

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

BRUNO INDEPENDENT LIVING AIDS, INC.,

Plaintiff,

v.

ACORN MOBILITY SERVICES LTD.
and ACORN STAIRLIFTS, INC.,

Defendants.

ORDER

02-C-0391-C

In this civil action, plaintiff Bruno Independent Living Aids, Inc. contended that defendants Acorn Mobility Services Ltd. and Acorn Stairlifts, Inc. (1) infringed plaintiff's U.S. Patent No. 5,230,405, which is directed to a stairway chairlift device that can transport a disabled individual up and down a staircase; (2) sold their product below cost in violation of the Antidumping Act, 15 U.S.C. § 72; and (3) engaged in deceptive advertising in violation of the Lanham Act, 15 U.S.C. § 1125(a)(1)(B). Defendants filed a counterclaim, seeking a declaration of non-infringement and invalidity of the '405 patent.

After plaintiff conceded that all patent claims at issue in this lawsuit were invalid, I granted defendants' motion for summary judgment on May 16, 2003. In that same order,

I granted plaintiff's motion for a voluntary dismissal with prejudice of its Antidumping Act and Lanham Act causes of action. Defendants moved for an award of attorney fees as to plaintiff's patent infringement and Lanham Act claims. On August 14, 2003, I granted defendants' motion as to plaintiff's patent infringement claim because plaintiff had failed to disclose material prior art to the patent office. However, because defendants had failed to show that plaintiff's Lanham Act claim was so lacking in merit as to warrant an award of attorney fees, I denied their motion with respect to that claim.

Now before the court are defendants' itemized statement of asserted recoverable attorney fees in the amount of \$429,829 and plaintiff's objections to some of these fees. Plaintiff asks that the recoverable fees be reduced by \$75,000 for insufficient documentation, \$95,257.05 for excessive time spent and then by 30% of the remaining sum for conduct that increased the cost of litigation unnecessarily. I find that a deduction totaling \$30,369.68 is warranted and equitable for the reasons stated herein.

OPINION

Once a court determines that a patent infringement claim is "exceptional" so that the prevailing party is entitled to recover attorney fees claims under 35 U.S.C.A. § 285, it must determine the appropriate amount of the fee award. Stickle v. Heublein, Inc., 590 F. Supp. 630, 632 (W.D. Wis. 1984). Courts use a three-step process labeled the "lodestar

approach,” to determine the appropriate recovery amount. Id. at 633. Under this approach, the court must (1) multiply the number of hours reasonably expended by a reasonable hourly rate (the “lodestar”); (2) separate out any hours spent on non-patent claims; and finally (3) adjust the fee upward or downward for any “delay in payment, quality of representation and degree of success achieved.” Id. at 632-33; Codex Corp. v. Milgo Electronic Corp., 717 F.2d 622, 631 (Fed. Cir. 1983).

A. Reasonable Rate

_____ Determination of a reasonable hourly rate is the first step in the calculation of the lodestar fee. Stickle, 590 F. Supp. at 635. Generally, “the reasonable value of an attorney’s time is the price that time normally commands in the marketplace for legal services in which those services are offered.” In Re Fine Paper Antitrust Litigation, 751 F.2d 562, 590 (3d Cir. 1983). The vast majority of the work performed in this case was done by two first-year associates, who charge \$185 per hour, two fifth-year associates, who charge \$260 per hour, a senior partner, whose hourly rate is \$415, a junior paralegal, whose hourly rate is \$100 and a senior paralegal, who bills at a rate of \$185 per hour. These are the same rates charged to and paid by other clients of defendants’ counsel. Close to half the legal time spent on the patent claims was provided by the two first-year associates and the average, or “blended” rate for legal work in the patent claims is \$268 per hour. The blended paralegal rate is \$137.50

per hour. The blended rates are determined by dividing the amount charged for the work performed by lawyers or paralegals respectively and dividing those sums by the number of hours billed by each group. Plaintiff does not challenge the reasonableness of these rates. I find them to be reasonable for representation in a patent case.

B. Reasonable Number of Hours

1. Lack of specificity

The party requesting fees must submit billing statements that are sufficiently detailed so that opposing counsel and the court can determine the reasonableness of the requested fee. Stickle, 590 F. Supp. 630, 632-33; Gilbreth International Corp. v. Lionel Leisure, Inc., 622 F. Supp. 478, 484 (E.D.Pa. 1985). The number of allowable hours should be reduced where the requesting party has not provided sufficient detail or explanation for certain charges. Id. (citing Codex, 717 F.2d at 631).

a. Overly vague entries

Plaintiff argues that defendants' billing statements contain hundreds of overly vague billing entries, such as "work on fees reply," "work on discovery," "work on summary judgment brief," "prepare documents for filing," "work on Markman issues" and "telephone conference," making it impossible to determine whether the time spent was reasonable.

Although occasional general entries such as “trial preparation” or “attention to file” are reasonable, excessive use of the same vague entry is not. Stickle, 590 F. Supp. at 637; Gilbreth, 622 F. Supp. at 484. Plaintiff presents inconsistent arguments. Initially, it argues that entries such as “work on fee reply,” “work on discovery,” “work on summary judgment brief” and “prepare documents for filing” are so vague that it cannot determine whether they are excessive. However, this alleged vagueness does not prevent it either from arguing later that defendants spent excessive amounts of time on these categories or from submitting an affidavit indicating the amount of time reasonable for work generally done in each of these categories.

Defendants did not use the entry “work on Markman issues” frequently. In most of the entries relating to Markman issues, they provided more specificity, such as “work on Markman hearing,” “work on Markman follow-up” and “work on proposed Markman order and letter to court.” Senior supervising attorneys made most of the entries for “work on Markman issues” and only for short periods of time. The substance of the “issues” is made clear from the context of the other Markman-related entries made by the more junior attorneys. In any event, small and infrequent vague entries are permitted. Stickle, 590 F. Supp. at 637.

However, in a number of “telephone conference” entries, defendants do not give any indication of the matters discussed. I will deduct time for these overly vague entries from

the total of the reasonable hours used to compute the “lodestar” figure, but I will leave the telephone conference entries that indicate the subject matter of the discussion. Where an entry indicates a telephone conference and work on other more specific issues, but does not say how much time was spent on each, half the time will be deducted. A total of 10.5 hours will be deducted for vague telephone entries. At the blended rate for lawyers, this will amount to a \$2,814 deduction.

b. Failure to submit June 16, 2003 invoice

Defendants submitted an affidavit indicating that they incurred \$41,130.05 in recoverable attorney fees in May 2003. To support this claim, defendants refer to a billing invoice dated June 16, 2003. In addition, the affidavit indicates that defendants are not seeking \$42,330 in fees incurred for the work performed after May 2, 2003, in preparing a summary judgment reply brief. However, defendants failed to attach the billing invoice. Plaintiff has asked the court to reduce the recoverable amounts by \$41,130.05 on the ground that without seeing the invoice, it cannot verify that the \$41,130.05 was incurred in addition to the \$42,330 supposedly deducted. Plaintiff has not alleged that this document was omitted in bad faith. Defendants admit that the invoice was missing from the original submission and states that the omission was an unintended oversight.

Defendants have now submitted the missing invoice. A review of the invoice reveals

that they were billed \$41,130.05 in addition to the \$42,330 that was deducted for the work on the summary judgment reply brief during this billing period. The invoice is for \$101,233.18 for work performed between April 28, 2003 and May 31, 2003. Defendants deducted \$42,330 for work performed on summary judgment filings after May 2, 2003, when plaintiff filed its response to defendants' motion for summary judgment in which it admitted the patent claim to be invalid, and before May 12, 2003, when defendants filed their reply brief. Defendants deducted another \$17,773.13 for work not related to the patent claim. The remaining \$41,130.05 appears to have been appropriately submitted. I decline to deduct that amount as plaintiff requests because defendants have remedied the unintended omission and plaintiff was not prejudiced by its absence.

2. Excessive fees

Plaintiff argues that defendants should not be allowed to recover for certain billing entries because the entries are excessive or duplicative. See Stickle, 590 F. Supp. at 632-67.

Plaintiff observes correctly that in determining whether a fee is excessive, a court may consider the "time and labor required, the novelty and difficulty of the questions involved and the skill requisite to perform the legal service properly." Waters v. Wisconsin Steel Works of International Harvester Co., 502 F.2d 1309, 1322 (7th Cir. 1974).

a. Excessive hours spent on discovery

Plaintiff posits that defendants' counsel spent an excessive 337.9 hours on discovery and requests that the amount be reduced to 200 hours. The parties conducted only one round of discovery. Plaintiff's discovery requests to defendant included 14 interrogatories and 44 document requests. Defendants responded with a total of 3,460 pages of documents, answered 8 of the interrogatories and objected to the other 6. Defendants' discovery requests included 5 interrogatories and 68 document requests. Plaintiff produced 8,080 pages of documents, 5,526 of which were installation manuals. Plaintiff has submitted the declaration of James R. Cole, a partner at Quarles & Brady LLP, in Madison, Wisconsin, in which he declares that a reasonable amount of time to prepare and review this much discovery in a suit for a mechanical stair lift with four claims is no more than 200 hours.

Defendants argue that plaintiff's numbers are misleading because the 337.9 hours include all block entry time. This means that where a billing entry indicated that some discovery related work was performed along with other activities during a certain period, plaintiff counted the entire period towards discovery. Additionally, defendants note that Cole also stated that "there is no norm to be used in determining a reasonable fee under 35 U.S.C. § 285 because of the uniqueness of each case."

It is not unfair for plaintiff to use the entire block entry time when calculating the propriety of the time defendant spent on discovery. If defendants did not actually spend this

time on discovery, they should have made this clear in their submission. As the party seeking attorney fees, they have the burden to submit billing statements that are sufficiently detailed so that opposing counsel and the court can determine the reasonableness of the requested fee. Stickle, 590 F. Supp. at 632-33.

However, even when the block entries are included in their entirety, I do not believe that the hours billed are excessive. Just as there is no norm in determining a reasonable fee under 35 U.S.C. § 285, the length of time it takes to answer an interrogatory or read and digest a document is dependent on the complexity and relevance of the information contained therein. Further, there is reason to believe that defendants and their counsel would have remedied excessive discovery billing themselves. Defendants' counsel had charged all of these hours; it had an interest in maintaining good relations with its client. Defendants accepted the billings; defendants are sophisticated corporate entities with no reason to expect to recover these fees because attorney fees are awarded only in exceptional cases. 35 U.S.C. § 285; Badalamenti v. Dunham's, Inc., 896 F.2d 1359, 1364 (Fed. Cir. 1990). Finally, it is appropriate to consider "the amount involved and the results obtained." Waters, 502 F.2d at 1321. See also Hensley v. Eckerhart, 461 U.S. 424, 434 (1982). In this case, plaintiff sued to enjoin defendants from producing and marketing a mechanical stair lift under 35 U.S.C. § 283 and sought treble compensatory damages pursuant to 35 U.S.C. § 284. Both the grant of summary judgment in favor of defendants and the grant of

attorney fees to defendants were based on defendants' counsel's discovery of prior art. The billing of 337.9 hours is reasonable in light of the benefit conferred by the discovery of this prior art.

b. Paralegal document preparation

Plaintiff argues that the 251.7 hours spent by paralegals preparing documents for production, depositions, filing and review by lawyers are excessive and that a reasonable amount of time would be no more than 180 hours. Defendants do not address this argument specifically but categorize it as a quibble. I am inclined to split the difference between the number of hours billed and the number proposed. Defendants are in a better position to know the work performed by their counsel; they accepted the paralegal fees charged. However, unlike the amount of time it might take to draft one page of a brief or read one page of discovery, the time for preparing one page of a document should be fairly consistent and therefore, more susceptible to objective time approximations. Because document preparation time is more accurately predictable, plaintiff's expert's time estimate is more reliable in this context. I will deduct 35.85 hours of paralegal time as excessive. At the blended paralegal rate of \$137.50 per hour, this deduction will total \$4,929.38.

c. Motion for summary judgment brief

Plaintiff argues that it was excessive for defendants' counsel to spend 275.3 total hours in preparing the motion for summary judgment and that the court should reduce this amount by at least half. (First-year associates billed 128.2 hours, a fifth-year associate billed 124.2 hours and a senior partner spent 22.9 hours in preparing this brief.) The parties debate whether the 275.3 hours include the time spent preparing the expert reports and affidavits that were used to support the motion for summary judgment. Plaintiff also argues that the time spent preparing the proposed findings of fact was excessive in light of the fact that the proposed findings were essentially duplicates of the expert reports and affidavits.

Plaintiff observes that defendants improperly coded work performed between April 4, 2003 and April 10, 2003, by Christina Szitta, a lawyer, as work on patent issues (for which the entire fee was submitted) or as work on the summary judgment brief (for which 80% of the fee was attributed to patent related work). See Florey Decl., Exh. B. However, the detailed billing entries show that the work performed on those days related exclusively to the Lanham Act and antidumping claims, for which defendants were not entitled to recover attorney fees. See Florey Decl., Exh. A. Defendants respond that they have already accounted for work performed on the Lanham and antidumping claims by allocating only 80% of the time spent preparing the summary judgment motion to work on patent claims. Defendants' approach to allocating costs among the three claims is to code the billing entries into four basic categories: patent claim, Lanham claim, antidumping claim and general.

Defendants did not submit hours coded as work on the Lanham Act and antidumping claims for recovery. They submitted time spent exclusively on the patent law claim in whole. When they could not classify an entry because of its generic nature, such as “work on summary judgment motion,” as work on one of the three claims exclusively, they coded it as “general” and attributed only 80% of the time billed to the patent claim. However, where it is clear that the work related exclusively to the Lanham or antidumping claim, it is not appropriate to attribute any part of it to work on the patent claim. Therefore, the \$6,462.30 improperly identified as work on the patent claim performed by Szitta between April 4, 2003 and April 10, 2003 will be deducted.

After deducting those hours, I will reduce the time spent on the summary judgment motion by ten percent for excess. “[T]he assessment of an appropriate and reasonable fee award . . . will take into account the inevitable [duplication of effort when] a number of attorneys [are] assigned to a single case.” Water Technologies Corp. v. Calco, Ltd., 658 F. Supp. 980, 985 (N.D. Ill. 1987). It is appropriate to make general reductions rather than “sift through each individual attorney’s work” and make quarterly hour calculations. Stickle, 590 F. Supp. at 636 (approximating reasonable amount of time rather than identifying specific incidents of excess); Codex, 717 F.2d at 631(same); Water Technologies, 658 F. Supp. at 985 (“No quarter hour by quarter hour analysis of time records or attorney by attorney analysis of billings in this case is possible, given the caseload burdens under which

courts labor in these times”). Twenty-four hours at the blended rate of \$268 per hour totals a \$6,432 deduction.

Although plaintiff suggested that only half the time billed was reasonable, I am satisfied that the reductions I have made are adequate to remedy any perception of excessive or duplicative billing. Again I note that in determining the reasonableness of a fee, it is appropriate to consider the amount of money involved in the case and the results obtained. Waters, 502 F.2d at 1322; Hensley, 461 U.S. at 434. Defendants’ motion resulted in the grant of summary judgment in their favor, which may have saved them from a costly verdict. Further, plaintiff has conceded that it is reasonable to spend 2.5 hours a page in drafting a brief. (Plaintiff has submitted the opinion of an expert who believes that a 24-page brief should take no more than 60 hours to draft). Although I do not subscribe to a view that a reasonable amount of time can be determined by the number of pages produced, the amount of time spent drafting this brief, excluding the improperly coded time of Szitta, is consistent with the work pace plaintiff has suggested is proper in other contexts.

d. Reply brief

Plaintiff contends that the 83.2 hours spent drafting defendants’ 24-page reply brief in support of their motion for summary judgment are excessive and should be reduced to 60 hours. Defendants deny that the final page count can accurately reflect the amount of time

spent in preparing a brief. Further, defendants note that first-year associates did most of the work and that they generally take more time to perform a certain task, which is why their time is billed at less than half the rate that an attorney with 30 years of experience would charge. Defendants observe that the reply brief was a response to plaintiff's 46-page response brief and was not merely a restatement of the arguments they already had made.

I agree with defendants that it is reasonable for first-year associates to spend more time working on a brief than a more seasoned lawyer. However, the supervision of their work by more senior lawyers is likely to include at least some duplication of effort. I believe the most equitable resolution is to determine how much money defendants' counsel actually billed for preparation of the brief and to deduct the difference by which that amount exceeds the proposed 60 hours at the standard blended rate of \$268 per hour. The amount actually billed for the reply brief was \$18,040. (70.9 hours were billed at a rate of \$185/hour; 5.4 hours were billed at a rate of \$260/hour; and 6.9 hours were billed at a rate of \$415/hour.) Plaintiff's proposed 60 hours, multiplied by the blended attorney rate of \$268/hour, is \$16,080. I will deduct the difference of \$1,960. I believe this is a more equitable resolution than plaintiff's proposed reduction of 23.2 hours. It takes into consideration the fact that nearly all the work on this particular brief was done at a relatively low billing rate.

e. Attorney fee statement

Plaintiff argues that it was excessive for defendants' counsel to spend 44.9 hours preparing the itemized statement of attorney fees and that they should have needed no more than 25 hours. I disagree. Defendants' counsel represented defendants on all three claims brought in this case and did not initially distinguish between the three when billing their clients. I granted defendants an award of attorney fees incurred for the defense of the patent claim only. Defendants' counsel had to review every billing entry made between July 22, 2002 through July 31, 2003, and determine to which claim the work related. Further, a large number of the billing entries refer to work on a particular affidavit or declaration or refer to a particular legal issue or statutory provision. The person "coding" these entries may have needed to refer back to these sources to determine how to classify the work. In light of the labor intensive task of extracting time spent on the patent claim from time spent on the Lanham and antidumping claims, I believe 44.9 hours to be reasonable.

f. Basic legal research and claims chart

Plaintiff challenges the 116 hours a first-year associate spent researching basic patent law issues as well as the 35.1 hours a senior paralegal spent creating a single claims chart. Defendants have not attempted to justify the full amount of time spent on these items, but refer to plaintiff's challenge as a quibble. Although it is defendants' burden to justify the fees, Stickle, 590 F. Supp. at 632-33, they have not attempted to explain more specifically

the need for the time spent. Again I note that duplicative efforts are always present when work is done by several people collectively. Water Technologies, 658 F. Supp. at 985. This is particularly true with respect to legal research; all the lawyers and paralegals had to spend time familiarizing themselves with the same basic legal principles. Therefore, I will reduce the 116 hours claimed for basic legal research by 25% to account for duplicative work. No further reduction is needed because of the low rate at which these hours were billed. Further, I do not believe that the preparation of the chart is as susceptible to duplicative efforts. I decline to deduct any of the time attributed to the claim chart preparation. Thus, I will reduce the attorney fees recoverable by \$7,772 (29 hours at the blended rate for lawyers of \$268 per hour) for excessive legal research.

3. Fees incurred unnecessarily because of defendants' actions

Plaintiff argues that if defendants had disclosed the Minivator prior art when they received it on February 26, 2002, rather than twenty days later, plaintiff would have conceded invalidity earlier and some of the attorney fees would have been avoided. I do not believe that a deduction is warranted on this ground for a number of reasons.

First, in the order granting attorney fees incurred for the defense of the patent infringement claim, I found that this case was "exceptional" pursuant to 35 U.S.C. § 285 because there was clear and convincing evidence that plaintiff had known of other

invalidating prior art at the time it applied for the patent. It would be inconsistent to award attorney fees on the ground that plaintiff knew of prior invalidating art at the time it filed for its patent, but to reduce the amount by assuming that plaintiff would have conceded invalidity earlier had it only known of the existence of prior invalidating art.

In any event, only a relatively short period of time passed after defendants obtained the Minivator prior art and before they produced that evidence to plaintiff. Plaintiff had submitted a document request on December 6, 2002, for any prior art defendants had in their possession or of which they were aware. Defendants obtained the Minivator prior art on February 26, 2003, and produced it to plaintiff on March 14, 2003. Defendants note that they needed this time to verify the status of this document as prior art, prepare it for production and deliver it to plaintiff. Further, Fed. R. Civ. P. 26(e) does not require immediate discovery supplementation, but rather requires supplements at “appropriate intervals.” Finally, the amount of time in which defendants had possession of the document before producing it to plaintiff is roughly the same amount of time in which plaintiff had the prior art before conceding invalidity. Thus, it appears to have taken plaintiff and defendants approximately the same amount of time to determine the significance of this document.

Finally, plaintiff appears to be alleging that defendants delayed the resolution of this case unnecessarily by refusing first a “walk away” settlement offer made on April 2, 2003, and then an offer on April 23, 2003, to enter judgment declaring the claims invalid and

dismissal of the Lanham and antidumping claims with prejudice. Defendants could not have recovered attorney fees had it accepted the walk away offer. A party does not unnecessarily delay the resolution of a case by seeking more than it was offered in settlement negotiations. With respect to the second offer, defendants already had filed their motion for summary judgment when the offer was made. The only expenses incurred after this motion was filed relating to the merits were those for the reply brief, which defendants have already excluded, and a minimal amount for preliminary preparation for the trial scheduled for July 2003. Moreover, it would not be equitable to penalize parties for refusing to settle an unmeritorious suit they were unwillingly forced to defend, and it would not be proper to premise a reduction on an assumption about the way a party would act under different circumstances. I decline to make any reductions for unnecessary delay.

C. Adjustments to the Lodestar Figure

In summary, the following deductions will be made from defendants' request:

| | |
|--|---------------------|
| Total amount requested: | \$429,829.00 |
| Less amounts for vague telephone entries | \$ 2,814.00 |
| Less amounts for excessive document preparation time | \$ 4,929.38 |
| Less amounts improperly coded as patent related | \$ 6,462.30 |
| Less excessive time spent on the summary judgment motion | \$ 6,432.00 |
| Less excessive time spent on reply brief | \$ 1,960.00 |
| Less excessive time spent on legal research | \$ 7,772.00 |
| Lodestar | <u>\$399,459.32</u> |

After determining the lodestar figure, courts must separate out any hours spent on non-patent claims and adjust the fee upward or downward for any “delay in payment, quality of representation and degree of success achieved.” Stickle, 590 F. Supp. at 632-33; Codex, 717 F.2d at 631. Defendants have already deducted the time spent on the non-patent claims. Plaintiff’s only objection was to the time spent by Szitta between April 4, 2003, and April 10, 2003, which has been deducted. Additionally, I do not believe that any further upward or downward departure is warranted. I have already considered the factors of work quality and degree of success in determining the reasonable number of hours.

ORDER

IT IS ORDERED that plaintiff Bruno Independent Living Aids, Inc. is to pay defendants Acorn Mobility Services Ltd. and Acorn Stairlifts, Inc. \$399,459.32 in attorney fees and \$9,298.62 in costs no later than December 1, 2003.

Entered this 6th day of November, 2003.

BY THE COURT:

BARBARA B. CRABB
District Judge