrow, in that it refused to look to production demands of the requesting party and tax costs associated with a broader scope of activities necessary to meet those demands, such as imaging hard drives and extracting metadata, which had been rejected in *Race Tires*.<sup>51</sup>

In *CBT Flint Partners, LLC v. Return Path, Inc.*, the Federal Circuit, in a split decision applying Eleventh Circuit law to a patent infringement action, declined to follow the narrow construction of *Race Tires*.<sup>52</sup> Instead, the court found that § 1920(4) may allow for the taxation of costs associated with the creation of an image and preservation of metadata, as long as the steps are “necessary to make copies of information required to be produced and not incurred just to make copies for the convenience of the producing party.”<sup>53</sup> On the issue of whether preserving metadata was necessary, the court concluded that:

recoverable costs under section 1920(4) are those costs  
necessary to duplicate an electronic document in as

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<sup>50</sup> *Id.* at 253-54, 258, 262. “The [district] court noted that ‘it [was] possible that the bill of costs . . . contain[ed] other ESI-related expenses that [were] taxable,’ but concluded that such costs were not ‘readily discern[able]’ because ‘Gallo ha[d] included various multi-task entries.’” *Id.* at 254 (citing *Country Vintner of N.C., LLC v. E. & J. Gallo Winery, Inc.*, No. 5:09-cv-326-BR, 2012 WL 3202677, at \*3 n.5 (E.D.N.C. Aug. 3, 2012)).

<sup>51</sup> *But see* *Melchior v. Hilite Int'l, Inc.*, No 3:11-cv-3094, 2016 WL 1165911, at \*4 (N.D. Tex. Feb. 26, 2016) (sustaining the defendant's objection to copy charges and reducing the plaintiff's costs accordingly).

<sup>52</sup> *CBT Flint Partners, LLC v. Return Path, Inc.*, 737 F.3d 1320, 1333 (Fed. Cir. 2013). Judge Kathleen O'Malley dissented, in part, based on a strict reading of § 1920(4) and the Supreme Court decision in *Taniguchi* mandating the need to read § 1920 narrowly. *See id.* at 1334.

<sup>53</sup> *Id.* at 1329-30; *see also* *Colosi v. Jones Lang LaSalle Ams., Inc.*, 781 F.3d 293, 297 (6th Cir. 2015) (“Thus, a plain reading of the statute authorizes courts to tax the reasonable cost of imaging, provided the image file was necessarily obtained for use in the case.”).

faithful and complete a manner as required by rule, by court order, by agreement of the parties, or otherwise. *To the extent that a party is obligated to produce (or obligated to accept) electronic documents in a particular format or with particular characteristics intact (such as metadata, color, motion, or manipulability), the costs to make duplicates in such a format or with such characteristics preserved are recoverable as “the costs of making copies . . . necessarily obtained for use in the case.”* But only the costs of creating the produced duplicates are included, not a number of preparatory or ancillary costs commonly incurred leading up to, in conjunction with, or after duplication.<sup>54</sup>

In order to identify the costs that fit within the scope of § 1920(4), the Court delineated three stages for the document production process: (i) imaging files and extracting information; (ii) loading, processing, hosting, searching, and reviewing information; and (iii) copying responsive documents for production to the requesting party.<sup>55</sup> The court also discussed the importance of analyzing the format that the producing party is required to use when discussing the first stage, noting:

In many cases, an agreement, rule, court order, or other requirement regarding the format of the copies to be produced may necessitate the taking of several steps that are all part of “making copies,” reasonably understood. If documents must be converted to a uniform production format (for instance, TIFF), a party often must make a first copy of a document, perform the required format conversion, and then copy the converted files to production media. Similarly, a party may be under an obligation to produce documents with pre-collection metadata intact. In such a situation, because the mere act of copying a file may destroy certain types of metadata, *see e.g., Sedona Conference Glossary* at 3 (definition of “Application Metadata,” noting that “copying may alter application metadata”), it is often necessary—in order to produce a single production copy of the document’s visible content and of the metadata (where both are requested)—to create

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<sup>54</sup> *CBT Flint Partners, LLC*, 737 F.3d at 1328 (emphasis added) (citation omitted).

<sup>55</sup> *Id.* at 1328-1329.

an image of the original source first and then to apply special techniques to extract documents while preserving all associated metadata.

Those steps are fairly considered costs of making copies of the requested documents.<sup>56</sup>

The court noted that it did not make a difference that the process of making a single production copy might involve “first creating one electronic duplicate of the two-part ‘document’ (visible content, metadata), then creating a production copy of each part. The statute would surely cover the costs of using a modern digital photocopier (essentially a scanner combined with a printer) for copying a paper document, notwithstanding that such a machine may first scan the document to create a duplicate on an internal hard drive and then create a paper duplicate, all in making ‘one copy.’”<sup>57</sup> The court went on to note that “both the Third and Fourth Circuits, in their recent decisions addressing issues similar to those we address, have recognized that the statute covers costs for steps, which commonly involve an initial reproduction, that necessarily precede the creation of a final production copy: converting electronic files to non-editable formats . . . and scanning paper documents.”<sup>58</sup>

The court emphasized that such costs are only recoverable under the following circumstances:

[W]here they are, in fact, necessary to make copies of information required to be produced and not incurred just to make copies for the convenience of the producing party . . . . And if a vendor does its chargeable work (*i.e.*, work covered by the statute if performed on a single document) on a large volume of documents *before* culling to produce only a subset, the awarded copying costs must be confined to the subset actually produced, *e.g.*, by using document-specific charges if they are available or by using a reasonable allocation method such as prorating. On the

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<sup>56</sup> *Id.* at 1329.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.* at 1329-30 (citations omitted).

other side of the line, costs incurred in *preparing* to copy are not recoverable.<sup>59</sup>

Thus, it is up to the trial court to determine “what requirements governing the format or other characteristics of the produced documents were imposed on the defendants [by the requesting party].”<sup>60</sup>

The court found that the cost of copying responsive documents to production media, and costs associated with the creation of “load files” (to the extent that those files contain information requested in the production) are recoverable costs.<sup>61</sup>

The court, however, also found that the following activities were not recoverable under § 1920(4):

- Project management;

- Keyword searching;

- “Statistical previews;”

- “Auditing and logging of files”;

- “Ensuring compliance with Federal Rules”;

- “Extraction of proprietary data”;

- Acquiring, installing, and configuring a new data hosting server for convenience of defense counsel;

- Litigation support tasks, such as training for review software;

- Privilege log creation;

- Meetings, conference calls, and other communications, even when they relate to the copying process;

- Decryption of documents for review and production; and

- Deduplication, either pre- or post- copying activity.<sup>62</sup>

Finally, the court distinguished its decision from the decisions in the Third and Fourth Circuits regarding the costs of imaging source media and extracting documents in a way that preserves metadata.<sup>63</sup>

In *Race Tires*, the Third Circuit put hard-drive imaging and metadata extraction in the same category as

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<sup>59</sup> *Id.* at 1330.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at 1332.

<sup>62</sup> *Id.* at 1331.

<sup>63</sup> *Id.* at 1333.



unrecoverable preparatory activities such as searching, reviewing for responsiveness, and screening for privilege [(citing *Race Tires* and *Country Vintner*)] . . . As between “making copies” and “attorney and paralegal review,” we think that the former better describes imaging a source drive and extracting requested data where the extracted data are included in the discovery request. It seems to us that there is no good reason, as a default matter, to distinguish copying one part of an electronic document (*i.e.*, the part that is visible when printed) from copying other parts (*i.e.*, parts not immediately visible) when both parts are requested.<sup>64</sup>

The Sixth Circuit addressed the issue of taxation of costs in *Colosi v. Jones Lang LaSalle Americas, Inc.*, where the district court approved without modification a Bill of Costs totaling \$6,369.55.<sup>65</sup> In that case, rather than produce relevant information from her computer in response to defendants’ document request, the plaintiff “delivered her computer to her attorney’s office and demanded that [defendant] send a third-party vendor to image its hard drive under her attorney’s supervision.”<sup>66</sup> The actions of the plaintiff forced the defendant to utilize a vendor and “make an image before it could search the hard drive for discoverable information.”<sup>67</sup> Plaintiff challenged, among other things, the defendant’s request for recovery of the cost of imaging the hard drive of plaintiff’s personal computer.<sup>68</sup> The plaintiff claimed that, as a matter of law, “most electronic discovery costs such as the imaging of hard drives are not recoverable as taxable costs,” citing as support the decision in *Race Tires*.<sup>69</sup>

In finding no abuse of discretion in the district court’s ruling that imaging costs were reasonable and necessary, the Sixth Circuit rejected plaintiffs’ “overly restrictive” interpretation of *Race Tires* (where the Third Circuit rejected a request to tax the

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<sup>64</sup> *Id.*

<sup>65</sup> *Colosi v. Jones Lang LaSalle Ams., Inc.*, 781 F.3d 293, 295 (6th Cir. 2015).

<sup>66</sup> *Id.* at 298.

<sup>67</sup> *Id.*

<sup>68</sup> *Id.* at 296.

<sup>69</sup> *Id.* at 296-97.

costs of imaging hard drives).<sup>70</sup> Unlike the Third Circuit, the Sixth Circuit determined that “[i]maging a hard drive falls squarely within the definition of ‘copy’ and so a ‘plain reading of [§ 1920] authorizes courts to tax the reasonable cost of imaging, provided the image file was necessarily obtained for use in the case.’”<sup>71</sup> The Sixth Circuit observed that “[w]hile the Third Circuit rightly worried over expanding the scope of § 1920 to include expensive electronic discovery procedures not contemplated by Congress, this concern more appropriately pertains to the context-dependent question of whether the prevailing party necessarily obtained its copies for use in the case.”<sup>72</sup> The court noted that trial courts generally “have the discretion to tax the cost of ‘copies attributable to discovery’ as necessarily obtained for use in the case even if neither party uses the copy at trial.”<sup>73</sup> The court also noted that, “[e]ven in *Race Tires*, the prevailing party’s reason for imaging its hard drives—to facilitate counsel’s review of discoverable documents rather than to create the actual production—steered the Third Circuit’s analysis.”<sup>74</sup> Finally, the Sixth Circuit noted that the “vendor’s invoice exclude[d] the cost of deduplication, indexing, and the other non-copying electronic discovery services,”<sup>75</sup> suggesting that the prevailing party had sought to stay within the reasonable bounds of § 1920(4).

In *In re Online DVD-Rental Antitrust Litig.*, Netflix, one of the prevailing defendants, filed a Bill of Costs for \$744,740.11, and the trial court awarded \$710,194.23, which included \$317,616.69 for eDiscovery and data management costs.<sup>76</sup> Plaintiff challenged that amount, as well as an award of \$245,471.31 for consulting fees, TIFFs, and copying costs.<sup>77</sup> Following the Supreme Court’s decision in *Taniguchi*, as well as the decisions in *Race Tires*, *Country Vintner*, and *CBT Flint Partners*, the Ninth

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<sup>70</sup> *Id.* at 297-98.

<sup>71</sup> *Id.* at 297.

<sup>72</sup> *Id.* at 298.

<sup>73</sup> *Id.* (internal quotations and citation omitted).

<sup>74</sup> *Id.* See also *Race Tires Am. Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d 158, 171, n.11 (3d Cir. 2012) (“It is all the other activity, such as searching, culling, and deduplication that are not taxable.”).

<sup>75</sup> *Colosi*, 781 F.3d at 298.

<sup>76</sup> *In re Online DVD-Rental Antitrust Litig.*, 779 F.3d 914, 925 (9th Cir. 2015).

<sup>77</sup> *Id.*

Circuit noted that taxable costs are limited to “relatively minor, incidental expenses as is evident from § 1920.”<sup>78</sup>

With respect to the scope of activities for which costs are recoverable, the court noted that a “proper application of a narrowly construed § 1920(4) requires that the tasks and services for which an award of costs is being considered must be described and established with sufficient specificity, particularly, and clarity as to permit a determination that costs are awarded for making copies.”<sup>79</sup> “Document production’ and other similarly generic statements on the invoices are unhelpful in determining whether those costs are taxable” and “a description of a task is useful only to the extent it accurately reflects the task for which copying costs are sought.”<sup>80</sup>

The plaintiffs specifically challenged costs for data upload, keyword searching, and “professional services.”<sup>81</sup> For the data upload charges, the court found that Netflix’s description established only that the copy was simply a part of the document production process that Netflix (or its litigation support vendor) elected to employ.<sup>82</sup> Because Netflix failed to establish the copies were necessarily obtained for use in the case, the court rejected those charges as non-taxable under § 1920(4).<sup>83</sup>

With respect to keyword searching, Netflix argued that those charges were “for the use of automated software processes to reproduce the set of documents for potential production into a reduced set of documents that did not include certain types of documents that did not need to be produced.”<sup>84</sup> The court rejected these costs because a filtering process was applied to documents that were not copied and noted that “the application of automated software filtering processes to identify which documents to copy and which documents to not copy is not taxable.”<sup>85</sup>

Finally, the “professional services” category included descriptions for a variety of more narrow categories, ranging from

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<sup>78</sup> *Id.* at 926.

<sup>79</sup> *Id.* at 928.

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

<sup>82</sup> *Id.* at 930.

<sup>83</sup> *Id.*

<sup>84</sup> *Id.*

<sup>85</sup> *Id.* at 931.

“the imaging of the documents to create an electronic ‘page’ ready for bates and confidentiality branding and redactions” to “prepar[ing] the documents for production in the required formats.”<sup>86</sup> On this record, the court was “unable to resolve whether any of the large variety of specific charges that the [plaintiffs] broadly challenge as ‘professional services’ are taxable under a narrow construction of Section 1920(4).”<sup>87</sup> The court remanded the issue to the district court for its determination in the first instance.<sup>88</sup>

The court concluded that, of the \$317,616.69 challenged by the plaintiffs, \$245,471.31 attributable to optical character recognition, converting documents to TIFF, and “endorsing” activities (branding of image files with unique sequential production numbers and confidentiality designations), all of which were explicitly required by plaintiffs, were recoverable as costs under § 1920(4).<sup>89</sup>

In sum, while many courts have taken a narrow approach to the interpretation of § 1920(4), other courts have shown a willingness to take a somewhat expanded view of the meaning of “costs” in § 1920(4) to include costs associated with hard drive imaging and the creation of load files under the reasoning that such efforts were necessary to make copies as the opposing party requested.<sup>90</sup> In addition, courts following the narrow approach

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<sup>86</sup> *Id.*

<sup>87</sup> *Id.* (brackets in original).

<sup>88</sup> *Id.*

<sup>89</sup> *Id.* at 932.

<sup>90</sup> See *Ancora Techs., Inc. v. Apple, Inc.*, No. 11-cv-06357, 2013 WL 4532927, at \*2, 4 (N.D. Cal. Aug. 26, 2013) (holding that \$3,471.61 for conversion of electronic data to TIFF format was taxable under statute, but \$71,611.52 for online hosting of hundreds of gigabytes of electronic data were not permitted under the statute); *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.*, No. 1:10-cv-910, 2013 WL 1192947, at \*8 (E.D. Va. Mar. 21, 2013) (reducing request for \$67, 512.71 for “production copying, file conversion, and metadata extraction ... by one-third” apparently because there were three topics and the prevailing party did not break out the expenses per category to remove “metadata extraction” and permitted the balance of the request to be taxed as costs). See also *Comprehensive Addition Treatment Ctr., Inc., v. Leslea, et al.*, No. 11-cv-03417, 2015 WL 638198, at \*3 (D. Colo. Feb. 13, 2015) (permitting a request for approximately \$57,000 for defendant/prevaling party’s eDiscovery vendor hired to assist party with production of ESI where defendant had previously informed plaintiff that defendant needed to hire a vendor because of difficulties in restoring backup tapes to a usable format).

espoused in *Race Tires* may also look to production demands of the requesting party.<sup>91</sup> For example, a court may tax load files if required for the requested production format.<sup>92</sup> Under similar circumstances, a court may also tax metadata extraction.<sup>93</sup> But actions completed for the convenience of counsel (e.g., for search or review purposes) are unlikely to be recoverable as costs under § 1920(4).<sup>94</sup>

## V. PRACTICE TIPS/TAKEAWAYS

1. Know the precedential case law, and which costs have been approved as recoverable, in your jurisdiction. While the costs associated with preserving, collecting, processing, and reviewing ESI are unlikely to qualify as costs of “making copies” in jurisdictions that follow the strict reasoning in *Race Tires*, expenses related to scanning hard copies or converting electronic

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<sup>91</sup> See, e.g., *In re Online DVD-Rental Antitrust Litig.*, 779 F.3d 914, 932 (9th Cir. 2015) (“[O]nly those costs attributable to optical character recognition, converting documents to TIFF, and “endorsing” activities—all of which were explicitly required by Subscribers—are recoverable on the record before us.”); *Linex Techs., Inc. v. Hewlett-Packard Co.*, No. 13-cv-00159, 2014 WL 5494906, at \*4 (N.D. Cal. Oct. 30, 2014) (noting that within the Northern District of California, courts have awarded costs under Civil Local Rule 54-3(d)(2) for “scanning paper documents, electronic scanning and conversion to PDF, TIFF conversion, OCR, image endorsement/Bates stamping, slip sheet preparation, blowback scanning paper documents, media hardware used for production, electronically stamping Bates numbers, slip sheet preparation, blowback preparation, and OCR conversion,” however, eDiscovery hosting costs and associated fees are not taxable (citing *eBay, Inc. v. Kelora Sys., LLC*, Nos. C 10-4947, C 11-1398 CW, C 11-1548, 2013 WL 1402736, at \*7, 17 (N.D. Cal. Apr. 5, 2013)). See also, *Dropbox, Inc. v. Thru, Inc.*, No. 15-cv-01741, 2017 WL 914273, at \*6-7 (N.D. Cal. Mar. 8, 2017) (awarding *taxable* costs of \$84,262.67 for fees for exemplification and copy-making associated with “loading data for processing and then processing for all native review” after plaintiffs requested production in native format and *non-taxable* costs of \$236,055.23 for eDiscovery vendor costs under Ninth Circuit law for attorneys’ fees and costs in Lanham Act cases).

<sup>92</sup> See, e.g., *CBT Flint Partners, LLC v. Return Path, Inc.*, 737 F.3d 1320, 1332 (Fed. Cir. 2013) (“In contrast, we conclude that the creation of ‘load files’ is covered to the extent that those files contain information required by the requested production.”).

<sup>93</sup> See, e.g., *Fitbug Ltd v. Fitbit, Inc.*, No. 13-1418, 2015 WL 2251257, at \*4 (N.D. Cal. May 13, 2015) (“Moreover, to the extent the costs of metadata extraction are included, these too are necessarily incurred, allowable exemplification costs because they were incurred not for the convenience of counsel, but to comply with the parties’ agreement.”).

<sup>94</sup> *CBT Flint Partners, LLC*, 737 F.3d at 1330 (noting that decision to “image source drives and upload the images to a document database for fast filtering, searching, and review” would not comprise a “copy” under § 1920(4)).

information from one format to another for purposes of production might qualify in other jurisdictions.

2. Be proactive when it comes to eDiscovery vendor bills. From the very beginning of the case, when negotiating with an eDiscovery vendor, convey to the vendor the importance of the specific language to be included on invoices. The vendor should provide a detailed description of the work done in a manner that is specific, readily understandable, and devoid of any references to complex or obscure technical activities.<sup>95</sup> The activities described in the invoice also should be “sufficiently related” to the process of “making copies” under § 1920.<sup>96</sup> These requirements should be discussed at the time of retaining an eDiscovery vendor, and reinforced before the preparation of a cost bill. Also keep in mind the ultimate audience. Court clerks and eventually the district court will need to quickly assess the substance of a Bill of Costs and analyze the discrete costs at issue.<sup>97</sup>

3. For a large ESI matter, consider hiring an eDiscovery expert to submit a declaration in support of the costs being requested.<sup>98</sup>

4. Consider periodically providing the requesting party with a “running tally” of the costs that the producing party has or will incur regarding the actions that the requesting party is requiring the producing party to perform. An unsuccessful attempt during

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<sup>95</sup> See, e.g., *Camesi v. Univ. of Pittsburgh Med. Ctr.*, 673 F. App'x. 141 (3d Cir. 2016) (non-precedential) (discussing *Race Tires* requirement for specificity in descriptions of requested recovered costs and noting lack of clarity of invoices that include the term “digital duplication”).

<sup>96</sup> Any Bill of Costs should clearly delineate the specific services that were necessary, how those services relate to the making of copies, and the associated costs. See, e.g., *Colosi v. Jones Lang Lasalle Ams., Inc.*, 781 F.3d 293, 296, 298 (6th Cir. 2015); *CBT Flint Partners, LLC*, 737 F.3d at 1330.

<sup>97</sup> If a party only provides general descriptions, a court may refuse to tax costs altogether. See *Race Tires Am., Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d 158, 166-67 (3d Cir. 2012) (discussing the lack of specificity of invoices submitted, which ultimately led to no recovery for activities performed by vendor); *but see* *Northbrook Excess & Surplus Ins. Co. v. Procter & Gamble Co.*, 924 F.2d 633, 643 (7th Cir. 1991) (noting that producing 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”).

<sup>98</sup> See, e.g., *Camesi v. Univ. of Pittsburgh Med. Ctr.*, Nos. 17-3476 & 18-1112, at 8 (3d Cir. 2018) (non-precedential) (discussing influence of testimony regarding vendor invoice items on decision to view costs as recoverable under § 1920).

the case to shift costs under Rule 26 may find success at the end of the case as a Rule 54(d) motion.

5. Be prepared to move quickly. Some jurisdictions, like the Northern District of California, have a local rule that the prevailing party claiming taxable costs must serve a Bill of Costs no later than 14 days after entry of judgment that “separately and specifically” lists each item being claimed, and it must be supported by an affidavit pursuant to 28 U.S.C. § 1924 that the costs are correctly stated, were necessarily incurred, and are allowable by law.<sup>99</sup>

6. Focus on out-of-pocket expenses that the producing party incurred as opposed to work done internally by the producing party.<sup>100</sup>

7. Track expenses incurred for activities required by the requesting party that are beyond what the producing party thinks are reasonable and proportional to the needs of the case.

8. There is no need to reference the degree of expertise needed to perform the tasks of “making copies” or the identity of the people performing the task. The courts have found generally that such information is of little consequence under § 1920(4). Also note, it is highly unlikely that the court will allow recovery of attorneys’ fees as costs.

9. Focus on the language regarding costs in Case Management Orders and ESI Protocols. Closely examine what the parties are required to do and note if there are any unilateral deviations by the opposing party. When addressing the issue of costs in a Case Management Order, avoid language that might be considered a waiver of the prevailing party’s right to recover costs at the end of the case and consider including language that makes a broader scope of taxation possible.<sup>101</sup> For example, in *CSP Techs., Inc. v. Sud-Chemie AG*, No. 4:11-cv-00029, 2015 WL

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<sup>99</sup> See Civ. L.R. 54–1(a) (N.D. Cal.).

<sup>100</sup> See, e.g., *AgJunction LLC v. Agrian Inc.*, No. 14-cv-2069-DDC-KGS, 2016 WL 3031088, at \*9-10 (D. Kan. May 27, 2016) (allowing recovery of costs related to creation of forensic images because of software code; copying was a result of a court order. Further, allowing recovery of costs related to retention of consulting company to the extent invoice entries describe “the ‘collection,’ ‘evaluation,’ ‘processing,’ and ‘production’ of ESI.”).

<sup>101</sup> See, e.g., *CSP Techs., Inc. v. Sud-Chemie AG*, No. 4:11-cv-00029, 2015 WL 2405528, at \*2 (S.D. Ind. May 20, 2015).

2405528, at \*2 (S.D. Ind. May 20, 2015), the court found that, while the Case Management Order contained a reference to each party bearing their own production costs, that did not mean that the defendants waived their right to recover costs for eDiscovery charges because the terms of the agreement did not address the costs recoverable to a prevailing party upon completion of the case. ESI Protocols also may contain provisions regarding required production formats and how costs are to be handled.<sup>102</sup> Courts have awarded costs to the prevailing party for certain eDiscovery activities, which otherwise may not have been recoverable, if the activities were required by protocol.<sup>103</sup> ESI Protocols may likewise preclude the recovery of certain costs that may have been awarded under different circumstances.<sup>104</sup> A court may also look to language in Requests for Production in determining whether to allow for the recovery of certain eDiscovery costs.<sup>105</sup>

10. Words matter but context is king. If some activity, which ordinarily is for the benefit of the producing party, is taken for the benefit of the requesting party, a non-recoverable expense may become a recoverable expense.<sup>106</sup> For example, in *Associated Electric & Gas Insurance Services v. BendTec, Inc.*, the court noted that costs associated with storing ESI or creating an eDiscovery platform are not recoverable under § 1920 because the costs are

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<sup>102</sup> See *Apeldyn Corp. v. Sony Corp.*, Civ. Nos. 11-440, 11-581, 2016 WL 4064726, at \*3 (D. Del. July 27, 2016) (“With respect to the costs associated with formatting, the parties in most sophisticated cases control those costs through agreement.”).

<sup>103</sup> See, e.g., *Deere & Co. v. Duroc LLC*, 650 F. Appx. 779, 782-83 (Fed. Cir. 2016) (awarding taxation of eDiscovery costs in light of parties’ ESI production agreement).

<sup>104</sup> See, e.g., *Melchior v. Hilite Int’l, Inc.*, No 3:11-cv-3094, 2016 WL 1165911, at \*2 (N.D. Tex. Feb. 26, 2016) (refusing to award costs for conversions to TIFF because ESI agreement allowed for production of documents in either native or TIFF).

<sup>105</sup> See, e.g., *U.S. ex rel. v. Solvay S.A.*, No. H-06-2662, 2016 WL 3523873, at \*13 (S.D. Tex. June 28, 2016) (taxing costs associated with OCR because of inclusion in requests for production).

<sup>106</sup> See, e.g., *U.S. v. W. Surety Co.*, No. C14-1963JLR, 2016 WL 4617654, at \*3 (W.D. Wash. Sept. 2, 2016) (awarding costs under § 1920(4) for “analyzing electronic information,” where prevailing party’s law firm technologist submitted itemized invoices noting that the firm’s litigation technology department “[did] not review files for completeness, privilege, and/or responsiveness prior to production,” but instead ensured that the data was text searchable and then loaded the materials into a review database for improved search capabilities).



incurred for the benefit of the producing party.<sup>107</sup> However, if the producing party is creating an electronic data room and storing information in that space for the purpose of producing information to multiple requesting parties, an argument could be made that the costs associated with the creation and maintenance of the digital data room are recoverable.

11. Don't forget about *Taniguchi* but don't be deterred either. Historically, jurists have viewed the scope of § 1920 as being limited to "relatively minor, incidental expenses."<sup>108</sup> Thus, if the prevailing party is seeking to recover a significant amount for costs (particularly related to eDiscovery), the prevailing party may face resistance before the court examines the details. Given the Supreme Court's language in *Taniguchi* concerning the limited scope of recovery under § 1920, prevailing parties should anticipate that argument when they prepare their Bill of Costs. A simple but detailed explanation of the activities and how they relate to producing information to the requesting party is critical. In addition, use caution if you are trying to extend the definition of "making copies" to complex technological processes that might not fit into the ordinary meaning of "making copies." Clear descriptions of the work completed may prove crucial to cost recovery. While the Court of Appeals for the Third Circuit issued the *Race Tires* decision in 2012, which severely reduced the award of recoverable eDiscovery costs, in 2019, that same court affirmed an award of over \$300,000 for eDiscovery "copying costs."<sup>109</sup>

12. Asymmetrical litigation may influence how the court exercises its discretion under § 1920. As a result, a party involved in asymmetric litigation may want to consider cost-shifting approaches through other Rules or statutes such as Rule 26(b)(1), Rule 26(c)(1)(B), or Rule 26(b)(2)(B), in the event that the court decides to deny your requests for costs at the end of the case.

13. Remember that there are other avenues to pursue the recovery of eDiscovery costs besides Rule 54(d) and § 1920. Statutes which permit the recovery of costs or attorneys' fees for

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<sup>107</sup> *Assoc. Elec. & Gas Ins. Servs. v. BendTec, Inc.*, No. 14-1602, 2016 WL 740409, at \*3 (D. Minn. Feb. 24, 2016).

<sup>108</sup> *Taniguchi v. Kan Pacific Saipan, Ltd.*, 132 S.Ct. 1997, 2006 (2012).

<sup>109</sup> *Camesi v. Univ. of Pittsburgh Med. Ctr.*, Nos. 17-3476 & 18-1112 (3d Cir. 2019) (non-precedential).

litigants include 42 U.S.C. § 1988 for Federal Civil Rights lawsuits, copyright statutes, patent cases under 35 U.S.C. § 285, and consumer protection statutes. There are other rules of civil procedure (including Rule 68 - Offer of Judgment) that allow for the recovery of costs in certain situations.<sup>110</sup> Finally, 28 U.S.C. § 1927 permits the recovery of “excess costs, expenses, and attorneys’ fees reasonably incurred” where counsel for the losing party “multiplies the proceedings” in an “unreasonable and vexatious” manner.<sup>111</sup>

14. Detailed invoices regarding eDiscovery activities undertaken may be helpful to support briefs or expert declarations that a party may submit to the court regarding costs, but they should be prepared with an eye to meeting the tests applied by the courts. Towards that end, some early planning between counsel and the vendor as to how to segregate and describe various aspects of the eDiscovery process may pay large dividends when it comes time for the prevailing party to submit its invoice for recovery of costs. An invoice that provides a clear description of each step completed (along with itemized costs) may provide support for an argument that the completed work was not simply for the convenience of counsel and should be taxed as necessary to make copies as requested.<sup>112</sup>

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<sup>110</sup> For a detailed discussion on offers of judgment, see Mark L. Austrian, *Taxation of Costs and Offer of Judgment*, DEF. RES. INST. FOR THE DEF., (June 2012).

<sup>111</sup> See, e.g., *Thorncreek Apartments v. Village of Park Forest*, No. 08 C 869, 08 C 1225, 08 C 4303, 2016 WL 4503559, at \*10 (N.D. Ill. Aug. 29, 2016) (finding that just because a party was not entitled to recover costs under § 1920, that did not preclude an award of fees and expenses under § 1988 and as a result the prevailing plaintiff was permitted to recover costs for electronic discovery which included payments to eDiscovery vendors).

<sup>112</sup> See, e.g., *Chavez v. Converse, Inc.*, No. 15-cv-03746, 2017 WL 6620877, at \*2 (N.D. Cal. Dec. 22, 2017) (demonstrating that detailed summary of eDiscovery bill assists court in determining appropriateness of taxed costs).