**2013-1036**

**UNITED STATES COURT OF APPEALS**
**FOR THE FEDERAL CIRCUIT**

CBT FLINT PARTNERS, LLC,

*Plaintiff - Appellant*,

v.

CISCO IRONPORT SYSTEMS, LLC,
and RETURN PATH, INC.,

*Defendants - Appellees*.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
IN CASE NO. 07-CV-1822, JUDGE THOMAS W. THRASH, JR.

# BRIEF FOR BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF DEFENDANTS-APPELLEES

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May 2, 2013

## CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4, Andrew J. Pincus, counsel for *Amicus Curiae* BSA | The Software Alliance, certifies the following:

1. The full name of the party represented by me is BSA | The Software Alliance.

2. The name of the real party in interest represented by me is BSA | The Software Alliance.

3. BSA | The Software Alliance is not a subsidiary of any corporation and BSA | The Software Alliance has issued no stock.

4. The names of all law firms and the partners or associates that appeared for the party now represented by me in this proceeding are: Mayer Brown LLP; Andrew J. Pincus; Paul W. Hughes.

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May 2, 2013

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**BRIEF FOR BSA | THE SOFTWARE ALLIANCE AS *AMICUS CURIAE* IN SUPPORT OF DEFENDANTS-APPELLEES**

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## INTEREST OF A*MICUS CURIAE*

BSA | The Software Alliance is an association of the world's leading software and hardware technology companies. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software and related technologies.[1] BSA members pursue patent protection for their intellectual property and as a group hold a significant number of patents. Because of the critical role that technology plays in our country's economy and in the daily lives of all Americans, BSA members have a strong stake in the proper functioning of the U.S. patent system.

The members of the BSA include Adobe, Apple, Autodesk, AVEVA, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Dell, Intel, McAfee, Microsoft, Minitab, Oracle, Parametric Technology Corporation,

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[1] Pursuant to Fed. R. App. P. 29(c)(5), *amici* affirms that no counsel for a party authored this brief in whole or in part and that no person other than *amici* and its counsel made a monetary contribution to its preparation or submission. The brief is filed pursuant to the Court's Order of May 1, 2013, which granted permission for the filing of this amicus brief.

Progress Software, Quest Software, Rosetta Stone, Siemens PLM, Symantec, TechSmith, and The MathWorks.

## SUMMARY OF ARGUMENT

The Court should affirm the district court's award to the defendants-appellees of costs incurred in "making copies" of electronic materials under 28 U.S.C. § 1920(4) and Federal Rule of Civil Procedure 54(d)(1).

I. The costs of electronic discovery in modern litigation are enormous, and this is particularly true in the context of patent litigation. Yet these costs are almost entirely one-sided: they are borne by defendants who must provide the broad discovery frequently demanded by plaintiffs. And the direct costs of e-discovery only scratch the surface of the true costs imposed on defendants, as fees of outside counsel and the lost productivity of employees dwarf these amounts.

The massive, asymmetrical costs inflate the value of a lawsuit, regardless of its merit. The discovery rules confer significant settlement leverage on all plaintiffs. Indeed, for these reasons, "[t]he most pernicious problem with the American discovery system is that it incentivizes parties to seek overbroad and burdensome discovery." John H. Beisner, *Discovering A Better Way: The Need for Effective Civil Litigation Reform*, 60 Duke L.J. 547, 584-85 (2010).

Section 1920 does not eliminate this cost asymmetry. But giving full effect to Section 1920's cost-shifting rule is critical, because it gives defendants some incentive to fight meritless claims, and it cautions plaintiffs to limit their discovery requests to only those materials that are necessary.

II. The court below correctly interpreted the scope of costs recoverable under Section 1920(4). In 2008, Congress amended the statute specifically to provide for recovery of e-discovery costs. It amended what is recoverable from "copies of papers" to "costs of making copies of any materials." Under that new language, all steps necessary for duplication qualify for cost-shifting, because they are part and parcel of the process of "making" copies of electronic data. Indeed, this Court, in *In re Ricoh Co., Ltd. Patent Litigation*, 661 F.3d 1361 (Fed. Cir. 2011), broadly interpreted recoverable electronic costs, correctly including costs relating to databases and other services necessary for electronic document production.

## ARGUMENT

### I. Including The Costs Of Electronic Discovery Within The Scope Of Section 1920 Is Critical To Deterring The Filing Of Meritless Claims.

Discovery costs are often both substantial and asymmetrical. Because they are borne primarily by defendants, these costs inflate a lawsuit's settlement value, even if the underlying claim is entirely meritless.

Plaintiffs, particularly patent assertion entities (PAEs), have seized on this asymmetry as a weapon to extract value from defendants. Proper application of Section 1920 is essential to deter such abuse and to encourage plaintiffs to reasonably constrain discovery requests.

### A. Electronic discovery costs are substantial and growing.

In modern litigation, the costs involved with production of documents in electronic form (so-called "electronic discovery" or "e-discovery") are often "crushing." Steven C. Bennett, *Are E-Discovery Costs Recoverable by a Prevailing Party?*, 20 Alb. L.J. Sci. & Tech. 537, 538 (2010). There are several causes for these significant—and increasing—expenses.

***First***, the quantity of electronic data has skyrocketed in recent years—and it will only continue to grow with enhanced technology in the workplace and computer mediums that generate ever-increasing amounts of data. For example, a 2006 study estimated that "800 megabytes of recorded information is produced per person each year"—the equivalent of "30 feet of books." Kenneth J. Withers, *Electronically Stored Information: The* December *2006 Amendments to the Federal Rules of Civil Procedure*, 4 Nw. J. Tech. & Intell. Prop. 171, 173-76 (2006). And "at least 90 percent of business information is stored electronically today." Rachel K. Alexander, *E-Discovery Practice, Theory, and Precedent: Finding the Right Pond,*

*Lure, and Lines Without Going on a Fishing Expedition*, 56 S.D. L. Rev. 25, 26 (2011).

Email is a principal form of electronic information that is sought in litigation. Like other kinds of electronic data, stored emails are growing at a rapid pace. In 2012, an estimated 89 billion business emails were sent *daily*; that number is expected to rise roughly 13% each year for the foreseeable future. Sara Radicati, *Email Statistics Report, 2012-2016*, at 3, http://tinyurl.com/crb86tz. One survey indicates that business email users spend around 20% of their day sending and receiving emails. Alexander, *supra*, at 26.

***Second***, plaintiffs typically demand—and often receive—productions of electronic documents that amount to production of a significant portion of a company's entire inventory of electronic records. Here, for example, the plaintiff ultimately requested the production of 1.4 million documents plus six versions of source code. *CBT Flint Partners, LLC v. Return Path, Inc.*, 676 F. Supp. 2d 1376 (N.D. Ga. 2009). Likewise, in *Fast Memory Erase, LLC v. Spansion, Inc.*, 2010 WL 5093945, at *3 (N.D. Tex. 2010), defendants produced 3,138,274 pages (at a cost of $1,136,392.47 in fees to e-discovery providers). *See* Bill of Costs, Defendant Intel's Itemization, at

6-8, *Fast Memory Erase, LLC v. Spansion,* No. 10-cv-481 (N.D. Tex. Apr. 1, 2010) (Dkt. #9).

In a recent antitrust case, one defendant produced "87.73 gigabytes of data" ("the equivalent to copying 4.4 to 6.1 million pages of documents"), a second defendant collected "over 1.05 terabytes of potentially responsive electronic documents" ("over 75 million pages"), and a third defendant "amassed over 366 gigabytes of potentially responsive documents that amounted to several million pages." *In re Aspartame Antitrust Litig.*, 817 F. Supp. 2d 608, 614-15 (E.D. Pa. 2011). As the court put it, "[t]he volume of discovery in this case was staggering." *Id.* at 614.

Electronic discovery is often especially onerous in the context of patent litigation. Plaintiffs frequently seek records produced during a product's entire lifetime relating to design, implementation, marketing, and sales. Indeed, one study indicates that intellectual property discovery costs are about 62% higher than the average baseline case. *See* Emery G. Lee III & Thomas E. Willging, *Litigation Costs in Civil Cases: Multivariate Analysis* 8 (Fed. Judicial Ctr. 2010).

***Third***, producing electronic documents in the form required by litigants (and thus the court) is very expensive.[2] Unlike traditional paper discovery, which involved the relatively straightforward task of photocopying storehouses of records, electronic discovery requires several steps. A producing party must generally image the computer systems on which information is stored (including both personal computers and large data systems),[3] remove duplicate documents, process the data into usable file formats,[4] transmit the information to the opposing party, and store it for use

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[2] Although these electronic discovery costs are substantial, it bears mention that electronic discovery generally costs *less* than would an equivalent production that occurs in paper. *See*, *e.g.*, *In re Aspartame Antitrust Litig.*, 817 F. Supp. 2d at 615 ("The court is persuaded that in cases of this complexity, e-discovery saves costs overall by allowing discovery to be conducted in an efficient and cost-effective manner."). If Cisco had produced the requested information in paper form to CBT—not only would it have been much less helpful for CBT, but Cisco's request for taxation of costs would be far greater. And there would be little disputing that Cisco would be entitled to these amounts. *See* Cisco Br. 32-37.

[3] "The 'imaging' process is a technical one requiring technical experience and careful execution to preserve all of the metadata and to ensure that a company has authenticated information properly for trial purposes." Mark L. Austrian, *Getting Your E-Discovery Money Back*, 54 No. 6 DRI For Def. 12, 14 (2012).

[4] "Courts often refer to processing ESI from its 'native format,' which refers to the original application used to create it, into a TIFF format. TIFF, which stands for 'tag image file format,' is a flexible, adaptable file format for handling images and data within a single file." Austrian, *supra,* at 14.

in litigation, among other steps.[5] This entails considerable cost. *See* Will Uppington, *E-Discovery 911: Reducing Enterprise Electronic Discovery Costs in a Recession*, e-discovery 2.0 (Feb. 20, 2009), http://tinyurl.com/-dyhe8ce.[6]

For example, production of information for just 8 custodians—which would yield about 25 gigabytes of data—is estimated to cost about $108,000 for collection, processing, and production alone. Uppington, *supra.*; *see also* David Degnan, *Accounting for the Costs of Electronic Discovery*, 12 Minn. J.L. Sci. & Tech. 151, 161 (2011). The costs of electronic discovery thus mount quickly. *See* Beisner, *supra*, at 564-72 (detailing the causes of significant electronic discovery costs).

The incontrovertible fact is that, to respond to plaintiffs' discovery requests, defendants must spend substantial amounts. The Pace and Zakaras study, which documented the electronic discovery costs for 45 separate cases, found a median cost of $1.8 million, with two individual cases reaching over $20 million each. Nicholas M. Pace & Laura Zakaras,

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[5] For a comprehensive explanation of the steps in electronic discovery, see Nicholas M. Pace & Laura Zakaras, *Where the Money Goes: Understanding Litigant Expenditures for Producing Electronic Discovery*, at 9-12, RAND (2012), http://tinyurl.com/8xzxcez.

[6] In addition, of course, the documents must be reviewed to prevent disclosure of privileged information.

*Where the Money Goes: Understanding Litigant Expenditures for Producing Electronic Discovery*, at 17-18 & tbl.2.1, RAND (2012), http://tinyurl.-com/8xzxcez. The study found individual intellectual property cases with e-discovery costs of $3.1 million and $7.8 million. *Id*. And in *Lockheed Martin Idaho Techs. Co. v. Lockheed Martin Advanced Envtl. Sys., Inc.*, 2006 WL 2095876, at *3 (D. Idaho 2006), the court concluded that it was necessary to establish a computer database to organize millions of documents that were produced—at a cost of $4.6 million.[7]

### B. Plaintiffs frequently exploit asymmetrical discovery costs to extract settlements unrelated to a claim's merit.

These discovery burdens are not borne equally by plaintiffs and defendants. While plaintiffs typically request large volumes of data from defendant companies, there is often little a defendant can request from a plaintiff. It is well recognized that the "[a]symmetrical cost imposition" present in litigation "is usually most pronounced during the discovery process." J. Maria Glover, *The Federal Rules of Civil Settlement*, 87 N.Y.U. L.

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[7] And these electronic discovery costs account for only a portion of the true costs imposed on defendants. Companies also must pay substantial sums for outside counsel and for lost productivity. *See* Frank H. Easterbrook, *Discovery As Abuse*, 69 B.U. L. Rev. 635, 645 (1989) (noting that even with fee-shifting, discovery can be abusive because "legal costs are only a portion of the full costs of taking employees of a corporation out of work and holding them captive in lawyers' offices during depositions").

Rev. 1713, 1731 (2012). Even "claims that barely survive a motion to dismiss generally trigger the same discovery entitlements as claims that are more likely to succeed." *Id*.; *see also* Rodney A. Satterwhite & Matthew J. Quatrara, *Asymmetrical Warfare: The Cost of Electronic Discovery in Employment Litigation*, 14 Rich. J.L. & Tech. 9, 2-5 (2008) (noting discovery cost asymmetry in employment litigation).

This asymmetry is particularly pronounced in the intellectual property context, especially in suits brought by patent assertion entities (PAEs). That is, "[d]iscovery burdens are unequal and mostly one-sided in favor of the patent troll who commonly has few documents beyond the patent and prosecution history." Christopher A. Harkins, *Fending Off Paper Patents and Patent Trolls: A Novel "Cold Fusion" Defense Because Changing Times Demand It*, 17 Alb. L.J. Sci. & Tech. 407, 443 (2007). "Whereas a patent troll typically has few employees and does not operate any business beyond patent litigation for which it commonly engages attorneys who often work on a contingency fee arrangement, the manufacturer must take a hard look upon the demands and distractions that litigation will place on its witnesses, in-house counsel, and officers in mounting a defense to the lawsuit." *Id*. at 443-44.

Because they do not practice the patents they hold, PAEs especially benefit from using expensive discovery as a litigation tactic as they are "invulnerable to a countersuit for patent infringement." Federal Trade Commission, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* 31 (Oct. 2003). PAEs "obtain and enforce patents against other firms, but either have no product or do not create or sell a product that is vulnerable to infringement countersuit by the company against which the patent is being enforced." *Id*. at 38. Thus, PAEs are perpetually plaintiffs who seek discovery; they are rarely defendants who must produce it.

The asymmetrical discovery burdens coupled with the enormous cost involved enable a plaintiff to increase the cost of litigation significantly—and thus increase the value of settlement—regardless of the value of the patent itself or of the merits of the infringement claim.

Commentators have recognized that this asymmetry allows plaintiffs to pursue "abusive litigation tactics designed primarily to coerce settlements." *Fight Runaway E-Discovery Costs: How You Can Help*, Metropolitan Corporate Counsel, Vol. 18, No. 4, Apr. 5, 2010, (interview of John H. Martin), http://tinyurl.com/bnxa6m7. In one study, 71% of respondents, members of both the plaintiff and defense bars, believe that discovery is

used as "a tool to force settlement." Beisner, *supra*, at 551, 573 (quotation omitted). Lawyers widely acknowledge the use of "abusive discovery tactics," which "include coercing a settlement by increasing an opponent's costs through unnecessary information requests." *Id*.

Indeed, the Supreme Court recognized in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 559 (2007), that "the threat of discovery expense will push cost-conscious defendants to settle even anemic cases before reaching those proceedings." *See also id.* at 558 ("[P]roceeding to antitrust discovery can be expensive.").

Moreover, small and new businesses are uniquely vulnerable to these abusive tactics given their lack of resources to comply with expansive discovery requests. One study, for example, estimated that 40% of start-ups "experienced a significant operational impact as a result of a patent suit." *See* Colleen V. Chien & Michael J. Guo, *Does the US Patent System Need a Patent Small Claims Proceeding?*, 4 (Santa Clara Univ., Working Paper No. 10-13, 2013).

Proper application of Section 1920 is critical to at least curtail these abusive litigation tactics; it "creat[es] incentives for parties to make requests that are better calculated to lead to the discovery of relevant evidence." Beisner, *supra*, at 585. It does so by eliminating some of the dis-

parity between plaintiffs and defendants where otherwise none would exist. *See* Martin H. Redish & Colleen McNamara, *Back to the Future: Discovery Cost Allocation and Modern Procedural Theory*, 79 Geo. Wash. L. Rev. 773, 777 (2011). That mitigates the "subsidization of discovery costs," which "fuels practices of excessive and abusive discovery" and produces "troubling externalities." *Id.* at 796-804 .

## II. Section 1920(4) Provides For The Shifting Of A Broad Range Of Electronic Discovery Costs.

The district court correctly construed Section 1920(4) to authorize recovery of a broad range of costs associated with electronic discovery. That statute, which was recently updated to provide for such e-discovery costs, is designed to reflect the modern reality of discovery, where electronic data has replaced paper. The district court's construction of the statute accords with the approach taken by this Court, as well as that of courts across the country.

### A. Congress amended Section 1920(4) specifically to encompass electronic discovery costs.

Federal Rule of Civil Procedure 54(d)(1) and 28 U.S.C. § 1920(4) govern taxation of discovery costs in federal court. Rule 54(d)(1) broadly provides that costs (other than attorneys' fees) "should be allowed to the prevailing party" unless a federal statute, rule of civil procedure, or court or-

der provides otherwise. Fed. R. Civ. P. 54(d)(1). Section 1920 itemizes the six categories of litigation expenses that qualify as taxable "costs" under Rule 54(d)(1).

In 2008, Congress adopted amendments to Section 1920(4) in order to expand the definition of recoverable costs relating to the copying of material. *See* Judicial Administration and Technical Amendments Act of 2008, Pub. L. No. 110–406 § 6(2). Prior to this amendment, Section 1920(4) provided:

> Fees for exemplification and copies of papers necessarily obtained for use in the case;

28 U.S.C.A. § 1920 (2007). Now, however, Section 1920(4) provides:

> Fees 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.A. § 1920 (2013).

In amending this section, Congress thus broadened the plain language of the statute in two respects. First, instead of constraining recoverable costs to the end product of "copies," Congress expanded the scope of the statute to the process of "making" copies. Second, Congress eliminated the restrictive reference to "paper" and expanded the scope of cost recovery to copies of "any materials." Both changes to the language of Section 1920(4) demonstrate Congress's intent to permit courts to award elec-

tronic discovery costs to prevailing parties. *See In re Ricoh Co., Ltd. Patent Litig.*, 661 F.3d 1361, 1365 (Fed. Cir. 2011).

The legislative history makes clear that this amendment was designed to provide cost-shifting for e-discovery services. Representative Zoe Lofgren noted that the purpose of the alteration was to "mak[e] electronically produced information coverable in court costs." 154 Cong. Rec. H10270, H10271 (daily ed. Sept. 27, 2008) (statement of Rep. Lofgren). Senator Leahy, the chairman of the Senate Judiciary Committee, explained that "The Judicial Administration and Technical Amendments Act of 2008 is an attempt to assist the Federal judiciary by replacing antiquated processes and bureaucratic hurdles with the necessary tools for the 21st century." 154 Cong. Rec. S9417-01 (daily ed. Sept. 24, 2008) (statement of Sen. Leahy).

### B. Section 1920(4) encompasses a broad range of e-discovery expenses.

In light of the expansive language utilized by Congress in 2008, and Congress's express purpose of modernizing the statute to account for electronic discovery, CBT's argument that Section 1920(4) "include[s] only those tasks that involve actually duplicating documents and exclude all of the other tasks that lead up to duplication" (CBT Br. 15) rings hollow. The plain text of the statute encompasses a much broader range of costs, in-

cluding the production and delivery of electronic data to a party who requests discovery, as both this Court and other courts of appeals have recognized.

1. Unlike the prior iteration of the statute, which provided recovery only for "copies," the current version is far broader—encompassing costs of "*making* copies of any materials." Section 1920(4)'s use of the word "making" is critical. To "make" means "to bring * * * into being by forming, shaping, or altering material." Webster's Third New Int'l Dictionary 1364. Thus, the steps necessary to form, shape, or transform electronic data into "copies of any materials" are all recoverable costs.

The costs recoverable under the statute therefore include, but are not limited to: imaging computer hard drives; processing and scanning electronic data; recovering electronic data and restoring backup tapes; repairing corrupted files; extracting metadata; running keyword searches; creating a litigation database; de-duplicating documents; making documents searchable via optical character recognition (OCR); storing and hosting the data; converting formatted electronic data from one format to another (such as TIFF files); and creating CDs, DVDs, or other media of electronic documents for production in response to discovery requests. *See* Amy Jane Longo & Usama Kahf, *Recovering the Costs of ESI Discovery:*

*Treading Lightly After* Race Tires, 13 Digital Discovery & E-Evidence 129 (Mar. 14, 2013).

But the scope of Section 1920(4) is far from unlimited; it contains a clear restriction on recoverable costs. The statute limits cost-shifting to "where the copies are *necessarily* obtained for use in the case." (Emphasis added). A party objecting to a bill of costs may thus challenge any e-discovery costs relating to "unnecessary" electronic documents. *See Tibble v. Edison Int'l*, 2011 WL 3759927 (C.D. Cal. 2011). Of course, in most circumstances, it is the requesting party (that is, the party to whom costs may be shifted) who controls what qualifies as "necessary," because that party defines what documents must be produced and in what format.

2. This Court has already interpreted Section 1920(4) broadly. In *In re Ricoh Co.*, 661 F.3d at 1365-66, the Court determined that the costs of an e-discovery vendor (there, Stratify) were recoverable pursuant to Section 1920(4). The Court agreed with the district court's determination that the "costs associated with Stratify"—which included costs for "secure document processing, review, production and hosting services"—"were taxable because 'the Stratify database was used as a means of document production in this case.'" *Id.* at 1365. In reaching this result, the Court specifically noted that the 2008 amendments "reflect the idea that electronically

produced information is recoverable in court costs." *Id.* (quotation omitted). At bottom, "the costs of producing a document electronically can be recoverable under [S]ection 1920(4)." *Id.*

3. Other courts have accorded Section 1920(4) a similarly broad interpretation. The Seventh Circuit, for example, found "no abuse of discretion in the district court's decision" to award costs "for converting computer data into a readable format in response to plaintiffs' discovery requests." *Hecker v. Deere & Co.*, 556 F.3d 575, 591 (7th Cir. 2009). District courts have applied *Hecker* in broadly authorizing recovery of e-discovery costs. *See, e.g.*, *Promote Innovation LLC v. Roche Diagnostics Corp.*, 2011 WL 3490005, at *2 (S.D. Ind. 2011).

And district courts have taken a "broad construction of [Section] 1920 with respect to electronic discovery costs." *Petroliam Nasional Berhad v. GoDaddy.com Inc.*, 2012 WL 1610979, at *4 & n.1 (N.D. Cal. 2012) (awarding costs under § 1920(4) for work performed by e-discovery technicians, copying/"blowback" costs, file conversion, image endorsing, "Master CD-ROM," and "CD-ROM duplication"); *In re Online DVD Rental Antitrust Litig.*, 2012 WL 1414111, at *1-2 (N.D. Cal. 2012) (same); *In re Aspartame Antitrust Litig.,* 817 F. Supp. 2d at 615-16 (allowing electronic discovery vendor fees for database creation, storage, processing, searching,

de-duplication, data extraction, processing, and costs associated with hosting data that accrued after defendants produced documents to plaintiffs); *Tibble,* 2011 WL 3759927, at *7-8 (awarding costs for electronic data recovery including the costs of utilizing the expertise of computer technicians to provide electronic data); *Jardin v.* DATAllegro*, Inc.*, 2011 WL 4835742, at *6-9 (S.D. Cal. 2011) (allowing taxation of costs for conversion of native format to TIFF and expense of technical project manager overseeing conversion).

4. To the extent that the Third Circuit charted a more narrow course in *Race Tires America, Inc. v. Hoosier Racing Tire Corp.*, 674 F.3d 158 (3d Cir. 2012), this Court should reject that view.

The Third Circuit got off on the wrong foot by "first examin[ing] 'a page of history'" to interpret Section 1920(4). *Id.* at 164. The very purpose of the 2008 Amendment was to broaden that statute to keep pace with the 21st Century—not to recodify then-existing law. Having looked to history as a guide, rather than to the language and purpose of the 2008 amendment, it is no surprise that the Third Circuit simply analogized electronic discovery to paper. *Id.* at 169-70.

But the Third Circuit ignored entirely a substantial change the 2008 amendment made to Section 1920(4). By amending what is recoverable

from "copies of papers" to "costs of *making* copies of any materials," Congress changed the definition of a recoverable cost. Under the old statute, cost-shifting was strictly confined to the cost of "copies"—i.e., the per page cost of reproducing the paper material. Now, as we have explained (*supra*, at 14), the statute is broader, providing cost-shifting for "making copies"—which thus includes the "forming, shaping, or altering" of data necessary for the electronic copies. The Third Circuit's approach ignores this substantial change in the statute's text.[8]

If, as the Third Circuit found, Congress had intended Section 1920(4) to apply to electronic data in exactly the same way as it had previously applied to copies of paper, Congress would have altered the phrase "copies of papers" to read "copies of any materials." But that is not what Congress did. Instead, it included a phrase that broadened cost-shifting to encompass the *process* of creating those copies, thereby including the costs of producing the copies of electronic materials.

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[8] Significantly, the Third Circuit's analysis rests on an error regarding the text of the statute prior to the 2008 amendment. Thus, in considering the pre-2008 language and analogizing to electronic materials, the court explained that Congress "allowed only for the taxation of the costs of *making copies*." *Race Tires*, 674 F.3d at 169 (emphasis added). But that is *not* what the statute formerly provided—it allowed recovery solely for the costs of "copies"—and not the additional expense related to the *making* of those copies.

The Third Circuit's error is particularly acute because even that court recognized that extensive processing of electronic data is "essential to *make* a comprehensive and intelligible production." *Race Tires*, 674 F.3d at 169 (emphasis added). The court agreed that "[h]ard drives may need to be imaged, the imaged drives may need to be searched to identify relevant files, … file formats may need to be converted, and ultimately files may need to be transferred to different media for production." *Id*. But the court's legal conclusion that these costs are excluded from Section 1920(4) is flatly wrong; these "services leading up to the actual production" (*id*.) *are*, by definition, part of the "making" of a copy.

Given the flaws in the analysis, it is not surprising that some courts outside the Third Circuit have disregarded *Race Tires* and continued to broadly interpret the scope of e-discovery costs that are recoverable. *See*, *e.g.*, *Petroliam Nasional Berhad*, 2012 WL 1610979, at *4 & n.1; *In re Online DVD Rental Antitrust Litig.*, 2012 WL 1414111, at *1-2.

## CONCLUSION

The Court should affirm the district court's award of costs.

Respectfully submitted,

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Dated: May 2, 2013

## CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rule of Appellate Procedure 32(a)(7)(C), the undersigned counsel certifies that this brief:

(i) complies with the word-limitation of Rule 29(d) because it contains 4,410 words; and

(ii) complies with the typeface requirements of Rule 32(a)(5) and the type style requirements of Rule 32(a)(6) because it has been prepared using Microsoft Office Word 2007 and is set in Century Schoolbook font in a size equivalent to 14 points or larger.

Dated: May 2, 2013

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## CERTIFICATE OF SERVICE

I hereby certify that on May 2, 2013, I served the foregoing Brief for BSA | The Software Alliance as *Amicus Curiae* In Support of Defendants-Appellees on each party separately represented via the Court's electronic Pacer/ECF system as follows:

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