

## Overly onerous demands can backfire

Federal courts have been ruling that prevailing parties are entitled to recover their discovery costs.

BY BENJAMIN R. BARNETT  
AND REBECCA S. KAHAN

The costs resulting from electronic discovery continue to be a critical concern for clients and their counsel. Seven years after enactment of cost-shifting provisions into the federal civil rules, substantial e-discovery costs continue to fall heavily on producing parties—often defendants in complex litigation—and can rise to a level that affects both pretrial and settlement strategy.

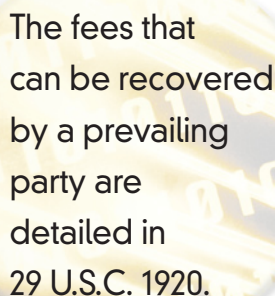
A number of recent federal district court decisions, however, offer some potential relief for parties that, in response to onerous requests, incur significant costs related to collection, review and production of electronically stored information (ESI). These decisions award prevailing parties the costs and expenses of electronic discovery as part of the parties' bill of costs.

The Federal Rules of Civil Procedure provide 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." Fed R. Civ. P. 54(d)(1) (2006). The fees that can be recovered by a prevailing party are detailed in 28 U.S.C. 1920. That section provides, in part, that a prevailing party may be awarded costs including "[f]ees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case[.]" 28 U.S.C. 1920(4) (2008).

While § 1920 does not explicitly refer to e-discovery costs, courts have interpreted the phrase "copies of any materials" to cover certain necessary expenses associated with the collection,

review and production of ESI. See, e.g., *Race Tires America Inc. v. Hoosier Racing Tire Corp.*, No. 2:07-cv-1294, 2011 WL 1748620 (W.D. Pa. May 6, 2011).

Recovery of e-discovery costs is not automatic. As a threshold matter, the clerk (and on appeal the district court) must find that the party seeking costs is a "prevailing party," that the costs were necessary and that the fees were reasonable.



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Generally, the party in whose favor judgment is rendered is the prevailing party. See *Tibble v. Edison Int'l*, No. CV-07-5359 SVW, 2011 WL 3759927, \*2 (C.D. Calif. Aug. 22, 2011). This includes a party who prevails on a motion to dismiss or on a motion for summary judgment. See, e.g., *In re Aspartame Antitrust Litig.*, No. 2:06-CV-1732-LDD, 2011 WL 4793239 (E.D. Pa. Oct. 5, 2011); *Jardin v. Datallegro Inc.*, No. 08-CV-1462-IEG, 2011 WL 4835742 (S.D. Calif. Oct. 12, 2011).

When there is no clear "winner," such as when a party prevails only on certain of its claims or defenses, courts must determine whether the party seeking its costs has prevailed in "the substantial part of the

litigation." See *LG Electronics U.S.A. Inc. v. Whirlpool Corp.*, No. 08 C 0242, 2011 WL 5008425 (N.D. Ill. Oct. 20, 2011); *Tibble*, 2011 WL 3759927 at \*2.

### WHETHER THE COSTS ARE NECESSARY

Courts then must assess whether the costs were necessary, rather than for the convenience of counsel, a fact-intensive inquiry that may require the courts to look at the scope and nature of the discovery sought, the instructions of the requesting party, the form in which the information was originally maintained, and whether nonlegal services were necessary to retrieve, restore and produce information.

For example, some courts have focused on whether the requesting party defined the format of production. When a litigant specifically requests ESI and that the documents be produced in electronic format, courts have regularly found such costs taxable. E.g., *In re Ricoh Co. Ltd. Patent Litig.*, 2011 WL 5928689 (3d Cir. Nov. 23, 2011); *Race Tires*, 2011 WL 1748620, at \*8-\*9 (collecting cases); *Jardin*, 2011 WL 4835742 at \*7. In certain instances, this has included costs associated with the conversion of native files and the costs of making those documents searchable. See, e.g., *Aspartame*, 2011 WL 4793239 at \*3; *Jardin*, 2011 WL 4835742 at \*6.

Additionally, when a party requests ESI, courts have found that fees charged by technicians and nonlegal project managers are necessary. In deciding whether these costs are taxable, courts typically focus on whether the services provided could be handled by a legal professional and whether they were necessary to respond to the demands of the requesting party. See, e.g., *Aspartame*, 2011 WL 4793239

at \*3, \*4; *Jardin*, 2011 WL 4835742 at \*7-\*9; *Tibble*, 2011 WL 3759927 at \*6-\*7; *Race Tires*, 2011 WL 1748620 at \*8-\*9. Compare *Aspartame*, 2011 WL 4793239 at \*4 (denying costs of technical support for services court determined were not necessary). Additionally, when a party demands inaccessible ESI, such as information maintained on a backup tape, courts have found that the cost of the support needed to retrieve and process the data is taxable. See, e.g., *Tibble*, 2011 WL 3759927 at \*8.

Not all e-discovery costs are taxable and courts have drawn the line at taxing costs for the use of sophisticated tools that purport to enhance and streamline document-review processes. See, e.g., *Aspartame*, 2011 WL 4793239 at \*4. In *Aspartame*, the court awarded the defendants significant costs associated with the collection, review and production of ESI, but declined to tax the costs associated with the use of a review tool based on "concept searching." While the court observed that such a tool is "undoubtedly helpful," it constituted "advanced technology...not necessary for litigation but rather...for the convenience of counsel." *Aspartame*, 2011 WL 4793239 at \*4.

Finally, courts must determine which taxable costs for the prevailing party are reasonable. Section 1920 contains no set rates for e-discovery services, and given the relatively small number of decisions on this issue, it is difficult to predict precisely what costs a court will deem to be reasonable—likely an evolving standard. Importantly, at least one court has found that when costs are taxable by statute, they can be recovered by a prevailing party even if the parties entered into a cost-sharing agreement. See *In re Ricoh*, 2011 WL 5928689 at \*8.

The recent cases make plain that the reasonableness of costs is case-specific. For example, certain courts have ruled that costs of converting documents to tiff format or for optical character recognition are taxable when either requested or necessary to provide all parties access to the documents, while other courts have found such reformatting not necessary. See *Race Tires*, 2011 WL 1748620 at \*6-\*7 (comparing cases).

## DOCUMENTATION

Importantly, recent cases demonstrate that a prevailing party must submit detailed documentation to support its request for costs. See *Francisco v. Verizon South Inc.*, 272 F.R.D. 436 (E.D. Va. 2011) (denying certain costs because the requesting party had failed to support its request). Relevant documentation may include detailed invoices of the services that were provided, proof that vendors engaged in a competitive bidding process, and that vendors are charging market rates for the services provided. See, e.g., *Tibble*, 2011 WL 3759927 at \*7. Even with detailed documentation, it is unlikely that a court will award the full amount requested. See, e.g., *LG Electronics*, 2011 WL 5008425 at \*8 (awarding only half of the prevailing party's request).

Although it is too early to know whether these decisions awarding e-discovery costs constitute a trend, there are several important lessons that litigation and e-discovery counsel can apply now.

- Be careful what one asks for. From the scope of discovery sought to the format of production, counsel for the requesting party must take into account the possibility that the client may have to pay some of the opponent's e-discovery costs if the opponent prevails in the litigation.

- Some leverage to drive reasonable requests. The prospect of cost recovery through a bill of costs may provide leverage in negotiations in the Rule 26(f) conference or ESI meet-and-confers.

- Document everything. While this is hardly new (and may be somewhat at odds with informal resolution promoted both by the Federal Rules and judges), it is important that counsel capture the details with respect to the discovery sought and produced to maximize the possibility of recovering e-discovery costs. This is particularly true with respect to e-discovery vendors, the description of the services provided, and the amount of time they recorded to support the discovery process.

- Cutting-edge technology may not cut it with courts. Although it may be unwelcome news to e-discovery vendors, the latest and greatest technology to reduce ESI volume and e-discovery costs

may not get much traction with courts. In contracting for such services, one needs to advise the client that, although such technology may save costs, such costs are unlikely to be recovered under a bill of cost. Of course, if the overall savings in e-discovery costs from the use of such technology is sufficiently significant, this is less of an issue.

- Plan, plan and plan some more. The decisions discussed above stand in stark contrast to some areas of e-discovery jurisprudence because there are bright lines and specific guidance with respect to the potential recovery of costs. In-house and outside counsel should incorporate this guidance into their future litigation and e-discovery strategies to be in a position to take advantage of this small glimmer of light on the e-discovery cost front.

*Benjamin R. Barnett, chairman of Dechert's mass torts and products liability practice, for more than a decade has focused on e-discovery. Rebecca S. Kahan, an associate, focuses on complex commercial litigation, including banking and financial services, white-collar defense, securities litigation and e-discovery.*