IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA
FOURTH DIVISION

ICON HEALTH & FITNESS, INC., a Delaware corporation, **Plaintiff,** **vs.** **OCTANE FITNESS, LLC, a Minnesota limited liability company,** **Defendant.**	**Case No: 0:09-cv-00319 (ADM/SRN)** **DEFENDANT OCTANE FITNESS LLC'S APPLICATION FOR REASONABLE ATTORNEY'S FEES AND EXPENSES**

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I. INTRODUCTION

On July 1, 2015 the Court granted Octane's renewed motion for attorney's fees and costs (Dkt. 260), finding the case exceptional under 35 U.S.C. § 285. Dkt. 284. The Court directed Octane to file documentation supporting the amount of attorney's fees on or before July 15, 2015. Documentation attached to this application reflects $**2,486,578.50** in attorney's fees and **$362,582.95** in expenses (K. Fussner Decl. ¶ 52) reasonably expended in litigating this matter on behalf of Octane, and Octane is entitled to full compensation in at least these amounts.

This litigation spanned over seven years. The amount billed for seven-plus years of patent litigation is low, as evidenced by many court decisions cited herein awarding substantially greater amounts of attorneys' fees for cases that did not last nearly this long. As time records indicate, only one lawyer was sent to take or defend a deposition for twenty-one depositions. Lead counsel, Rudy Telscher, for cost savings reasons, did not participate in deposition discovery, and normally would have. Lead counsel handled only the most important of events. Lower level partners, associates, and paralegals were used on discrete tasks. Experience levels were carefully matched to the demands of a particular project to maintain costs to the lowest level possible without sacrificing the odds of success.

Octane's attorney rates were approved by an insurance company (Intellectual Property Insurance Services Corporation or "IPISC") that specializes in coordinating the defense of intellectual property litigation for its insureds. It is therefore highly skilled at demanding rates that are at or below reasonable industry standards. The insurance

company also scrutinizes monthly bills, actively questions an entry if there is even potentially something unfair, and demands that time be allocated for every time entry, *i.e.*, no block billing. Thus, Octane believes that its bills are reasonable, and could even be fairly considered a bargain. Industry standards are discussed below, and the attorney rates are indeed *below* market rates.

While billing for a litigation of this size is very complicated, and Icon may try to pick at the bills, Octane believes the hours and amount spent were very reasonable, especially given the results achieved in the face of a very aggressive offense by Icon. If Icon challenges the rates, practices and/or amount spent, it should be called upon to state its rates, demonstrate its contrary practice, and/or amount spent.[1] Octane strongly suspects that its hours and total amount spent will be no greater than Icon's numbers, and we suspect substantially lower.

For the foregoing reasons and those stated more fully herein, Octane respectfully requests the Court to award the reasonable fees requested herein, and, if the Court believes this is an appropriate case, consider an enhanced award as discussed in Section II.C herein. While there are factors supporting an enhanced award, the most noteworthy is the manner in which Icon even defended the fee motion itself, telling one story in 2011

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[1] *See Mendez v. Radec Corp.*, 818 F. Supp. 2d 667, 668–69 (W.D.N.Y. 2011) ("Where the opposing party challenges the reasonableness of the rate or hours charged by the moving party's counsel, courts are more likely to find that evidence of the nonmoving party's counsel's fees are relevant and discoverable.") (*citing State of New York v. Microsoft Corp.*, No. 98-1233, 2003 WL 25152639, at *2 and n. 3 (D.D.C. May 12, 2003) and *Pollard v. E.I. DuPont de Nemours & Co.*, No. 95-3010, 2004 WL 784489, at *2-*3 (W.D.Tenn. Feb. 24, 2004)).

that was in material respects contradicted by its own witnesses in deposition, knowing very well Octane had no right to a reply brief, and then on remand several years later, with Octane correcting the record, submitting the new Smith declaration that was misleading in further material respects. At no point has Icon attempted to tell a complete and accurate story of what happened. It has been painstaking for Octane to piece together an accurate record, one that ultimately showed Icon's conduct throughout for what it was – egregious.

In its July 1 Order, this Court requested "itemized billing statements, expense reports, documentation of local billing rates for the type of work involved, and other evidence demonstrating the amount of attorney's fees and costs reasonably incurred by Octane in litigating this case." Octane has provided this material, some of which is voluminous. However, given the amounts involved, Octane wants to ensure the Court has everything needed at its disposal. For the Court's convenience, therefore, summaries of total fees and expenses are included at Fussner Decl. ¶ 52 and Ex. C, and in the declarations submitted with this application. *See, e.g.*, Fussner Decl. ¶ 52. While these documents are more than the Court requested, we believe they may facilitate review of the fees record.

II. ARGUMENT

"In determining the amount of reasonable attorneys' fees to award under federal fee-shifting statutes, the district court is afforded considerable discretion." *Bywaters v. United States*, 670 F.3d 1221, 1228 (Fed. Cir. 2012) (citing *Hensley v. Eckerhart*, 461 U.S. 424, 437, 103 S.Ct. 1933 (1983); *Takeda Chem. Indus., Ltd. v. Mylan Labs., Inc.*,

549 F.3d 1381, 1390 (Fed. Cir. 2008) (stating same and affirming lower court's award of $16.8 million in fees in patent case). This discretion flows from "the district court's superior understanding of the litigation and the desirability of avoiding frequent appellate review of what essentially are factual matters." *Hensley*, 461 U.S. at 437; *see also Homeland Housewares, LLC v. Sorensen Research*, 581 F. Appx 877, 881 (Fed. Cir. 2014) (citing same and stating "[w]e have long afforded district courts "considerable discretion" in determining the amount of reasonable attorney fees under § 285.")

The Federal Circuit, citing Supreme Court precedent, has indicated that the starting point for determining the amount of a reasonable fee is to calculate the "lodestar"; "the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate." *Bywaters*, 670 F.3d at 1228.[2] The lodestar calculation has been termed the "guiding light of fee-shifting jurisprudence" and there is a "strong presumption" that the loadstar figure represents a reasonable attorney fee amount. *Perdue v. Kenny A. ex rel. Winn*, 559 U.S. 542, 1672-73, 130 S.Ct. 1662, 1672, 176 L.Ed.2d 494

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[2] Federal Circuit precedent controls the calculation of attorney's fees in patent cases. *Bywaters*, 670 F.3d at 1227–28 ("we have consistently applied our law to claims for attorneys' fees under section 285 of the Patent Act because section 285 relates to an area of substantive law within our exclusive jurisdiction."); *see also Kilopass Tech., Inc. v. Sidense Corp.*, No. 10-CV-02066-SI, 2015 WL 1065883, at *6 (N.D. Cal. Mar. 11, 2015) (post-*Octane* case awarding fees and citing *Bywaters* for choice of Federal Circuit law in calculating fees*)* and *Chalumeau Power Systems LLC v. Acatel-Lucent USA, Inc*., No. 11-1175(RGA), 2014 WL 5814062 (D. Del. Nov. 6, 2014) (same). However, the Supreme Court has stated that its "case law construing what is a 'reasonable' fee applies uniformly to all" federal fee shifting statutes that permit the award of reasonable fees, see *City of Burlington v. Dague*, 505 U.S. 557, 562, 112 S.Ct. 2638 (1992), thus, case law outside of the Federal Circuit or patent law may also be relevant.

(2010) (quoting *Gisbrecht v. Barnhart*, 535 U.S. 789, 801, 122 S.Ct. 1817, 152 L.Ed.2d 996 (2002)); *see also Dague*, 505 U.S. at 562. Adjustments to the lodestar calculation upward or downward may be made in "rare" and "exceptional" circumstances, if based on specific findings of factors not subsumed within the loadstar calculation. *Id.; Blum v. Stenson*, 465 U.S. 886, 899, 901, 104 S. Ct. 1541, 79 L. Ed. 2d 891 (1984) ("Court is authorized, in its discretion, to allow prevailing party upward adjustment in attorney fees in cases of exceptional success").

Awards of fees under Section 285 are, of course limited to "exceptional cases." With this in mind, courts have recognized that there is nothing in the legislative history or applicable case law to suggest that—once a determination that a case is "exceptional" has been made—courts should balk at awarding full fees. *Kilopass Tech., Inc. v. Sidense Corp*., No. 10-CV-02066-SI, 2015 WL 1065883, at *7 (N.D. Cal. Mar. 11, 2015). To the contrary, § 285 is a means to "make whole a party injured by an egregious abuse of the judicial process." *Mathis v. Spears*, 857 F.2d 749, 758 (Fed. Cir. 1988) (emphasis added); *see also Cent. Soya Co. v. Geo. A. Hormel & Co*., 723 F.2d 1573, 1578 (Fed.Cir.1983), citing *Codex Corp. v. Milgo Elec. Corp*., 541 F.Supp. 1198, 1201 (D.Mass.1982) ("The compensatory purpose of § 285 is best served if the prevailing party is allowed to recover his reasonable expenses in prosecuting the entire action.").

For this reason, once a case is deemed exceptional, district courts do not hesitate to award full compensation. *See Kilopass*, 2015 WL 1065883, at *7 (post-*Octane* case awarding more than $5.3 million in fees); *Marctec, LLC v. Johnson & Johnson*, No. 07-CV-825-DRH, 2010 WL 680490, at *10 (S.D. Ill. Feb. 23, 2010), aff'd, 664 F.3d 907

(Fed. Cir. 2012) (awarding approximately $4.7 million in fees and expenses to prevailing accused infringer).

A. The Lodestar Calculation Establishes the Reasonableness of Octane's Fees.

"[T]he fee applicant bears the burden of establishing entitlement to an award and documenting the appropriate hours expended and hourly rates." *Hensley*, 461 U.S. at 437. This Court has already found entitlement to fees in this case. Dkt. 284.[3] Evidence supporting the reasonableness of the hours expended and hourly rates, including contemporaneous time records, invoices and other documentation is provided with declarations of Kara Fussner (an attorney with the lead firm of Harness Dickey), Michael Lindsay (an attorney with the local counsel firm of Dorsey & Whitney), and Michael Sherrill (counsel representing Octane before entry of Harness Dickey and Dorsey), and summarized in those declarations and below.

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[3] In its renewed motion for fees, Octane sought fees for the entirety of the proceedings, including the appeals and fee motion proceedings. Dkt. 261 at pp. 33-34. Icon did not address this argument in its response to Octane's renewed motion for fees. The law permits this recovery. *Therasense, Inc. v. Becton, Dickinson and Co.*, 745 F.3d 513, 517 (Fed. Cir. 2014); *Mathis,* 857 F.2d at 761-762, and several courts have awarded appellate fees post-*Octane*. *See Home Gambling Network, Inc. v. Piche*, No. 2:05-cv-610-DAE, 2015 WL 1734928 (D. Nev. Apr. 16, 2015); *Bayer CropScience AG v. Dow AgroSciences, LLC*, No. 12-256, 2015 WL 108415 (D. Del. Jan. 5, 2015); *Falana v. Kent State Univ.*, No. 5:08-cv-720, 2014 WL 3788695 (N.D. Ohio July 31, 2014). Octane understands this Court to have granted this request, subject to Octane establishing the reasonableness of its rates and hours. Dkt. 284.

1. The Hours Expended Representing Octane Were Reasonable.

Lead counsel, Harness Dickey, spent a total of 9,746.95 hours defending Octane in this matter and submits that of those hours **9,320 hours** were reasonably expended over the seven-year pendency of this case, and should be used in calculating the lodestar amount. Fussner Decl. ¶ 6, 16, 18, and 21. Contemporaneous time records detailing time, to the tenth of an hour, for each time keeper (attorney or paralegal) and segregating time by task (no block billing), are attached as Exhibits B-1 through B-5. Fussner Decl. ¶ 12. Further summaries of this time by stage of the litigation and by timekeeper is attached as Exhibits A and C. Fussner Decl. ¶¶ 11, 13.

This matter has been pending more than seven years and involved a variety of complex issues and tasks, including at various litigation stages over a lengthy period of time. *Id.* at ¶¶ 5, 7. While the composite of time keepers is larger than a case that pends for one-to-two years, here, at any given time, only 3-4 Harness Dickey attorneys and one Harness Dickey paralegal were staffed on the case. *Id.* at ¶ 8. Other attorneys and staff performed discrete tasks or assisted on an as-needed basis. *Id.* We have reviewed the bills carefully and do not believe there is unreasonable duplication of effort. Fussner Decl. ¶14-17.

Lead counsel, Rudy Telscher, for example, has been involved in the case since the start, and has handled global strategy decisions, high-level input/drafting on important briefing (including Markman, summary judgment, fee motions, Federal Circuit and Supreme Court briefing), oral arguments before this Court, the Federal Circuit and the U.S. Supreme Court, settlement negotiations, and other high level tasks. *Id.* at ¶¶ 9, 31b.

Other tasks were delegated to attorneys billing at lower rates. For example, in the trial court, Matt Cutler and Randy Soriano spearheaded fact and expert discovery, invalidity contentions and claim construction. *Id.* at ¶¶ 31c and f. This included taking or defending a total of ***21 depositions***, producing over 600,000 pages of documents, and assisting with the preparation of three expert reports. *Id.* at ¶ 7. Other attorneys had different tasks. *Id.* at ¶¶ 31d-m. Doug Robinson, for example, wrote the initial transfer motion, and prepared much of Octane's initial discovery requests and written responses. *Id.* at ¶ 31h. Kara Fussner, on the other hand, with assistance from Daisy Manning, spearheaded much of the research and legal brief writing. *Id.* at ¶¶ 31a and e. This included assisting with early research and writing, drafting the original fee motion, drafting portions of the Federal Circuit and Supreme Court briefing (both the certiorari petition and the merits briefing), and acting as primary writer on all briefing since remand. *Id.*

Other attorneys assisted in times of need or as their skill set directed. For example, during the trial court proceedings, Icon's broad demands for electronic documents resulted in the need to review and process excessive amounts of electronic data (gigabytes). *Id.* at ¶ 10. A number of associates and paralegals assisted with this process, which involved processing and reviewing thousands of client emails (many of which had no relevance to the case, but which hit on discovery search terms demanded by Icon). *Id.* Other attorneys assisted with more specialized tasks. For example, Steve Holtshouser, a former Assistant U.S. Attorney who joined the firm in 2013 assisted with the Supreme Court proceeding, including drafting and revising portions of the Supreme Court merits briefing, coordinating with the office of the Solicitor General (which joined in supporting

Octane), and preparing Mr. Telscher for oral argument before the Supreme Court. *Id.* at ¶ 31d. All of this effort by Mr. Holtshouser, and others on the team, was necessary and reasonable to the representation of Octane before the Supreme Court.

This is particularly true where Icon used many lawyers at various stages of this case, including some of the most expensive legal talent in the nation through the various stages of this litigation. Moreover, as this Court already found, Icon took a variety of actions designed to increase costs throughout the proceedings. Dkt. 284 at 12 (finding "more likely than not, that the reason for including Nellie's and the '120 patent in this litigation was to increase litigation costs to Octane") and 17 (noting "Icon employed litigation tactics designed to accelerate Octane's litigation costs in an effort to force Octane to settle rather than defend the suit"). Indeed, even on remand to the Federal Circuit, Icon refused Octane's proposal to stipulate to remand to this Court (the clear procedure under the law), necessitating an additional round of briefing before the case was ultimately remanded back to this Court.[4]

Counsel "should make a good faith effort to exclude from a fee request hours that are excessive, redundant, or otherwise unnecessary" *Hensley*, 461 U.S. at 434. That has been done here. Before bills are sent to the client, time records are carefully reviewed for

[4] Full compensation includes the reasonable attorney fees expended on attorney fee award issues. *Marctec*, 2010 WL 680490, at *8 (citing 7 Chisum on Patents, § 20.03[4][c] [vii] [D] ("Courts award attorney fees for attorney time spent on attorney fee award issues."); *Mathis v. Hydro Air Indus. Inc*., 1 U.S.P.Q.2d 1513, 1532 (C.D.Cal.1986), aff'd, 857 F.2d 749 ("It is proper to include in the award of attorney's fees the attorney time expended in connection with the Defendants' claim for attorney's fees."); *Howes v. Med. Components, Inc*., 761 F.Supp. 1193, 1200–01 (E.D.Pa.1990) (awarding time spent by attorneys and paralegals on fee petition)).

inefficiency and redundancy. Fussner Decl. ¶ 14. Indeed, the insurance carrier that pays a large portion of the bills scrutinizes monthly billing very carefully. *Id.* at ¶ 15. Any amounts deemed excessive or unnecessary are written-off the bills. A total of approximately 426.95 (amounting to $81,698.25) were written-off for these or other reasons, and *not* billed to the client. *Id.* at ¶ 16-17; Ex. D. **Octane is not seeking recoupment of these hours, even though these deductions represented close calls and were made mostly for client relation purposes.**

The remaining hours were either all billed to the client, or were shown on the bills but deducted from the totals for a reason *not* attributable to efficiency/necessity. Specifically, as detailed in the declaration of K. Fussner, approximately 935.4 hours were deducted in connection with the Supreme Court proceedings. *Id.* at ¶ 18. This work, while non-redundant and necessary to preparation and presentation of the matter to the United States Supreme Court, was itemized on the bills but then shown as an adjustment to reduce the billed amount. *Id.* Harness Dickey agreed to this significant reduction because the proceedings were nearing the insurance policy cap and the client simply could not afford to spend the significant amount that it takes to thoroughly advance a Supreme Court submission – a briefing/preparation responsibility that far transcends normal appellate briefing. *Id.* at ¶¶ 18-19. Icon should not benefit from Harness Dickey's agreement to provide services at a significant discount to allow its client to see the proceedings through, to the benefit of wrongfully accused infringers nationwide.

We have little doubt that the full amount of Octane's Supreme Court fees, including amounts over the cap, is lower than what Icon spent in using Sidley Austin –

Carter Phillips, the most experienced Supreme Court practitioner in the country. *Id*. at ¶ 41. Because these hours were worked hours, and were not duplicative or unnecessary, these hours ***are included*** in Octane's lodestar calculation and Octane respectfully requests reimbursement for this time spent.[5] Significantly, Octane was also charged discounted *rates* for the Supreme Court proceeding (in addition to the block adjustments given), and totals requested herein are based on those discounted rates, rather than the timekeeper's regular higher rate at that time. *Id.* at ¶ 20.

Lastly, two Minnesota firms, acting primarily as local counsel, billed a total of $59,195.75 representing Octane in connection with this matter. The first, the Sherrill Law firm, represented Octane initially and billed a total of $49,023.25 (amounting to approximately 204 hours at Michael Sherrill's $240/hour rate, though time keepers at lower rates also participated), doing some substantive work, including on invalidity issues and also acting in a local counsel capacity. Sherrill Decl. ¶¶ 3-5, 7. After Harness Dickey came in as lead counsel (in June 2008), and Dorsey joined as local counsel (in May 2009), the Sherrill Law Firm withdrew. *Id.* at ¶ 4. Dorsey's role was solely that of local counsel (no time billed for Federal Circuit and Supreme Court stages), and billed only a total of $10,172.50 over the entire duration of the litigation. Lindsay Decl. ¶¶ 3-4. More detailed information about the exact hours, rates, and tasks are included in the

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[5] "Although the amount the client paid the attorney is one factor for the court to consider in determining a reasonable fee, it does not establish an absolute ceiling." *Junker v. Eddings*, 396 F.3d 1359, 1365 (Fed.Cir. 2005).

declarations and contemporaneous time records. *Id.* at ¶¶ 5-7. These hours were non-duplicative of Harness Dickey's work, and necessary to the representation. *Id.* at ¶ 46.

2. Octane's Counsels' Rates Were Reasonable.

In assessing the reasonableness of requested rates, courts inquire whether those rates "are in line with those prevailing in the community for similar services by lawyers of reasonably comparable skill, experience and reputation." *Blum*, 465 U.S. at 896. The "community" is generally the forum state. *Avera v. Sec'y of Health & Human Servs*., 515 F.3d 1343, 1349 (Fed.Cir. 2008) ("to determine an award of attorneys' fees, a court in general should use the forum rate in the lodestar calculation."). Evidence of the attorney's customary rate and the actual fee arrangement in the case may further be considered in determining reasonableness. *See Kilopass,* 2015 WL 1065883, at *8 (citing *Blanchard v. Bergeron*, 489 U.S. 87, 93, 109 S.Ct. 939, 103 L.Ed.2d 67 (1989) ("The presence of a pre-existing fee agreement may aid in determining reasonableness.")). A district court may also rely on its own knowledge of prevailing market rates. *Warnock v. Archer*, 397 F.3d 1024, 1027 (8th Cir. 2005).

Here, Octane's counsels' rates are *below* market rates. Harness Dickey is a Midwestern-based boutique intellectual property law firm. Fussner Decl. ¶ 23. Lead counsel in the case, Rudy Telscher, is based in Harness Dickey's St. Louis office, and his team (also based in St. Louis, Missouri) bill out at reasonable Midwestern rates. *Id.* Patent litigation is a specialty with much of the talented trial lawyers residing in larger cities where rates are much higher. Harness has developed an accomplished, objective record of success and has built its business by handling complex patent litigation at below

industry rates, the reason why IPISC has selected Harness as a preferred firm to recommend to its insureds. *Id.* at ¶¶ 24-25. A chart showing each time keeper's hourly rate, the time billed at each rate (if the rate changed over the course of the representation), and an effective rate (the total dollars billed divided by the hours billed), is provided at Ex. A. Biographies of each of the time keeper are attached as Exs. F–R and summaries are provided in the K. Fussner declaration at ¶ 31. The rates billed to Octane in this case, were consistent with each attorney's customary, market-driven rate at the time the service was rendered, and are appropriate for the level of skill and experience of each attorney or paralegal. *Id.* at ¶ 32.[6]

Local counsel in the case, Michael Lindsay and the law firm of Dorsey Whitney, is similarly a Midwestern firm based in Minneapolis. A chart reflecting each time keeper's hourly rate, the time billed at the rate, and the total amounts billed is attached as Ex. JJ. Similarly, biographies of each of the time keepers and summaries of each time keeper's experience and role are provided in the declaration of M. Lindsay ¶ 8, Exs. LL-NN. Dorsey's time was carefully limited to specific local counsel issues such that total billing over the entire case was limited to just over $10,000. *Id.* at ¶¶ 4, 6; Ex. KK. Early in the case, the Sherrill Law firm also provided representation (both substantive before entry of Harness Dickey and as local counsel before entry of Dorsey). Evidence of rates and fees

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[6] Though many individuals billed to this matter over the seven-plus year pendency, the work was not duplicative. In that time period, attorneys and paralegals have joined and left the firm, attorneys have gone on maternity leave and returned to work, and other events over the course of the years required assistance from additional members of the firm for discrete projects.

billed by members of the Sherrill Law firm, a patent boutique located in Minneapolis, is included in the Sherrill Declaration and in the cotemporaneous time records attached as M. Sherrill Decl. ¶¶ 6-7; Ex. GG-II.

Given the low nature of Octane's counsels' rates for this type of litigation, the Court could rely on its own knowledge to find the rates reasonable. *Warnock*, 397 F.3d at 1027. Another source is a survey that is conducted every two years by the American Intellectual Property Law Association (AIPLA). Fussner Decl. ¶ 33. This entity releases an economic survey detailing attorney's fee rates for IP litigators in the United States, stratifying the data by a number of factors including seniority, geographical location, technical specialization, age, gender, and race.[7] *Id.* The 2013 publication (the most recent publication) lists the mean (average) hourly rate for **2012** for a partner in the Minneapolis area as $413/hour and an associate as $287/hour, with the third quartile (75%) average as high as $500/hour for partners and $339/hour for associates. *Id.* at Fussner Decl., Ex. ¶¶ 33-34; Ex. S. (Figures from the 2009 and 2011 AIPLA surveys, which survey rates in 2008 and 2010 respectively, are included as Exs. U and T, Fussner Decl. ¶¶ 33, 35-36). We are told by the AIPLA that the newest survey comes out this month, but not in time for this briefing deadline. *Id.* at ¶ 34. The current data will no doubt reveal higher

[7] This publication is often cited in patent law fee decisions. *Chalumeau*, 2014 WL 5814062 (citing AIPLA and awarding $799,096.02 in fees and costs to defendant); *Perfect 10, Inc. v. Giganews, Inc.* No. CV 11-07098-AB, 2015 WL 1746484 (C.D. Cal. Mar. 24, 2015) (citing AIPLA and awarding $5,213,117.06 in attorney's fees and $424,235.47 in costs to defendant)

average rates, but this point is seemingly not important because Harness Dickey's rates are even below the 2012 data.

Starting with lead counsel, Rudy Telscher, his rate ranged from $380-$570/hour, with ***over 25 years*** of experience.[8] *Id.* at ¶ 31b. These rates are well within the average for this experience level of a partner. *Id.* at ¶ 34. (See Ex. S listing average rate for 25-34 years of experience as $534/hour and the 75% average at $628/hour). Mr. Telscher's biography is also attached to further detail his specific patent litigation experience. Ex. G. Mr. Telscher's range is within the range of rates approved in post-*Octane* patent cases for senior patent litigation partners. *IPVX Patent Holdings, Inc. v. Voxernet LLC*, No. 5:13-CV-01708 HRL, 2014 WL 5795545, at *7 (N.D. Cal. Nov. 6, 2014) (awarding fees based on lawyer rates ranging from $295 to $865/hour); *Kilopass*, 2015 WL 1065883, at *11 (finding partner rates as high as $750-$830/hour reasonable even though these rates exceeded AIPLA mean rates for the forum locale).

Every other attorney's rate is ***below*** **mean AIPLA rates**. For example, Kara Fussner's rate ranged from $241-$380/hour over the course of the representation. Fussner Decl. ¶ 31a. She is a partner at Harness Dickey with 17 years of experience, 11 of those years practicing exclusively intellectual property litigation (putting her well below the mean rate of $413/hour for partners and even below the 2008 and 2010 mean rates of $393/hour and $409/hour, respectively, see Exs. S, T, and U at I-34.) Fussner Decl. ¶ 31a.

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[8] The rate of Michael Lindsay of the Dorsey law firm ranged from $550-$565/ hour. He, too, has over 25 years of experience. Lindsay Decl. ¶ 8a. In any event, he spent limited time on the case over the seven year pendency.

Similarly, Daisy Manning is an associate with 6 years of experience and admission to the patent bar. *Id.* at ¶ 31e. Her rate from 2013-2015 ranged from $175-250/hour, well below the 2012 associate average of $287/hour. *Id.*

In short, Harness Dickey's rates are below industry standards. To exemplify just how much below, counsel prepared a spreadsheet multiplying each partner's billed hours by the mean (average) AIPLA partner rate for the Minneapolis area, and each associate's billed hours by the mean (average) AIPLA associate rate for the Minneapolis area (paralegals were left unchanged). *Id*. at ¶ 38; Exs. V and W. Performing this calculation resulted in a total amount of **$3,044,977.27** compared to **$2,378,105.75** applying Harness Dickey's actual invoiced rates through April 2015 (time spent on this fee application is not included in calculation or comparable amount total).

Further, the rates billed in this case conformed to Octane's insurer's approved rates for patent litigation. Fussner Decl. ¶¶ 39-40; Ex. X. As noted in previous briefing, Octane had secured a policy of insurance that would cover portions of certain patent infringement claims. *Id.* That policy of insurance was issued by a company, IPISC, that specializes in underwriting risk associated with intellectual property claims. *Id.* IPISC publishes approved rates for patent litigation that take into account the attorney's years of experience and patent bar admission. *Id.* at ¶ 40. The rates billed to Octane in this matter were consistent with, and below the approved rates, and acceptable to IPISC. *Id.* at ¶ 39. IPISC obviously has a keen business interest in making sure it pays fair rates to not overspend on a patent litigation, yet pay sufficient to attract the right talent to properly handle and reasonably maximize odds of winning the case.

As this Court recognized, even weak patent cases require time and effort to parse technical and abstract language and to properly apply the law. Dkt. 284 at 11. Handling any patent case, weak or strong, requires the parties to typically engage in a lengthy process, here involving: venue issues for the first six months, next a lengthy and massive discovery process caused by Icon's broad, expansive discovery requests, twenty-one depositions, then Markman, and finally summary judgment. *Id.* at ¶ 7. Indeed, Icon objected to earlier attempts at summary judgment, insisting that Markman come first. Dkt. 128. At no point did Icon demonstrate any inkling to streamline the litigation process or expedite dispositive rulings. Further, the briefing and issues involved mechanical engineering, expert witnesses, and complex patent issues. *Id.* Octane properly employed reasonably skilled and experienced attorneys and experts to meet these challenges and defend the claims brought by Icon. *Id.* at ¶ 9. If anything, Octane received a bargain in its selection.

For example, at the U.S. Supreme Court, Icon employed Carter Phillips, a Sidley Austin attorney with more Supreme Court oral arguments than any attorney in private practice today. A ***2010*** article listed his "normal" hourly rate as ***$1,100/per hour***. *Id.* at ¶ 41; Ex. Y. Octane, on the other hand, continued to use Rudy Telscher, the Midwestern attorney that had represented it throughout the case to take advantage of his knowledge of the record and save money. At the time of the 2014 Supreme Court oral argument, Mr. Telscher was billing at almost half the rate of ***Mr. Phillips' 2010 rate*** - $570/hour versus $1100/hour, and we understand that Mr. Phillip's rate was approximately $1,500 per hour in 2014, a fact that Icon can verify or correct in its responsive brief. *Id.* at ¶¶ 31b, 41. In

short, the rates billed on this matter by Octane's counsel were below average market rates.

Here, just because Octane could not afford high-priced counsel does not mean Icon should not expect to pay market rates. Full compensation is justified and even an adjustment upwards of the rates to the mean AIPLA rates for lodestar calculation, permissible.

* * *

In sum, under the lodestar methodology, the full amount worked, approximately **9,553.8 hours** (all three law firms) multiplied by **reasonable rates ranging from $55/hour (for paralegals) - $570/hour (for lead counsel)**, for a total of **$2,486,578.50** (see charts at Ex. A, C, GG, and JJ for individual breakdown; see also Fussner Decl. ¶ 21) is reasonable. Indeed, as demonstrated by the AIPLA calculation, the rates billed were well under market rates, such that an upwards adjustment would be within the Court's discretion.

This total sum is consistent with, and in many cases below, other patent case fee awards, and this Court should not hesitate to fully compensate Octane. *Compare Kilopass,* 2015 WL 1065883 (patent case awarding defendant attorneys' fees in the amount of $5,315,315.01, and costs in the amount of $220,630.53); *Nilssen v. Osram Sylvania, Inc.,* 504 F.3d 1223 (Fed. Cir. 2008) (patent case awarding defendant $5.6 million in attorney fees; the award of fees was affirmed on appeal, 528 F.3d 1352, 1359–60 (Fed.Cir.2008)); *ICU Med., Inc. v. Alaris Med. Sys., Inc.*, No. 8:04–cv–689, 2007 WL 6137002 (C.D.Cal. June 28, 2007) (patent case awarding defendant $4.7 million in

attorney fees and expenses; the award was affirmed on appeal, 558 F.3d at 1380–81); *Synthon IP, Inc. v. Pfizer Inc.*, 484 F. Supp. 2d 437, 446 (E.D. Va. 2007) aff'd, 281 F. Appx. 995 (Fed. Cir. 2008) (awarding 3.2 million in fees and costs). The Octane case extended over three years at the original district court level and 7 years total, and the amount spent represents defense at the cheapest cost possible (i.e., the total amounts to only approximately $355,000.00 per year for each year of pendency).

B. Octane Should be Awarded its Related NonTaxable Expenses.

An award of expenses is properly within the scope of § 285 which "include[s] those sums that the prevailing party incurs in the preparation for a performance of legal services related to the suit." *Central Soya*, 723 F.2d at 1578. The "compensatory purpose of § 285 is best served if the prevailing party is allowed to recover his reasonable expenses in prosecuting the entire action. . . ***.[including] disbursements necessary to the case***." *Codex Corp.*, 541 F. Supp. at 1201 (emphasis added); *see also* Fed. R. Civ. Proc. 54(d)(2)(A) (a "claim for attorney's fees and related nontaxable expenses" may be made under applicable statute). A party seeking to recover costs and expense need not document its request with "page-by-page precision, [however] a bill of costs must represent a calculation that is reasonably accurate under the circumstances." *Summit Tech., Inc. v. Nidek Co.*, 435 F.3d 1371, 1380 (Fed. Cir. 2006).

Here, Octane seeks compensation for a total of **$362,582.95** in expenses, not otherwise recouped during the course of these proceedings (i.e., taxable costs already awarded have been excluded from the requested sum). Fussner Decl. ¶ 43; Sherrill Decl. ¶ 10; Lindsay Decl. ¶ 15. The major categories of these expenses are discussed below,

and a chart summarizing expenses along with supporting documentation of expenses (invoices, receipts, etc. .), are provided at Ex. AA.

1. Vendor Fees

A large category of costs is vendor fees. See Ex. BB-1 to BB-7. This category includes e-discovery processing (not already recouped under separate agreement with Icon), binding and delivery of appellate briefs, patent searching vendor fees, and other miscellaneous costs, amounting to more than $125,000 in costs. *Id.*; Fussner Decl. ¶ 45. These are properly recouped in expense awards. *See Kilopass,* 2015 WL 1065883, *14 (awarding under 35 U.S.C. § 285 related nontaxable expenses related to e-discovery, document delivery, patent searching services, and subpoena service vendors).

2. Electronic Legal Research

Octane incurred approximately $48,914.66 for electronic legal research necessary to defense of this matter. Ex. BB-8. These sums are properly awarded. *See In re UnitedHealth Group, Inc. v. Shareholder Derivative Litigation,* 631 F.3d 913, 918-19 (8th Cir. 2011) ("The prevailing view among other circuits is to permit awards to reimburse counsel for the reasonable costs of online legal research."); *Kilopass,* 2015 WL 1065883, at * 14 (awarding 35 U.S.C. § 285 related nontaxable expenses related to online legal research).

3. Consulting Fees

Octane's attorneys did not have previous Supreme Court experience. For this reason, and as part of the preparation for the Supreme Court, Octane utilized the consulting services of attorneys D. John Sauer, Neil Richards, Jordan Cherrick and Neal

Katyal. Fussner Decl. ¶ 47. Mr. Sauer, a partner at the St. Louis law firm Clark & Sauer, LLC, received his J.D. from Harvard Law School, is a Rhodes Scholar, served as law clerk to Justice Scalia, and is an accomplished appellate and U.S. Supreme Court advocate. *Id.* at ¶ 48; Ex. CC. Mr. Richards, a Professor of Law at Washington University in St. Louis School of Law, received his J.D. from University of Virginia and is a former law clerk to Chief Justice Rehnquist. Fussner Decl. ¶ 49; Ex. DD. Mr. Cherrick, a partner at the St. Louis firm Jordan B. Cherrick, LLC, received his J.D. from Boston University, has 30 years' experience as an appellate advocate and has argued 2 cases before the U.S Supreme Court. Fussner Decl. ¶ 50; Ex. EE. Mr. Katyal, a partner at the firm of Hogan Lovells in Washington D.C. received his J.D. from Yale law school, served as a law clerk to Justice Breyer and has argued 24 cases before the Supreme Court. Fussner Decl. ¶ 51; Ex. FF. He was also representing Highmark Inc. in the companion case which determined the standard of review for fee decisions heard before the Supreme Court. *See Highmark Inc. v. Allcare Health Management Sys., Inc.,* 134 S.Ct. 1744 (2014). *Collectively*, Octane paid these consultants a total of $27,513.24 to assist its counsel in briefing and presentation of the issues to the Supreme Court. Fussner Decl. ¶ 48-51; Ex. BB-9. This is properly reimbursed here. *See Richlin Sec. Serv. v. Chertoff,* 553 U.S. 571, 581 (2008) (recognizing that attorney's fees have "traditionally subsumed both the attorney's personal labor and … other individuals who contributed to the attorney's work product.").

4. Expert Fees

Although expert fees are not recoverable under Section 285, "a district court may invoke its inherent power to impose sanctions in the form of reasonable expert fees in excess of what is provided for by statute." *Takeda*, 549 F.3d at 1391 (affirming the award of expert fees in a patent case); *see also Marctec*, 664 F.3d at 920 (affirming an award of expert fees based on district court's inherent powers).

Here, Icon proffered a technical expert who took unreasonable positions at odds with inventor testimony. Icon also proffered a damages expert who claimed Icon was entitled to over $3.3 million in damages. In order to adequately respond, Octane had to employ its own experts, at a significant expense of $110,714.89. Ex. BB-10. This should be awarded to make Octane whole.

5. Travel and Lodging

Octane's litigation team, led by Rudolph Telscher, is located in St. Louis, Missouri, and a considerable amount of expenses were necessarily incurred for travel and lodging for the purposes of attending hearings before this Court and the Central District of California, client meetings at Octane's headquarters in Brooklyn Park, Minnesota, and depositions in Minnesota and Utah, and for proceedings before the Federal Circuit and the United States Supreme Court. Octane had to expend approximately $47,245.70 in travel and lodging expenses necessary for the litigation.[9] Ex. BB-11.Travel and lodging is

[9] This is in out-of-pocket expenses alone. Harness Dickey billed its attorney time at ½ cost for all travel in this matter.

properly reimbursable under Section 285. *See Mathis,* 857 F.2d at 759; *Kilopass,* 2015 WL 1065883, at * 14.

C. Full Compensation is Due Octane.

"[T]he most critical factor" in determining the amount of a fee award "is the degree of success obtained." *Hensley,* 461 U.S. at 436. "Where ... a prevailing party 'has obtained excellent results, his attorney should recover a fully compensatory fee. Normally this will encompass all hours reasonably expended on the litigation ....'" *Mathis,* 857 F.2d at 755 (quoting *Hensley*, 461 U.S. at 435). A court need not reach every issue in a case to award all of its fees in defending the action. *Id.* at 756. "The result is what matters." *Id*. (quoting *Hensley*, 461 U.S. at 435).

Here, Octane's team of attorneys achieved superior results for not only Octane but the public at large. The decision in *Octane* has been called the 5th most important Supreme Court patent case of the last 15 years, Fussner Decl. ¶ 49; Ex. DD 42, Ex. Z, due to its importance in reigning-in meritless and abusive patent litigation. Further, Icon's conduct exemplifies why new precedent was needed; no doubt, the reason the Supreme Court granted certiorari. As this Court recognized, Icon's substantive positions in this litigation were particularly weak. Dkt. 284 at 10 (stating "[i]n comparing this case to the many patent cases over which this Court has presided during the past 22 years as a federal judge, Icon's litigation position stands out as a particularly and unusually weak case on the merits"). At the same time, this Court recognized that Icon had little to lose by injecting its non-commercialized '710 patent into the litigation, and there is a need "to deter Icon from future attempts to extract royalties to which it is not entitled from a

competitor who might rather settle a meritless patent case than pay the high cost to defend it." Dkt. 284 at 17. This supports full compensation, and even enhancement.

The Court is authorized, in its discretion, to allow a prevailing party upward adjustment in attorney fees in cases of "exceptional success." *Blum*, 465 U.S. at 901 (citing *Hensley*, 461 U.S. at 435). This has occurred in at least one post-*Octane* case. *Lumen View Tech., LLC v. Findthebest.com, Inc*., 63 F. Supp. 3d 321, 327 (S.D.N.Y. 2014) ("Given the policy justifications under Section 285 ***and the need to deter similar conduct in the future***, the award of attorneys' fees in this case will be enhanced by a multiplier of two.") (emphasis added). This is particularly fair where Harness Dickey's results were very good and its rates below market. Icon should not benefit from this savings. This Court has recognized the wrongful conduct of Icon and would be within its discretion to augment the award. The Court is now fully apprised of the record that ultimately emerged on remand, including the story that Icon originally conveyed in 2011 to avoid an attorneys' fee award and the story that emerged later on remand, both in submitted deposition testimony that contradicted the original 2011 story in several material respects, and the new Smith declaration that told a story never conveyed back in 2011. Octane fully appreciates having its fees being reimbursed, and will obviously be very pleased if the award is limited to actual legal fees and costs. Given the Court's knowledge of the record at this juncture, Octane will advance no further argument on the enhancement issue, and leaves it to the Court's discretion to decide whether a multiplier is appropriate to deter Icon from further misuse of the patent system.

III. CONCLUSION

For the foregoing reasons, Octane requests at least the following award: $2,486,578.50 in attorney's fees and $362,582.95 in expenses.

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Respectfully submitted,

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