

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

SKF USA INC.,)	
)	
Plaintiff,)	Case No. 08 CV 4709
)	
v.)	Consolidated with
)	Case No. 09 CV 2232
DALE H. BJERKNES, <i>et al</i> ,)	
)	
Defendants.)	Judge Pallmeyer
)	Magistrate Judge Denlow
<hr style="border: 1px solid black;"/>		
SKF USA INC.,)	
)	
Plaintiff,)	
)	
v.)	
)	
EQUIPMENT RELIABILITY SERVICES, INC.,)	
)	
Defendant.)	

REPLY IN SUPPORT OF SKF’S BILL OF COSTS

Defendants object to three invoices in the Bill of Costs for prevailing plaintiff SKF USA Inc. (“SKF”), but defendants’ objections lack merit. This Reply demonstrates that SKF’s costs for (1) demonstratives (2) exhibit discs and (3) exhibit binding were reasonable and necessary and should be reimbursed.

BACKGROUND

Between May and July 2008, defendants Dale Bjerkness, Kevin Koch, Walter Remick , and Joseph Sever resigned from SKF and stole massive amounts of SKF’s confidential and proprietary information and trade secrets germane to every aspect of SKF’s reliability business. Defendants maintained the SKF data to establish a competing business, defendant Equipment

Reliability Services, Inc. (“ERSI”). With SKF’s information, defendants jump started ERSI and solicited, diverted and solidified SKF customers for ERSI.

For the next two years, defendants contested at every step SKF’s efforts to prevent defendants from continuing to use SKF trade secrets. And there were many steps. SKF initially sought relief through demand letters, but defendants inaccurately asserted that they did not possess any SKF materials. Thereafter, SKF pursued a preliminary injunction, over six non-consecutive evidentiary hearing days from October to December, 2008, in which defendants challenged whether SKF had trade secrets and whether defendants continued to maintain trade secrets. Thereafter, independent expert analysis confirmed that defendants continued to maintain SKF trade secret patterns and SKF data until shortly before this Court’s three-day bench trial in January, 2010.

Throughout the proceedings, defendants never acknowledged that their conduct violated the Illinois Trade Secrets Act and they were never contrite. Defendants never acknowledged the legitimacy of SKF’s trade secrets. For instance, defendants declined to discontinue using the SKF trade secret database pattern during the pendency of the preliminary injunction, until ERSI developed a replacement database pattern. For two years, defendants’ obstinacy caused all of the parties – including the defendants – to incur in excess of \$2 million combined in attorney fees.

On August 9, 2010, this Court entered final judgment, from which defendants have not appealed, in favor of SKF. This Court found that defendants’ conduct was “willful and malicious” and ordered defendants to pay SKF’s reasonable attorney fees for prosecuting this

action.¹ (D.E. 164 at 15–16.) SKF, as the prevailing party is also entitled to recover its “[c]osts other than attorneys’ fees ... as of course.” Fed. R. Civ. P. 54(d)(1).

On September 8, 2010, SKF filed a Bill of Costs with supporting documentation seeking \$44,852.84 in taxable costs. (D.E. 166.) Defendants filed their objections to SKF’s Bill of Costs on September 22, 2010. (D.E. 168.) Defendants do not object to the majority (\$28,357.70) of SKF’s costs. Defendants object to three invoices totaling \$16,495.14. Below, SKF explains how defendants’ arguments cannot withstand scrutiny and demonstrates that SKF’s Bill of Costs should be granted in its entirety.

ARGUMENT

The Court should presume that the prevailing party is entitled to costs, and “the losing party bears the burden of an affirmative showing that taxed costs are not appropriate.” *Beamon v. Marshall & Ilsley Trust Co.*, 411 F.3d 854, 864 (7th Cir. 2005). Among the costs a court may tax are “fees for exemplification and copies of papers necessarily obtained for use in the case.” 28 U.S.C. § 1920(4). The exemplification costs described below were “necessarily obtained for use in the case” and should be taxed.

1. SKF Is Entitled To Recover The Costs Of Seven Demonstrative Exhibits.

Under 20 U.S.C. § 1920(4), a prevailing party may recover costs for “exemplification,” which has been defined to include “the reasonable expense of preparing maps, charts, graphs, photographs, motion pictures, Photostats, and kindred materials.” *EEOC v. Kenosha Unified School Dist. Bo. I*, 620 F. 2d 1220, 1227 (7th Cir. 1980). The Seventh Circuit has interpreted §1920(4) as reflecting a “a legislative intent to allow costs incurred in developing materials . . .

¹ SKF will submit a separate petition for approximately \$1.26 million of the approximately \$2.1 million that the parties combined incurred for fees and non-taxable costs, pursuant to Local Rule 54.3.

to assist the court in understanding the evidence.” *Id.* at 1228; *Cefalu v. Vill. of Elk Grove*, 211 F.3d 416, 427-28 (7th Cir. 2000) (awarding costs for audio-visual equipment used to display evidence to the jury, based in part on the Webster’s Dictionary definition of exemplification as the act of illustration by example). Thus, demonstrative exhibits, a routine part of a litigant’s trial presentation, have been deemed recoverable. *Cefalu*, 211 F.3d at 428 (noting that § 1920(4) permits a party to recover costs of the “more sophisticated types of multi-media presentations made possible by technological advances”); *Haroco, Inc. v. American Nat’l Bank & Trust Co. of Chicago*, 38 F.3d 1429, 1441 (7th Cir.1994) (sustaining an award of exemplification costs that included, among other things, the expense of graphics services employed in preparing exhibits for a successful summary judgment motion).

Defendants object to the November, 2008 TrialGraphix invoice in the amount of \$12,719.44, because, according to the defendants, the invoice does not adequately describe the services rendered. (D.E. 168 at 2-3.) SKF confirms that the TrialGraphix invoice represents the costs that SKF incurred for the design and construction of the seven demonstrative exhibits used primarily during the preliminary injunction hearing. *See* Declaration of SKF Counsel Terrence P. Canade (attached to this Reply as Exhibit A) at ¶¶ 5–7 & Ex. 1 [seven demonstrative exhibits].

SKF’s seven demonstrative exhibits were not an extravagance. At the preliminary injunction hearing, SKF used² each of the demonstrative exhibits effectively during opening statements, direct and cross examination and closing statements to illustrate and to explain important issues for the Court, such as:

² See transcript excerpts (attached to this Reply as Ex. B) of SKF’s opening statements which refers to SKF’s seven demonstrative exhibits. For the sake of brevity, SKF will not attach excerpts for each instance in which the demonstratives were used at the six-day preliminary injunction hearing.

- describing the amount of data that was stored on thumb drives used by the Defendants;
- explaining how SKF's process of inspecting and evaluating machinery works;
- providing a time line and illustration of Defendants' unlawful theft of SKF information;
- providing a comparison of thumb drives and other devices used by the Defendants that have not been turned over for inspection; and
- providing a map of SKF customers for which the Defendants stole data.

Moreover, defendants themselves devoted testimony and argument to at least one of the demonstrative exhibits. [Ex. C [Transcript of Proceedings 10/24/08] at 267:5 to 287:21.)

Numerous courts in this District have awarded the costs of demonstrative exhibits under similar circumstances. *Telular Corp. v. Mentor Graphics Corp.*, No. 01 C 431, 2006 WL 1722375, at *7 (N.D. Ill. Jun. 16, 2006) (awarding costs of demonstrative exhibits that were used throughout the trial, noting that the exhibits "greatly assisted in communicating rather complex engineering concepts and other relevant issues"); *Glenayre Electronics, Inc. v. Jackson*, No. 02 C 0256, 2003 WL 21947112, at *5 (N.D. Ill. Aug. 11, 2003) (allowing \$4,450 in costs for animation comparing the parties' products); *Chemetall GmbH v. ZR Energy, Inc.*, No. 99C 4334, 2001 WL 1104604, at *31 (N.D. Ill. Sep. 8, 2001) (awarding costs of TrialGraphix services based on explanations provided in a parties' reply materials).

SKF's demonstrative exhibits are not extravagantly expensive when compared to the over \$2 million in attorneys fees which both parties combined dedicated to this case. This Court should deny defendants' objection and order defendants to pay the full amount (\$12,719.44) of the TrialGraphix invoice as a taxable cost under Fed. R. Civ. P. 54(d) (1).

2. SKF Is Entitled To Recover The Costs Of The Exhibit Archives Prepared At The Direction Of The Court.

Defendants argue that SKF's costs to archive exhibits is "neither reasonable, nor necessary." (Opp. at 3.) Defendants' three-sentence argument merely asserts the conclusion that this expense is not reasonable or necessary, but provides no explanation or citation to authority. This Court should reject defendants' argument.

Pursuant to the Joint Pre-Trial Order filed on November 2, 2009, SKF identified 241 exhibits for trial.³ (D.E. 134 at 9-22.) On January 8, 2010, after this Court issued its ruling dismissing Defendant Bjerkness' counterclaim, this Court expressed its concerns about handling such voluminous paper exhibits. At that time, the Court stated its preference to receive a binder from each party limited to "key exhibits," defined as exhibits to which the parties will refer on multiple occasions, and to receive the remaining documents on disks or other storage medium. SKF complied with the Court's request and, on the first day of trial, January 25, 2010, SKF's counsel provided copies of the materials on a CD and in a key exhibit binder to the Court and defendants' counsel. (Ex. D [Transcript of Proceedings 1/25/10] at 4:21 to 5:16.)

The costs incurred in connection with the preparation of the CDs and key exhibit binders, \$3,375.00, are reflected in the TrialGraphix January 24, 2010 invoice. (Canade Decl. ¶¶ 8-11.) These costs were incurred at the direction of and for the convenience of the Court. The materials prepared by TrialGraphix enhanced efficiency for the Court by providing quick access to 241 different exhibits at trial. As the court in *Jack-Goods* explained, courts routinely find that materials that save the court "time and resources by not having to search through voluminous stacks of paper to find referenced exhibits" are reimbursable. *Jack-Goods v. State Farm Mutual*

³ The exhibits were numbered 1 through 209, but several exhibits contained multiple sub-exhibits.

Automobile Ins. Co., No 01 C 6536, 2004 WL 1672864, at *4 (N.D. Ill. Jul. 23, 2004). SKF requests that this Court deny defendants' objection and order defendants to pay the full amount of the TrialGraphix January 24, 2010 invoice (\$3,375.00) as a taxable cost under Fed. R. Civ. P. 54(d)(1).

3. SKF Is Entitled To Recover The Costs Of The Binders And Tabs Used To Create Exhibit Books For The Preliminary Injunction Hearing.

Defendants finally object to certain portions of an invoice from an outside copy vendor, Equivalent Data. (Opp. at 3.) The costs were incurred in preparation of voluminous exhibit binders for distribution to the Court, the witnesses and opposing counsel at the preliminary injunction hearing, which took several days to complete. (Canade Decl. ¶¶ 12-13.) Defendants do not object to the costs of the exhibits themselves, but argue that the tabs and binding were unreasonable and unnecessary. Defendants are mistaken.

The exhibits binders at issue contained 143 exhibits.⁴ (Ex. E [Joint Pre-Hearing Order] at 4-13.) Given the volume of documents, tabs and binders were reasonably necessary to provide an organized presentation. Contrary to defendants' argument (Opp. at 3), courts allow tabbing and binding costs under these circumstances:

The court allows those outside costs of \$776.44 that include binding, on the assumption that bound documents were necessary for motions or trial. Defendants specifically object to costs for binding or bates stamping, arguing that these services are not copying costs. ***Costs for binding, inserting tabs and bates stamping are allowed here because these services are necessary to reproduce a document in a way that is organized and useful to the opposing party and the court.***

First City Securities, Inc. v. Shaltiel, No. 92 C 2620, 1993 WL 408370, at *2 (N.D. Ill. Oct. 8, 1993) (emphasis added and internal citations omitted); *see also Fletcher v. Chicago Rail Link*,

⁴ The exhibits were numbered 1 through 111, but several exhibits contained multiple sub-exhibits.

LLC, No. 06 C 842, 2007 WL 4557816, at *4 (N.D. Ill. Dec. 20, 2007) (permitting recovery of costs of providing trial exhibits to each juror in three ring binder with very limited factual inquiry); *Doing Steel, Inc. v. Castle Constr. Corp.*, No. 02-1674, 2005 WL 563098, at *4 (N.D. Ill. Mar. 3, 2005) (cost of tabbing copied documents is recoverable because it is necessary to reproduce documents in a way that is organized and useful to the court); *Chemetall GmbH*, 2001 WL 1104604, at *33 (allowing charges for binding and tabs, which the Court found reasonably necessary to organize voluminous information contained in trial notebooks); *BASF Corp. v. Old World Trading Co., Inc.*, No. 86 C 5602, 1992 WL 229473, at *4 (N.D. Ill. Sep. 11, 1992) (awarding over \$80,000 in exemplification costs).

CONCLUSION

For all of the foregoing reasons, SKF respectfully requests that this Court enter an Order approving SKF's Bill of Costs in its entirety and ordering defendants to pay \$44,852.84 as and for taxable costs, pursuant to Fed. R. Civ. P. 54(d)(1).

Dated: September 29, 2010

SKF USA INC.

By: /s/ Ernesto R. Palomo
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CERTIFICATE OF SERVICE

The undersigned hereby certifies that on September 29, 2010, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which sent notification of such filing to the following:

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