

IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA

OPTOLUM, INC.,

Plaintiff,

v.

CREE, INC.,

Defendant.

Civil Action No. 1:17-cv-
00687

OPTOLUM, INC.'S MOTION AND MEMORANDUM FOR DISALLOWANCE OF
COSTS

I. BACKGROUND

Plaintiff OptoLum, Inc. ("OptoLum") filed suit against Cree on November 3, 2016. After a jury trial, the jury found non-infringement of all asserted claims in November 2021. OptoLum began the wind down of its business shortly thereafter, and ceased all operations on or around March 31, 2022.

An appeal to the Federal Circuit was denied on June 12, 2023. On July 19, 2023, the Federal Circuit issued the Mandate to this District. On August 11, 2023, Defendant Cree, Inc. filed a Bill of Costs, Dkt. No. 391, that included costs that are not properly taxable under the

applicable rules, including for: hearing transcripts; daily trial transcripts; deposition transcripts for witnesses who did not testify at trial and which were not admitted into evidence; additional copies and video fees for depositions of witnesses that did testify at trial; fees for witnesses that did not appear at trial; creation of counsel copies of trial exhibits; printing of unidentified documents; and creation of trial graphics.

It would be unjust and inequitable to award any costs in this case, as OptoLum has ceased all operations, liquidated its assets, and has no ability to pay, now or in the future. Furthermore, as will be detailed below, the large majority of costs included in Cree's Bill of Costs are not properly taxable and, to the extent that any award of costs is made, OptoLum requests that these inappropriate costs be disallowed by the Clerk.

II. STATEMENT OF THE LAW

Under Rule 54(d) of the Federal Rules of Civil Procedure, the prevailing party is generally entitled to "costs other than attorneys' fees." Fed. R. Civ. P. 54(d). 28 U.S.C. § 1920 provides that a judge or clerk of any

court may tax as costs, *inter alia*, fees for transcripts necessarily obtained for use in the case, fees for printing and witnesses, and fees for exemplification and making copies necessarily obtained for use in the case. 28 U.S.C. § 1920. Additionally, L.R. 54.1 states, “a prevailing party may request the clerk to tax allowable costs in a civil action as part of a judgment or decree by filing a bill of costs” In order to assist parties in the preparation of bills of cost, the Clerk’s Office of this District has prepared Guidelines for filing Bills of Costs (“Costs Guide”).¹

III. ARGUMENT

A. It Is Inequitable and Unjust to Tax Costs Against OptoLum

In the Fourth Circuit, while Fed. R. Civ. P. 54(d)(1) intends to grant costs to the prevailing party as a matter of routine, the district court retains the discretion to deny an award of costs when there is an element of unfairness or injustice. *Cherry v. Champion Int’l Corp.*, 186 F.3d at 444 (4th Cir. 1999).

¹https://www.ncmd.uscourts.gov/sites/ncmd/files/BOC_Guide.pdf, last accessed Aug. 24, 2023.

Among the factors for consideration are: (1) misconduct by the prevailing party; (2) the unsuccessful party's inability to pay the costs; (3) the excessiveness of the costs in a particular case; (4) the limited value of the prevailing party's victory; or (5) the closeness and difficulty of the issues decided.

Ellis v. Grant Thornton LLP, 434 Fed. App'x, 232, 235 (4th Cir. 2011) (citing *Cherry*, 186 F.3d at 446).

The court may deny costs "if the non-prevailing party is of sufficiently 'modest means' such that it would be unjust or inequitable to enforce Fed. R. Civ. P. 54(d)(1) against him." *Skeberdis v. Brill*, No. 1:17-cv-00404-PX, 2019 U.S. Dist. LEXIS 189034, 2019 WL 5625849, at *2 (D. Md. Oct. 31, 2019) (citing *Cherry v. Champion Int'l Corp.*, 186 F.3d 442, 447 (4th Cir. 1999)) (finding that Plaintiff's limited income rendered assessment of costs inequitable and that the closeness of the case warranted a denial of costs).

Here, requiring OptoLum to cover costs would similarly create an element of unfairness and injustice because OptoLum is no longer in the financial position to incur such costs. See *Giles v. United States*, No.: BPG-18-62, 2020 U.S. Dist. LEXIS 31991, at *5 (D. Md. Feb. 25, 2020). At the time that the Complaint was filed in 2016, OptoLum

was a going concern. In the years since, however, particularly following the COVID pandemic, OptoLum experienced a financial downturn, and ultimately made the decision to wind down its business in early 2022. It made its last sales in February 2022, its last shipment of product in March 2022 and by the end of March 2022 had auctioned off its remaining assets, disposed on non-salable items, laid off its final employees and completed the wind-down of its business. See Declaration of Karen L. Baker, ¶¶ 2-6, attached hereto at Exhibit B. On March 31, 2022, OptoLum turned its commercial space over to the landlord, and since then has not received or fulfilled a single order and has no ability to do so. *Id.* at ¶¶ 6-7. As of today, August 25, 2023, OptoLum has no income and has no ability to generate income in the future. *Id.* at ¶ 8. OptoLum currently carries an accounts receivable balance of \$7,209.45 that has been deemed uncollectable, and an accounts payable balance of \$624,383.63. *Id.* at ¶¶ 9-10. If OptoLum were to incur additional debt, OptoLum has no ability to pay. *Id.* at 11.

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