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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

IPS GROUP, INC.,

Plaintiff,

v.

DUNCAN SOLUTIONS, INC., et al.,

Defendants.

Case No.: 15-cv-1526-CAB (MDD)

**ORDER ON REQUEST FOR
AWARD OF FEES AND EXPENSES**

[Doc. No. 301]

On May 14, 2018 the Court entered an order granting the Defendants’ motion for an exceptional case finding pursuant to 35 U.S.C. § 285, with regard to the assertion by Plaintiff IPS Group, Inc., of United States Patent No. 7,854,310 (“the ‘310 patent”) against Defendants Duncan Solutions, Inc., Duncan Parking Technologies, Inc., and Civicsmart, Inc. (jointly “Duncan”). [Doc. No. 299.] Duncan was directed to file an application for fees and expenses related exclusively to its defense of the ‘310 patent infringement claims. [Id., at 6.]

On June 4, 2018, Duncan filed its fee motion. [Doc. No. 301.] IPS filed an opposition on June 18, 2018. [Doc. No. 302.] Duncan filed a reply on June 25, 2018.

1 [Doc. No. 307.]¹ Based on the submissions of the parties, the Court finds this motion
2 suitable for determination on the papers and without oral argument in accordance with
3 Civil Local Rule 7.1(d)(1).

4 I. Legal Standard

5 A district court may award reasonable attorneys' fees in an exceptional case pursuant
6 to 35 U.S.C. § 285. The requirement that fees awarded be reasonable is a safeguard against
7 excessive reimbursement. *Mathis v. Spears*, 857 F.2d 749, 754 (Fed. Cir. 1988).
8 Reasonableness is assessed at the discretion of the district court. *Lam v. Johns-Manville*
9 *Corp.*, 718 F.2d 1056, 1068 (Fed. Cir. 1983); *Lumen View Tech., LLC v. Findthebest.com,*
10 *Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016) (district courts have discretion to determine the
11 amount of legal fees upon a determination that a case is exceptional). The award of
12 expenses is also properly within the scope of § 285. *Cent. Soya Co., Inc., v. Geo. Hormel*
13 *& Co.*, 723 F.2d 1573, 1578 (Fed. Cir. 1983).

14 Ascertaining what constitutes a "reasonable" fee requires determining "the number
15 of hours reasonably expended on the litigation multiplied by a reasonable hourly rate. This
16 calculation provides an objective basis on which to make an initial estimate for the value
17 of the lawyer's services." *Pennsylvania v. Delaware Valley Citizens' Council for Clean*
18 *Air*, 478 U.S. 546, 564 (1986); *Hensley v. Eckerhart*, 461 U.S. 424, 433 (1983) (A
19 reasonable fee is determined by multiplying the number of hours reasonably expended on
20 the litigation by the reasonable hourly rate.)

21 "The fee applicant bears the burden of establishing entitlement to an award and
22 documenting the appropriate hours expended and hourly rates." *Id.* at 437. To do so, the
23 applicant should submit evidence supporting the hours worked and rates claimed. *Id.*

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26 ¹ In conjunction with its reply, Duncan filed a motion for leave to lodge its unredacted bills with the Court
27 for *in camera* review [Doc. No. 305], which IPS opposed [Doc. No. 310]. IPS also submitted a surreply
28 to Duncan's reply motion. [Doc. No. 311.] Duncan's request for leave to submit the supporting
documentation for its motion for *in camera* review [Doc. No. 305] is **denied**. The Court also did not
consider the surreply filed by IPS as it was submitted without the Court's permission, consequently IPS's
motion [Doc. No. 311] is also **denied**.

1 When a party has submitted inadequate records, the court is “neither obligated to explain
2 what type of records should be submitted, nor to request additional information. The
3 burden of presenting the appropriate fee documentation rests squarely on the shoulders of
4 the attorneys seeking the award.” *In re Wash. Pub. Power Supply Sys. Sec. Litig.*, 19 F.3d
5 1291, 1306 (9th Cir. 1994).

6 The court must determine the number of compensable hours the attorneys and staff
7 reasonably expended on the litigation. “Where the documentation of hours is inadequate,
8 the district court may reduce the award accordingly.” *Hensley*, 461 U.S. at 433; *see also*
9 *Kabos v. Schwan’s Home Serv., Inc.*, No. CV-F-09-856 LJO SKO, 2010 WL 3943609, at
10 *5 (E.D. Cal. Oct. 4, 2010) (reducing the fees unsubstantiated by redacted hours). If the
11 redacted entries have descriptions that provide sufficient information as to the tasks, the
12 fees can be recovered. *Jones v. Corbis Corp.*, 489 Fed. App’x 155, 157 (9th Cir. 2012).

13 **II. Discussion**

14 Duncan’s perfunctory application seeks an award of \$1,320,930.69 in fees and
15 expenses² [Doc. No. 301], and is supported by the Declaration of Joshua Kalb and the
16 exhibits thereto. [Doc No. 301-1 through 301-7.] The exhibits consist of: (1) spreadsheets
17 summarizing the amounts invoiced by three law firms and a litigation support service that
18 represented the defendants in this case [Doc. No. 301-2]; (2) the invoices used to create
19 those spreadsheets, with “the privileged narratives redacted” [Doc. No. 301-1 at ¶12; 301-
20 3]; (3) spreadsheets calculating non-expert and non-taxable costs and expenses [Doc. No.
21 301-4]; (4) document review and data management invoices [Doc. No. 301-5]; a summary
22 of expert fees [Doc. No. 301-6]; and expert fee invoices, with the narratives redacted [Doc
23 No. 301-7.]

24 Duncan was directed to provide an application for fees and expenses incurred
25

26
27 ² Alternatively Duncan seeks \$1,423,902.64 with expert fees included. Expert fees, however, are only
28 allowable if there is “fraud on the court or abuse of judicial process.” *Amsted Ind. v. Buckeye Steel
Castings Co.*, 23 F.3d 374, 379 (Fed. Cir. 1994). The Court did not make a finding to support the recovery
of expert fees in this case.

1 **exclusively to its defense of the ‘310 patent infringement claims.** Through the
2 declaration of Mr. Kalb, Duncan represents that it has segregated the fees incurred in this
3 case into three categories – those incurred solely with regard to the litigation of the ‘310
4 patent (\$103,735.24 or approximately 9% of the fees requested), those incurred solely with
5 regard to U.S. Patent No. 8,595,054, and fees incurred with regard to litigation of both
6 patents which were “so intertwined as to be inseparable.” [Doc No. 301-1, at ¶ 8.] The
7 actual nature of the work relegated to each category however is a mystery.

8 Entirely absent from Duncan’s motion, and reply, is any description of the work
9 performed by counsel or the staff. Mr. Kalb’s declarations [Doc. Nos. 301-1 and 307-1]³
10 provide no description whatsoever of the tasks performed by the various timekeepers.
11 There is no summary of hours incurred in relation to any particular pleading, motion or
12 discovery task. No description is provided of how timekeepers were allocated to the
13 performance of any specific litigation event or filing. No explanation is included as to
14 nature of the tasks performed that Duncan categorizes as exclusive to the defense of the
15 ‘310 patent, to which Duncan’s recovery is limited.

16 The over 400 pages of invoices provided [Doc No. 301-3] have been **completely**
17 redacted of all narrative description of the work performed. Mr. Kalb asserts on behalf of
18 Duncan that “privileged narratives” have been redacted. [Doc. No. 301-1, at ¶12.] “[T]he
19 general purpose of the work performed [is] usually not protected from disclosure by the
20 attorney-client privilege.” *Clarke v. American Commerce Nat. Bank*, 974 F.2d 127, 129
21 (9th Cir. 1992). The Court is highly skeptical that the descriptive narratives of every single
22 time entry by every single timekeeper in this case constituted an attorney-client privileged
23 communication or work product. Such blanket assertions of attorney-client privilege are
24 extremely disfavored. *Id.*

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26 ³ Mr. Kalb’s declaration filed with the reply brief focuses almost exclusively on responding to IPS Groups’
27 dispute with the reasonableness of the counsel and staff’s rates. [Doc No. 307-1.] Having not considered
28 the document attached as Exhibit B to Mr. Kalb’s declaration, the Court **denies as moot** the related Motion
to File Document Under Seal [Doc. No. 306].

1 Further, Duncan’s broad privilege assertion did not preclude Duncan from providing
2 any descriptions of work performed. Mr. Kalb’s declaration could have included, for
3 example, the identity of the timekeepers who worked on the claim construction proceedings
4 or motion for summary judgment of non-infringement of the ’310 patent, the number of
5 hours each individual recorded and a general explanation of the task each provided (i.e.,
6 research, drafting, assembling exhibits, arguing the motion) without treading on privileged
7 subject matter. Duncan’s motion however provides no evidence of the nature of the tasks
8 performed, it only identified timekeepers, and the hours and amounts billed. The lack of
9 detail does not allow the Court to make an analysis of the reasonableness of the work
10 performed. *See, e.g., Junker v. Eddings*, 396 F.3d 1359, 1366 (Fed. Cir. 2005) (vacating a
11 fee award because conspicuously absent from the record was the kind of evidence usually
12 analyzed in determining a reasonable attorney fee including records “showing tasked
13 performed in connection with the litigation.”).

14 It was Duncan’s burden to provide the Court with appropriate fee documentation to
15 permit the Court to ascertain what service the billing attorney or paralegal was performing,
16 and whether it was a reasonable and necessary expenditure of time and that it was
17 exclusively for the defense of the ’310 patent infringement claim. This burden has not
18 been met, as pointed out by IPS Group in its opposition. [Doc. No. 302 at 16.] In reply
19 [Doc. No. 307], Duncan responds to examples IPS Group raised to challenge the blanket
20 assertion that all hours Duncan claims were reasonable and necessary, however Duncan
21 did not provide any further detail to support its unsubstantiated assertion that the general
22 categorizations of hours billed are fully recoverable under the Court’s order, and all the
23 work was reasonable and necessary.

24 The Court declines Duncan’s offer to provide the Court with the 400 plus pages of
25 billing records unredacted *in camera* so the Court can review the individual entries and
26 determine from the hundreds of pages the reasonableness of the work performed. As
27 Duncan itself states in its motion the Court should not be burdened with “a tedious review
28 of voluminous time entries and hourly rates” and yet Duncan’s proposal does exactly that,

1 making it the Court’s task to perform a line-by-line evaluation of the billing entries to
2 ascertain who did what, when and whether it was a reasonable expenditure of time. Further,
3 opposing counsel has the right to challenge the basis for a fee award, and the Court is
4 entitled to opposing counsel’s views. *See Novartis Corp. v. Webvention Holdings LLC*,
5 Civil No. CCB-11-3620, 2016 WL 3162767, at *3 (D. Md. June 7, 2016) (after finding a
6 case exceptional, denying fee motion due to the deficiencies of application and rejecting
7 the movant’s proposal that the court perform an *in camera* review to find support for the
8 award claimed).

9 Without any helpful information from Duncan to enable the Court to assess whether
10 the fees and expenses claimed for work exclusive to the litigation of the ‘310 patent are
11 reasonable, Duncan’s motion could properly be denied in its entirety. However, this is an
12 equitable determination, and the Court still considers some recovery for the costs incurred
13 to defend against the assertion of the ‘310 patent is appropriate. Therefore the Court relies
14 on its “overall global understanding of the case” and review of the docket to determine a
15 reasonable fee award.

16 The litigation was filed on July 10, 2015, asserting infringement of the ‘310 patent
17 and the ‘054 patent. An amended complaint was filed on September 4, 2015. On October
18 23, 2015, Duncan filed both a motion to dismiss and a motion for stay pending *inter partes*
19 review (“IPR”) of the two asserted patents. IPS Group amended the complaint in response
20 to the motion to dismiss on January 4, 2016. Duncan answered and counterclaimed on
21 February 16, 2016. On March 21, 2016, the Court granted a temporary stay pending the
22 determination of whether the Patent Office would institute an IPR. IPR was instituted as
23 to the majority of the claims of the ‘310 patent, including the two independent claims.

24 On April 14, 2017, the Court granted a joint motion to lift the stay on the ‘310 patent,
25 the IPR having concluded. Almost immediately thereafter, Duncan filed a motion for
26 summary judgment of non-infringement of the ‘310 patent on May 3, 2017. After the
27 motion was fully briefed, on July 7, 2017, the Court determined claim construction was
28 required to resolve the motion and ordered briefing on certain claim terms of the ‘310

1 patent. A claim construction hearing was held on August 7, 2017 and on August 16, 2017
2 the Court granted Duncan's motion for summary judgment of non-infringement of the '310
3 patent.

4 Considering this litigation history, and the billing rates of counsel for Duncan as set
5 forth in Duncan's reply, which the Court finds reasonable for this community and this type
6 of litigation, the assessment by Duncan that approximately \$100,000 of fees were incurred
7 exclusively to defend the infringement allegations of the '310 patent appears reasonable.
8 The exceptional case award was for the unreasonable assertion of the '310 patent in this
9 case, and the recovery of fees and expenses was specifically limited to those exclusively
10 incurred to defend against that patent. Measured by the pleadings and motions filed
11 attributable to the '310 patent, the Court, in its discretion, awards Duncan \$100,000.00.

12 It is **SO ORDERED**.

13 Dated: August 17, 2018



Hon. Cathy Ann Bencivengo
United States District Judge