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 11 HTC CORPORATION and
 HTC AMERICA, INC.

12
 13 UNITED STATES DISTRICT COURT
 14 NORTHERN DISTRICT OF CALIFORNIA
 15 SAN JOSE DIVISION

17 HTC CORPORATION and HTC
 AMERICA, INC.,

18 Plaintiffs,

19 v.

20 TECHNOLOGY PROPERTIES
 21 LIMITED, PATRIOT SCIENTIFIC
 CORPORATION and ALLIACENSE
 22 LIMITED,

23 Defendants.

Case No. 5:08-cv-00882 PSG

[Related to Case No. 5:08-cv-00877 PSG]

**MOTION FOR COURT'S REVIEW OF
 TAXED COSTS PURSUANT TO FED. R.
 CIV. P. 54(d)(1)**

Complaint Filed: February 8, 2008
 Trial Date: September 23, 2013

Date: February 25, 2014
 Time: 10:00 am.
 Place: Courtroom 5, 4th Floor
 Judge: Hon. Paul S. Grewal

NOTICE OF MOTION AND MOTION

1
2 PLEASE TAKE NOTICE that, on February 25, 2014 at 10:00 a.m., or as soon thereafter
3 as the matter may be heard by the above-titled Court, located at 280 South 1st Street, San Jose,
4 CA 95113, Fourth Floor, Courtroom 5, before the Honorable Paul S. Grewal, Plaintiffs HTC
5 Corp. and HTC America, Inc. (collectively “HTC”) will move pursuant to Federal Rule of Civil
6 Procedure 54(d)(1) (hereinafter “Rule 54(d)(1)”) for the Court’s review of the costs that the clerk
7 has taxed against HTC (Dkt. Nos. 704 and 705). See Rule 54(d)(1) (“On motion served within
8 the next 7 days, the court may review the clerk’s action [in taxing costs].”). This Motion is based
9 on the Memorandum of Points and Authorities set forth below, the evidence and proceedings at
10 trial, and such other matters as may be presented at the hearing on HTC’s motion and allowed
11 by the Court.

MEMORANDUM OF POINTS AND AUTHORITIES

12
13 Under Civil Local Rule 54, the clerk has correctly disallowed certain costs among those
14 claimed by Technology Properties Ltd. and Alliacense Ltd. (“TPL”), and Patriot Scientific Corp.
15 (“Patriot”) (collectively, “Defendants”). But the clerk still has awarded significant costs to them.
16 The Court should review the clerk’s action under Rule 54(d)(1) and exercise its discretion to deny
17 costs altogether because, based on Defendants’ ultimate recovery and other factors, no award of
18 costs is justified. Four out of the five originally asserted patents were dismissed prior to trial, one
19 of them based on a summary judgment ruling entered in favor of HTC. On the sole patent for
20 which judgment was entered in favor of Defendants, the damages award was less than ten percent
21 of what Defendants had sought. Their willful and indirect infringement claims also failed. The
22 Court should therefore exercise its discretion to decline to award any costs to Defendants.
23 Alternatively, the Court should reduce any awarded costs to account for the Defendants’ low
24 degree of overall success by apportioning costs associated with the dismissed patents. The Court
25 should further apportion costs to remove those associated with the parallel ITC action because
26 HTC should not shoulder Defendants’ costs in prosecuting their losing ITC battle.

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1 **I. NO COSTS SHOULD BE AWARDED.**

2 Assessing an award of costs under Rule 54(d)(1) generally involves two inquiries:
3 (1) determining the identity of the “prevailing party” for purposes of an award of costs; and
4 (2) determining the amount of the costs, if any, to be awarded to that party. *See Shum v. Intel*
5 *Corp.*, 629 F.3d 1360, 1366 (Fed. Cir. 2010). In the present case, the clerk appears to have
6 determined that Defendants were the “prevailing party.”

7 Federal circuit law is clear that a “prevailing party” is not necessarily entitled to costs.
8 Even assuming *arguendo* that Defendants are the “prevailing party,” this Court has broad
9 discretion to decline to award any costs, and should exercise that discretion here. “Depending on
10 the extent and nature of the prevailing party’s victory, it may be proper for the trial court to award
11 only low costs or no costs at all.” *Id.* at 1367 n. 8. Even where a party qualifies as a “prevailing
12 party,” the district court “retains broad discretion as to how much to award, *if anything.*” *Id.*
13 (quoting *Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1183 (Fed. Cir. 1996))
14 (emphasis in *Shum*).

15 The Federal Circuit applies regional circuit law in determining the amount of costs, if any,
16 to award. *See Manildra Milling*, 76 F.3d at 1183. The Ninth Circuit has held that Rule 54(d)(1)
17 “vests in the district court discretion to refuse to award costs.” *Hunter v. City & Cnty. of San*
18 *Francisco*, 2013 U.S. Dist. LEXIS 164662, at *4 (N.D. Cal. Nov. 19, 2013) (citing *Ass’n of Mex.-*
19 *Am. Educators v. California*, 231 F.3d 572, 591 (9th Cir. Cal. 2000) (*en banc*)). Under Ninth
20 Circuit law, a district court may properly deny costs if, for example, “the issues in the case were
21 close and difficult,” “the prevailing party’s recovery was nominal or partial,” and “the losing
22 party litigated in good faith.” *Quan v. Computer Scis. Corp.*, 623 F.3d 870, 888-89 (9th Cir.
23 2010) (citation omitted). In other words, “[i]n the event of a mixed judgment, . . . it is within the
24 discretion of a district court to require each party to bear its own costs.” *Amarel v. Connell*, 102
25 F.3d 1494, 1523 (9th Cir. 1996); *Endurance Am. Specialty Ins. Co. v. Lance-Kashian & Co.*, No.
26 CV F 10-1284 LJO DLB, 2011 WL 6012213, at *2 (E.D. Cal. Dec. 1, 2011) (denying costs where
27 both parties prevailed on certain issues, case was complex, and both sides litigated in good faith);
28

1 *see also Ass'n of Mex.-Am. Educators*, 231 F.3d 572 at 592 (costs denied when, among other
2 factors, “the issues in the case are close and difficult”).

3 The Federal Circuit, applying regional circuit law, confronted a situation similar to the
4 present case in *Ruiz v. A.B. Chance Co.*, 234 F.3d 654 (Fed. Cir. 2000). The plaintiffs in that case
5 prevailed on one claim, while the defendants prevailed on all other claims. *Id.* at 662. Given the
6 mixed judgment, the district court declined to award costs to either party. The Federal Circuit
7 affirmed, finding that the district court acted within its discretion in denying costs. *Id.* at 670.

8 The facts here weigh in favor of denying costs because (1) both sides could be deemed to
9 have prevailed on certain issues (*i.e.*, the overall judgment was mixed), (2) Defendants recovered
10 much less than they had sought, (3) HTC litigated in good faith, and (4) the case was complex.
11 Not only were four out of the five originally asserted patents dismissed before trial, but one of
12 them was dismissed as a result of the Court’s granting of HTC’s motion for summary judgment.
13 (Dkt. No. 594.) With respect to the sole remaining patent that went to trial, the jury found only
14 literal infringement, but found no willful infringement or inducement of infringement claimed by
15 Defendants. (Dkt. No. 654.) The jury also awarded Defendants *less than one-tenth* of the
16 damages they had originally sought. (*Compare* Expert Report of Stephen Prowse, Dkt. No. 573,
17 at 39 (opining that Defendants should be awarded \$10 million in damages), *with* Jury Verdict,
18 Dkt. No. 654, at 4 (ultimately awarding Defendants damages of only \$958,560 for the life of the
19 patent).) Further, Defendants cannot show that HTC did not litigate in good faith, as
20 demonstrated by the strong defenses presented at trial. Additionally, the issues in this case were
21 complex and difficult, as Defendants themselves have conceded. (*See* Defs.’ Response to HTC’s
22 Objections to Amended Bill of Costs, Dkt. No. 699, at 11 (characterizing the technologies
23 involved as “especially complex”).) Accordingly, Defendants are not entitled to any costs at all.

24 **II. APPORTIONMENT IS REQUIRED IF ANY COSTS ARE AWARDED.**

25 If inclined to award costs, however, the Court should exercise its discretion to reduce the
26 costs in light of (a) the complexity of the case and the low degree of Defendants’ overall success
27 (*see, e.g., K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F.2d 54, 60 (9th Cir. 1969) (affirming
28 reduction of costs based on “the complexity of the case ... and the limited relief granted to K-S-

1 H”)); (b) the costs associated with the patents on which Defendants did not prevail; and (c) the
2 costs associated with TPL’s unsuccessful parallel ITC proceeding.

3 The clerk’s decision on costs appears to be based entirely on application of Local Rules to
4 specific cost items, and not apportionment or reduction based on the factors identified above. For
5 example, HTC objected to Patriot’s Amended Bill of Costs (Dkt. No. 669) based on only
6 apportionment but not on Local Rules (Dkt. No. 678), and the clerk did not disallow any of the
7 costs claimed by Patriot (Dkt. No. 705). On the other hand, HTC made objections to TPL’s
8 Second Amended Bill of Costs (Dkt. No. 700) based on both Local Rules and apportionment
9 (Dkt. No. 702), but all of the clerk’s disallowances of costs claimed by TPL were based expressly
10 and exclusively on Local Rules (Dkt. No. 704). Thus, the Court should exercise its discretion to
11 apportion the taxed costs because (1) Defendants did not prevail on four out of five patents
12 originally asserted in this case, and (2) Defendants are not entitled to recover the costs incurred in
13 the course of prosecuting a parallel ITC action.

14 **A. Costs Should Be Apportioned To Account for the Dismissed Patents in This**
15 **Case, on Which Defendants Did Not Prevail.**

16 Defendants prevailed on only one patent, so they should not be entitled to recover costs
17 incurred in litigating patents on which they did not prevail and that were dismissed before trial.
18 Defendants initially asserted five patents against HTC, including U.S. Patent Nos. 5,784,584 (the
19 “’584 patent), 5,440,749 (the “’749 patent”), 6,598,148 (the “’148 patent”), 5,530,890 (the “’890
20 patent”), and 5,809,336 (the “’336 patent”). Four out of these five patents, however, were
21 dismissed before trial. Although the ’584 patent was dismissed early in the case, the remaining
22 three untried patents were not dismissed until well after close of discovery.¹

23 Defendants should not be allowed to recover costs associated with the three patents that
24 were litigated through discovery and then dismissed before trial. Defendants themselves have
25 claimed that each patent originally asserted in this case was based on an independent and distinct

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27 ¹ Defendants stipulated to the dismissal of the ’749 and ’148 patents after service of the expert
28 reports (which did not cover those two patents), and to the dismissal of the ’890 patent a few days
before trial as a result of a partial summary judgment order on that patent entered in favor of
HTC. (See Dkt. Nos. 462, 585, and 594.)

1 invention. (*See* Defs.’ Motion for Reconsideration of Certain Aspects of Claim Construction,
2 Dkt. No. 385, at 2-3 (“That original application included 70 claims, disclosing a large number of
3 **independent and distinct inventions**. . . . Because the original application contained so many
4 **different inventions**, the examiner imposed a remarkable *ten-way* restriction requirement [that
5 resulted in different patents]”) (italics in original; bold emphasis added).) Litigating each of
6 these three “independent and distinct” patents dismissed before trial resulted in incursion of
7 additional, separate pre-trial costs that Defendants should not be allowed to recover. As a result,
8 HTC proposes that the pre-trial portion of the costs associated with the ’336 patent, the sole
9 patent on which Defendants prevailed, be one-fourth of the pre-trial portion of the costs taxed by
10 the clerk. That is, the pre-trial portion of the taxed costs should be divided by four to obtain the
11 amount of the pre-trial costs appropriately associated with the ’336 patent. The trial portion of
12 the taxed costs, however, should not be divided because all of it is associated with the ’336
13 patent, the only patent that went to trial.

14 We thus need to separate the pre-trial and trial portions of the taxed costs because they
15 each require different computational treatments (*i.e.*, the former is to be divided by four while the
16 latter is not to be divided). In doing so, we first examine the \$113,255.63 costs taxed in favor of
17 TPL (Dkt. No. 704) based on TPL’s Second Amended Bill of Costs (Dkt. Nos. 700 and 700-1 to
18 700-6). These taxed costs do not separate the pre-trial and trial portions, so HTC proposes that
19 the respective percentages of the pre-trial and trial portions of TPL’s Second Amended Bill of
20 Costs (the basis of the taxed costs) be used to estimate the corresponding pre-trial and trial
21 portions in the taxed costs.

22 Based on TPL’s Second Amended Bill of Costs, it appears that the pre-trial portion
23 constitutes approximately 67.3% of the total costs claimed by TPL,² and the trial portion 32.7%.
24 Thus, 67.3% of the \$113,255.63 costs taxed by the clerk, which is \$76,221.04, would be a
25 reasonable estimate for the pre-trial portion of the costs taxed by the clerk. This pre-trial portion

26 ² HTC assumes all costs incurred before September 19, 2013 to be pre-trial costs, which was the
27 date when the ’890 patent was dismissed (Dkt. No. 594) and the ’336 patent became the sole
28 remaining patent going to trial. Based on this assumption, the pre-trial portion of the total costs
claimed by TPL in its Second Amended Bill of Costs (Dkt. Nos. 700 and 700-1 to 700-6) is
\$153,188.06, which is approximately 67.3% of the total costs of \$227,566.79 claimed by TPL.

1 \$76,221.04 should be divided by four, as discussed above, to obtain the \$19,055.26 amount of the
2 pre-trial taxed costs appropriately associated with the '336 patent. On the other hand, 32.7% of
3 the \$113,255.63 costs taxed by the clerk, which is \$37,034.59, would be a reasonable estimate for
4 the trial portion of the costs taxed by the clerk. This trial portion \$37,034.59 should not be
5 divided, as discussed above. Combining the two, the total amount of taxed costs appropriately
6 associated the '336 patent, including both the pre-trial and trial amounts, would therefore be
7 $\$19,055.26 + \$37,034.59 = \$56,089.85$.

8 We now examine the \$59,483.12 costs the clerk taxed in favor of Patriot (Dkt. No. 705)
9 based on its Amended Bill of Costs (Dkt. No. 669). Because all of the costs claimed by Patriot
10 and taxed by the clerk appear to be pre-trial costs, they can be simply divided by four to obtain
11 the amount \$14,870.78 appropriately associated with the '336 patent, as discussed above.

12 **B. TPL's Costs Should Be Further Apportioned To Account for the Parallel**
13 **International Trade Commission ("ITC") Investigation.**

14 As this Court may be aware, the parallel ITC investigation based on the '336 patent was
15 an intense and laborious proceeding in which numerous respondents other than HTC were
16 involved, and TPL did not prevail in that action. TPL has nonetheless included costs admittedly
17 associated with that proceeding in its bill of costs.³ TPL has cited a Cross-Use Agreement
18 between the parties, which allows discovery to be shared in both proceedings, as a justification
19 for including ITC-related costs in its district court bill of costs. (*See* Dkt. No. 699 at 2 (citing
20 discovery shared between this and the ITC actions under that agreement).) The Cross-Use
21 Agreement, however, specifies nothing about awarding costs. It is simply a mechanism for using
22 evidence in both proceedings notwithstanding the existence of separate protective orders in each
23 respective case. Nothing in the Cross-Use Agreement transforms costs incurred in the ITC
24 proceeding into costs incurred in the present action. *See Competitive Techs. v. Fujitsu Ltd.*, No.
25 C-02-1673 JCS, 2006 WL 6338914, at *5 (N.D. Cal. Aug. 23, 2006) (rejecting Fujitsu's
26 argument that its cross-use agreement with plaintiffs reflected an agreement that costs incurred in

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28 ³ Patriot has not so admitted, thus HTC is not seeking apportionment of Patriot's costs based on
the ITC action in the present motion.

1 the ITC action would be included as costs associated with the district court action, noting that the
2 cited agreement contained no such express, or even implied agreement). Thus, inclusion of costs
3 associated with the parallel ITC proceeding are improper and should be disallowed. *See id.*
4 (“find[ing] no authority suggesting it has the power to circumvent [the procedure set forth in 5
5 U.S.C. § 504(a)(2) to recover costs in ITC proceedings]”).

6 The fact that some of the discovery was overlapping between the two actions does not
7 justify TPL’s attempt to shift all of its ITC-related costs to the district court proceeding. For
8 example, the ITC proceeding included common depositions taken by lawyers for a dozen
9 different respondent groups. HTC attended these depositions, but in many cases, did not ask a
10 single question. The ITC discovery also focused on a number of issues irrelevant to the present
11 district court action, such as whether TPL can show a “domestic industry” sufficient to justify its
12 ITC action. TPL’s inclusion of costs from the ITC proceeding is essentially an attempt to force
13 HTC to fund its losing ITC efforts against numerous other parties.

14 District courts have discretion to apportion payment of jointly incurred costs when there are
15 multiparty proceedings to prevent a double or windfall recovery. *See Ortho-McNeil Pharm., Inc. v.*
16 *Mylan Labs. Inc.*, 569 F.3d 1353, 1357 (Fed. Cir. 2009) (vacating the portion of a costs award related
17 to jointly taken depositions and remanding to apportion the costs); *Marmo v. Tyson Fresh Meats, Inc.*,
18 457 F.3d 748, 764 (8th. Cir. 2006) (affirming district court’s division of costs among thirteen plaintiff
19 cases against a common defendant that had been coordinated for pretrial purposes). Here, any
20 recovery of costs associated with the ITC action would be potentially a double or windfall recovery
21 for TPL. Taxing costs against HTC in this regard would also be forcing HTC to fund TPL’s
22 losing battle in the ITC, which should be disallowed. Thus, HTC proposes that the \$56,089.85
23 amount associated with the ’336 patent calculated for TPL above be further reduced by half to
24 remove the ITC costs associated with the same ’336 patent. That is, the amount taxed in favor of
25 TPL in connection with the ’336 patent should be \$28,044.93.

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[Related to Case No. 5:08-cv-00877 PSG]

**[PROPOSED] ORDER GRANTING
 MOTION FOR COURT'S REVIEW OF
 TAXED COSTS PURSUANT TO FED. R.
 CIV. P. 54(d)(1)**

Complaint Filed: February 8, 2008
 Trial Date: September 23, 2013

Date: February 25, 2014
 Time: 10:00 am.
 Place: Courtroom 5, 4th Floor
 Judge: Hon. Paul S. Grewal

1 Having considered Plaintiffs' Motion for Court's Review of Taxed Costs Pursuant to
2 Federal Rule of Civil Procedure 54(d)(1), the record in this case, and all related facts and
3 circumstances, and good cause appearing therefor, **IT IS HEREBY ORDERED THAT** the
4 Motion is **GRANTED**.

5 [X] No costs shall be awarded to Defendants because (1) both sides could be deemed
6 to have prevailed on certain issues (*i.e.*, the overall judgment was mixed), (2) Defendants
7 recovered much less than they had sought, (3) Plaintiffs litigated in good faith, and (4) the case
8 was complex. Not only were four out of the five originally asserted patents dismissed before
9 trial, but one of them was dismissed as a result of this Court's granting of Plaintiffs' motion for
10 summary judgment. The jury also found no willful infringement or inducement of infringement
11 claimed by Defendants, and found only literal infringement of the single remaining patent among
12 the five originally asserted. In addition, the jury awarded Defendants less than one-tenth of the
13 damages they had originally sought. Further, Defendants cannot show that Plaintiffs did not
14 litigate in good faith. Additionally, the issues in this case were complex and difficult.
15 Accordingly, Defendants are not entitled to any costs at all.

16 [] The costs that are taxed by the clerk in favor of Technology Properties Ltd. and
17 Alliacense Ltd. shall be reduced from \$113,255.63 to \$28,044.93, and Patriot Scientific Corp.
18 from \$59,483.12 to \$14,870.78 in light of (1) the complexity of the case and the Defendants'
19 recovery relative to what they had sought; (2) the costs associated with the patents on which
20 Defendants did not prevail; and (3) the costs associated with the parallel ITC proceeding.

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23 **IT IS SO ORDERED.**

24 Dated: February ____, 2014

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26 _____
27 Hon. Paul S. Grewal
28 United States Magistrate Judge

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