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13 UNITED STATES DISTRICT COURT
14 CENTRAL DISTRICT OF CALIFORNIA
15 SOUTHERN DIVISION

16 UNIVERSAL ELECTRONICS, INC.,
17 Plaintiff and Counterclaim-
18 Defendant,
19 v.
20 UNIVERSAL REMOTE CONTROL,
21 INC.,
22 Defendant and
23 Counterclaimant.

24 Case No. 8:12-CV-00329 AG (JPRx)
25 Assigned to: Hon. Andrew J. Guilford
26 **DEFENDANT UNIVERSAL
27 REMOTE CONTROL, INC.'S
28 SUPPLEMENTAL SUBMISSION
RE: AWARD OF ATTORNEYS'
FEES**

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11 *Water Techs. Corp. v. Calco Ltd.*
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13 **STATUTES**

14 35 U.S.C. § 285 5, 6, 16, 17

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Tr.Complete trial transcript (May 6–21, 2014) [ECF No. 398-1]
Tr. Ex.....Admitted trial exhibits (as shown in ECF No. 409)
Kang Decl.....Declaration of Peter H. Kang (filed herewith)
Miro Decl.....Declaration of Douglas A. Miro (filed herewith)
Brookey Decl.....Declaration of Brian K. Brookey (filed herewith)
Supp. Miro Decl.....Supplemental Declaration of Douglas A. Miro
filed with URC’s Reply in support of its Motion for Attorney
Fees (Feb. 23, 2015) [ECF No. 466-1]

1 **I. INTRODUCTION**

2 In its March 10, 2015 Order Granting Defendant’s Motion for Attorneys’ Fees
3 (ECF No. 475), the Court found, among other things, that Plaintiff Universal
4 Electronics, Inc. (“UEI”) filed this lawsuit motivated by a desire for “payback” for
5 Defendant Universal Remote Control, Inc.’s (“URC”) successful competition in the
6 marketplace, that UEI asserted baseless claims “where there was no case at all,” and
7 that UEI hid its petition to “correct” inventorship from the Court and URC resulting in
8 a waste of resources. Accordingly, the Court granted URC’s motion for attorneys’
9 fees and, after considering the option of awarding URC its attorneys’ fees for the
10 entire case, instead ordered UEI to reimburse URC for “the portions of the case
11 attributable to the ’426 and ’067 Patents, and the motion for reconsideration regarding
12 the ’367 Patent.” ECF No. 475 at 15. The only task remaining is to set that amount,
13 and URC is entitled to the full amount of fees and expenses it incurred in defending
14 against the portions of the case which the Court found to be exceptional.

15 In previously opposing URC’s motion for fees, UEI argued that any substantive
16 award would be too much, even before seeing URC’s supporting documentation.
17 Because UEI’s lawsuit and its own subsequent misconduct caused this case to be
18 exceptional and thus caused URC to expend significant time, money, and resources to
19 defend against UEI’s improperly-motivated gamesmanship, UEI should be held
20 accountable for the full amount requested. That amount is already apportioned, and
21 thus excludes millions of dollars spent by URC in defense of large portions of this
22 case. Further, in an effort to eliminate disputes, URC has excluded from the requested
23 amount several categories of fees and costs which arguably are awardable.

24 In support of its fee request, URC now provides its submission regarding the
25 amount of attorneys’ fees and expenses URC is entitled to recover from UEI. The
26 evidence underlying URC’s fee request, including detailed billing invoices and
27 expense receipts, is also provided in connection with the accompanying declarations
28 of URC’s counsel. Finally, pursuant to the Court’s request, URC also submits an

1 Excel spreadsheet, in native format, in which the attorneys' daily time entries have
2 been consolidated and organized chronologically. The level of detail and amount of
3 supporting evidence provided by URC more than justifies and explains the amount of
4 the award sought.

5 The amount of fee award URC herein requests is thus more than reasonable,
6 and indeed because it only covers a portion of this case, will not make URC whole
7 with regard to the harm inflicted by UEI's "Niro plan." The Court should therefore
8 reject any arguments by UEI that this amount ought to be reduced further. Based on
9 all of this evidence, and for the reasons explained below, UEI should now compensate
10 URC in an amount of at least \$4,661,341.55 for its reasonable attorneys' fees and
11 \$860,911.50 for its reasonable expenses, for a total of at least **\$5,522,253.04**.

12 **II. RELEVANT BACKGROUND**

13 UEI is a publicly-traded company with over \$560 million in net sales and over
14 \$460 million in total assets in 2014. *See* Kang Decl. Ex. 50 at 24. In contrast, URC is
15 a small company, with fewer than 100 employees. *See* Tr. 707:10.

16 On March 2, 2012, UEI filed this action accusing URC of infringing four
17 patents: U.S. Patent Nos. 5,568,367 ("the '367 patent"), 6,587,067 ("the '067
18 patent"), 5,414,426 ("the '426 patent"), and 5,614,906 ("the '906 patent"). As
19 evidenced by e-mails exchanged between UEI CEO Paul Arling, Executive Vice
20 President Mark Kopaskie, then-Senior Vice President Lou Hughes, and then-Vice
21 President Steve Gutman, *see, e.g.*, Tr. Ex. 1358, UEI's lawsuit was improperly
22 motivated by a desire to exact revenge on URC for its successful competition in the
23 marketplace, and the Court ruled that at least some of UEI's claims were objectively
24 baseless. *See generally* ECF No. 475. Indeed, all four of the UEI patents-in-suit have
25 now been found to be invalid, the Court granted summary judgment in URC's favor
26 on the '426 and '067 patents based on non-infringement and lack of marking, and the
27 jury found two of the patents to be unenforceable for a host of reasons. *See* ECF No.
28 60 at 15–20; ECF No. 222 at 29–31, 43–50; ECF No. 407; ECF No. 475 at 3.

1 URC initially retained its existing counsel Ostrolenk Faber LLP (“Ostrolenk”),
2 a law firm specializing in intellectual property matters located in New York City near
3 URC, which is in Harrison, New York. *See* Miro Decl. ¶ 2. Ostrolenk has been
4 providing legal services to URC since 2002. For its local counsel, URC retained
5 Christie, Parker & Hale LLP (“CPH”), a law firm also specializing in intellectual
6 property located in Southern California. *See* Brookey Decl. ¶ 2. URC’s counsel from
7 CPH later moved to the Tucker Ellis LLP law firm during the course of this litigation.
8 *See id.* ¶ 4.

9 UEI’s assertion of the ’426 and ’067 patents in particular raised a large number
10 of issues that needed to be litigated. For example, the ’426 and ’067 patents presented
11 not only the kinds of complicated non-infringement, invalidity, and damages issues
12 that would arise in any patent case, but also complex issues related to inventorship,
13 implied license/breach of contract, laches, equitable estoppel, res judicata, unclean
14 hands, patent misuse, and marking, all of which were highly relevant and hotly
15 disputed.

16 In the interest of streamlining proceedings and minimizing the costs that would
17 be associated with litigating these numerous complex issues, URC proposed a staged
18 procedure for the case under which claim construction would be adjudicated before
19 fact discovery commenced. *See* ECF No. 41 at 12–13. The Court adopted this
20 procedure. ECF No. 42. In connection with the Court’s claim construction
21 determinations, the Court found the asserted claims of the ’367 patent were invalid for
22 indefiniteness. *See* ECF No. 60 at 15–20. UEI then moved for reconsideration of the
23 Court’s ruling on the ’367 patent, which was denied in short order on May 14, 2013.
24 *See* ECF No. 79. The Court has found that UEI’s motion for reconsideration was so
25 meritless that it justified an award of attorneys’ fees. *See* ECF No. 475 at 13.

26 Following the Court’s claim construction ruling, fact discovery commenced on
27 March 4, 2013 and continued beyond the fact discovery cut-off of October 31, 2013,
28 *see* ECF No. 121, and into January 2014. Fact discovery continued beyond the cut-off

1 due to UEI's belated document productions and productions of witnesses for
 2 deposition, provided only after URC moved to compel a number of times. *See, e.g.,*
 3 ECF No. 447-1 at 10–12, 23–25; ECF No. 153; ECF No. 475 at 6–7. The Court has
 4 recognized that UEI's discovery conduct was improper, obstructionist, and included
 5 “gamesmanship,” which was an additional basis for the award of attorneys' fees.¹ *See*
 6 *id.* at 6–7, 9–11.

7 As fact discovery concluded and the parties moved into the expert discovery
 8 period, UEI continued to aggressively litigate its claims with an eye to trial, serving a
 9 damages expert report seeking compensatory damages of well over \$20 million, which
 10 when trebled under a willful infringement theory could have amounted to over \$60
 11 million, not including prejudgment interest and the value of an injunction. *See Kang*
 12 *Decl.* ¶ 24 & Ex. 48; ECF No. 1 at 12. Although URC had hoped that the case could
 13 be resolved earlier, had reasonable minds prevailed, it was apparent that UEI was
 14 using the “Niro plan” in this litigation to impose maximum litigation costs on URC all
 15 the way through trial and push URC “to the brink.” Thus, in late 2013, URC was
 16 forced to retain trial counsel Sidley Austin LLP to prepare URC's case for trial and

17 ¹ UEI chose to retain as counsel the law firm of Niro, Haller & Niro, which UEI's Lou
 18 Hughes described as a “REDACTED.” *See Supp. Miro Decl. Ex. 30.* This minimized UEI's litigation costs
 19 while maximizing the unfair burdens that URC would experience, given the Niro
 20 firm's reputation for vexatious and abusive litigation misconduct. *See Oplus*
 21 *Technologies, Ltd. v. Sears Holdings Corp.*, Case No. 2:12-cv-05707-MRP-Ex (C.D.
 22 Cal. Feb. 3, 2014), ECF No. 220 at, e.g., 17–18 (Pfaelzer, J.) (criticizing Niro firm for
 23 “pursu[ing] a vexatious and harassing litigation strategy . . . in a manner that was
 24 overly aggressive, uncooperative, and outside the boundaries of professional
 25 behavior”); *Innovative Biometric Tech., LLC v. Toshiba Amer. Info. Sys., Inc.*, Case
 26 No. 09-CV-81046-KLR (S.D. Fla. Aug. 30, 2012), ECF No. 340 at 13–17, 21 (finding
 27 the Niro firm jointly and severally liable for attorneys' fees and costs, where it used
 28 “tactics [that] were motivated solely to keep the case going and drive up Defendants'
 costs to extract settlements from those who knew the case lacked merit, but settled to
 avoid litigation costs.”); *see also Intellect Wireless, Inc. v. HTC Corp.*, No. 09 C 2945,
 2015 U.S. Dist. LEXIS 2864, at *3–*15 (N.D. Ill. Jan. 8, 2015) (finding Niro firm
 jointly and severally liable for a parties' attorneys' fees and costs in a matter involving
 an inventor's false statements made to the PTO, of which the Niro firm was aware
 prior to filing suit).

1 ensure that its interests were fully protected. *See* Kang Decl. ¶¶ 3–4; *see also, e.g.*,
2 ECF No. 140. Counsel from the Ostrolenk and Tucker Ellis law firms continued to be
3 actively and effectively involved as co-counsel.

4 After expert discovery, the parties filed summary judgment motions. On March
5 24, 2014, the Court issued its summary judgment rulings. *See* ECF Nos. 222 & 223.
6 Among other things, the Court granted summary judgment that URC did not infringe
7 the '426 patent and that UEI had not complied with the marking requirement with
8 respect to the '067 and '426 patents. *See* ECF No. 222 at 29–31, 43–50; *see also* ECF
9 No. 475 at 7. The Court also entered summary judgment on URC's license-related
10 affirmative defense and counterclaim, removing that issue from the case. *See* ECF
11 No. 223 at 3.

12 After the Court's claim construction and summary judgment rulings narrowed
13 UEI's potential damages case to just the '906 patent, the parties then proceeded to
14 trial, where they contested the following issues: infringement of the '906 patent,
15 invalidity of the '906 patent, damages for infringement of the '906 patent, invalidity
16 of the '426 patent for improper inventorship, unenforceability of the '426 patent due
17 to patent misuse, laches, and estoppel, and unenforceability of both the '906 and '426
18 patents due to unclean hands. *See* ECF No. 407. Trial concluded on May 21, 2014.
19 *See* ECF No. 397. Before the jury, URC prevailed on every single issue. *See* ECF
20 No. 407. However, the Court decided that UEI's misconduct did not rise to the level
21 of patent misuse, estoppel, or unclean hands as the jury had found. *See* ECF No. 435.

22 UEI's SEC filings indicate that UEI CEO Paul Arling and Executive Vice
23 President Mark Kopaskie have been actively trading stock of the company they
24 manage, and indeed they have sold approximately \$3.4 million and \$2.1 million worth
25 of UEI stock, respectively, in the last ten months. *See* Kang Decl. ¶ 27 & Exs. 51–66.

26 **III. ARGUMENT**

27 Under 35 U.S.C. § 285, a prevailing party in exceptional cases, such as URC
28 here, is entitled to recover its "reasonable attorney fees." The quantum of attorneys'

1 fees to be awarded under section 285 is within the discretion of the trial court.
2 *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, ___ U.S. ___, 134 S. Ct. 1744, 1749,
3 188 L. Ed. 2d 829 (2014) (“all aspects of a district court’s § 285 determination” are
4 subject to abuse of discretion standard of review); *see also Takeda Chem. Indus., Ltd.*
5 *v. Mylan Labs., Inc.*, 549 F.3d 1381, 1390–91 (Fed. Cir. 2008) (same) (affirming \$16
6 million award including attorneys’ fees, expenses, and expert fees).

7 A party’s request for attorneys’ fees is typically evaluated under a “lodestar”
8 analysis under which the number of hours the prevailing party reasonably expended
9 on the litigation is multiplied by a reasonable hourly rate. *See Hensley v. Eckerhart*,
10 461 U.S. 424, 433, 103 S. Ct. 1933, 76 L. Ed. 2d 40 (1983). The product of this
11 computation is the “lodestar,” which is the presumptively reasonable fee. *Gonzalez v.*
12 *City of Maywood*, 729 F.3d 1196, 1202 (9th Cir. 2013). In evaluating the
13 reasonableness of the hours and the rates, courts in the Ninth Circuit take into account
14 the so-called “*Kerr* factors,” which include: (1) the novelty and complexity of the
15 issues, (2) the special skill and experience of counsel, (3) the quality of the
16 representation, (4) the results obtained, and (5) whether the representation was
17 conducted on a contingency basis.² *See Morales v. City of San Rafael*, 96 F.3d 359,
18 363–64 & n.9 (9th Cir. 1996) (citing *Kerr v. Screen Guild Extras, Inc.*, 526 F.2d 67,
19 70 (9th Cir. 1975)).

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23 ² After calculating the lodestar figure, the Court may enhance or reduce the award
24 based on other *Kerr* factors not included in the Court initial analysis, to the extent
25 applicable, including (1) the time and labor required, (2) the preclusion of other
26 employment by the attorney due to acceptance of the case, (3) the customary fee, (4)
27 time limitations imposed by the client or the circumstances, (5) the “undesirability” of
28 the case, (6) the nature and length of the professional relationship with the client, and
(7) awards in similar cases. *See Morales*, 96 F.3d at 363–64. However, because the
initial lodestar figure is presumptively correct, it should only be enhanced or reduced
in “rare and exceptional cases.” *Fischer v. SJB-P.D. Inc.*, 214 F.3d 1115, 1119 n.4
(9th Cir. 2000).

1 **A. The Hours That URC’s Counsel Actually Expended in This**
2 **Litigation Were Reasonable**

3 “Where . . . a prevailing party ‘has obtained excellent results, his attorney
4 should recover a fully compensatory fee. Normally this will encompass all hours
5 reasonably expended on the litigation.’” *Mathis v. Spears*, 857 F.2d 749, 755 (9th Cir.
6 1988) (quoting *Hensley*, 461 U.S. at 435). A court “may accept as reasonable the
7 number of hours actually expended by counsel, provided the expenditure of time is
8 supported by the complexity and length of the litigation.” *Trend Prod. Co. v. Metro*
9 *Indus., Inc.*, No. CV 84-7740 AHS (JR_x), 1989 U.S. Dist. LEXIS 11861, at *6 (C.D.
10 Cal. Apr. 11, 1989) (Stotler, J.); *see also Mathis v. Spears*, No. CV 80-4481 MRP,
11 1986 U.S. Dist. LEXIS 235900, at *6 (C.D. Cal. June 27, 1986) (Pfaelzer, J.), *aff’d*,
12 857 F.2d 749 (Fed. Cir. 1988) (same).

13 “A request for attorney’s fees should not result in a second major litigation.”
14 *Hensley*, 461 U.S. at 437. Where a case is complex and billing records are
15 voluminous, a court need not conduct an “hour-by-hour analysis” of the fee request.
16 *Gates v. Deukmejian*, 987 F.2d 1392, 1399 (9th Cir. 1992); *see also Water Techs.*
17 *Corp. v. Calco Ltd.*, 709 F. Supp. 821, 823–24 (N.D. Ill. 1989) (holding that a “day-by-
18 day accounting” of the hours expended is unnecessary and that “the issue of reasonable
19 fees should be settled in the most expeditious manner possible”) (quoting *Monolith*
20 *Portland Midwest Co. v. Kaiser Alum. & Chem. Corp.*, 407 F.2d 288, 298 (9th Cir.
21 1969)). Indeed, where, as here, fees are to be apportioned based on the subject matter
22 of the work involved, the Supreme Court has recognized that an “hour-by-hour”
23 apportionment would not only be burdensome, but in many cases it would be
24 impossible. *See Hensley*, 461 U.S. at 435 (“Much of counsel’s time will be devoted
25 generally to the litigation as a whole, making it difficult to divide the hours expended
26 on a claim-by-claim basis.”). To avoid such problems, it is permissible to use
27 percentages of time spent on portions of the case in order to calculate the lodestar
28 figure. *See Gates*, 987 F.2d at 1399–1400; *see also, e.g., PACT XPP Techs., AG v.*

1 *Xilinx, Inc.*, No. 2:07-CV-563-RSP, 2013 U.S. Dist. LEXIS 125819, at *8–*11 (E.D.
2 Tex. Sept. 3, 2013) (awarding fees based on percentages of total hours expended on
3 litigation by timeframe, where percentages were calculated using the number of patents
4 at issue during each timeframe).

5 Here, the hours actually spent by URC’s attorneys defending against the ’067
6 and ’426 patents in this matter, both of which raised many complex issues, were
7 reasonably incurred in defense of this matter and should be recompensed in full.³ The
8 total hours expended by URC’s attorneys on all issues and patents in this case are
9 detailed in the accompanying declarations. *See generally* Kang Decl. ¶¶ 5–15 & Exs.
10 1–18, 33–47; Miro Decl. ¶¶ 4–6 & Exs. 1–36; Brookey Decl. ¶¶ 5–6 & Exs. 1–2.
11 URC is also submitting herewith attorney billing invoices that detail all work
12 performed by the attorneys, patent agents, and paralegals throughout these
13 proceedings on a day-by-day basis that is the subject of URC’s fee request (and that
14 excludes time spent on extraneous tasks or which would have likely sparked disputes).
15 *See generally* Kang Decl. ¶¶ 5–15 & Exs. 1–18, 33–47; Miro Decl. ¶¶ 4–6 & Exs. 1–
16 36; Brookey Decl. ¶¶ 5–6 & Exs. 1–2. Furthermore, as the Court has requested, URC
17 has prepared Excel spreadsheets, which URC is submitting herewith in native format,
18 that consolidates the time entries contained in all of these invoices and presents the
19 data chronologically for the Court’s convenience. *See* Kang Decl. ¶¶ 12, 14 & Exs.
20 17–18. The work described in these time entries was supervised by senior partners in
21 the respective law firms, was necessary to the proper defense of URC against UEI’s
22 claims in this action, and was reasonable in scope. Kang Decl. ¶¶ 13–14 & Exs. 2–16;

23 ³ URC also filed petitions for *inter partes* review of the ’426 and ’067 patents, which
24 resulted in (a) URC discovering the fact that UEI had surreptitiously filed a petition to
25 “correct” the inventorship of the ’426 patent, and (b) the invalidation of the ’067
26 patent by the PTO. URC would be justified in seeking attorneys’ fees for its work in
27 these administrative proceedings. *See PPG Industries, Inc. v. Celanese Polymer*
28 *Specialties Co.*, 840 F.2d 1565 (Fed. Cir. 1988). However, to minimize disputes URC
does not seek to include such fees in this fee request, and has redacted time entries
associated from the IPR proceedings from the billing records submitted with this fee
request.

1 Miro Decl. ¶¶ 4–5 & Exs. 1–36; Brookey Decl. ¶ 5 & Exs. 1–2.

2 The Court, moreover, has required that URC apportion its fee request to include
3 only the “portions of the case attributable to the ’426 and ’067 Patents, and the motion
4 for reconsideration regarding the ’367 Patent.” ECF No. 475 at 15. It is impracticable
5 if not impossible for URC to prepare an “hour-by-hour” apportionment of its fees on a
6 patent-by-patent basis for purposes of this fee request. URC’s counsel could not have
7 anticipated that the Court would require URC to make this particular apportionment
8 post-trial and did not bill their time on a patent-by-patent basis, even assuming that
9 would have been possible. Rather, as is standard practice, URC’s counsel used block
10 billing descriptions. *See* Kang Decl. ¶ 13; Miro Decl. ¶ 4; Brookey Decl. ¶ 5. These
11 billing descriptions described counsel’s activities on a daily basis without any attempt
12 at apportionment by patent. Moreover, in the three years that this litigation has
13 consumed, URC’s attorneys have generated literally thousands of daily time entries.

14 Accordingly, in order to provide the Court with a reasonable calculation of the
15 hours expended which are attributable to the ’426 and ’067 patents and the motion for
16 reconsideration regarding the ’367 patent, URC is utilizing two different
17 apportionment methodologies: a “patent-based” apportionment and an “issue-based”
18 apportionment. Both approaches are supported under the case law, and URC presents
19 both as a check to confirm that the apportionments are reasonable. First, URC has
20 divided the litigation into discrete time periods, and, for each such time period, URC
21 has determined what patents and legal issues were the subject of the work performed
22 by URC’s attorneys on this matter. URC has determined that the case generated 25
23 distinct legal issues, as more fully explained below. Two sets of percentages, one on a
24 patent-by-patent basis and one on an issue-by-issue basis, have then been calculated to
25 determine the percentage of the hours expended that were “attributable to the ’426 and
26 ’067 Patents, and the motion for reconsideration regarding the ’367 Patent,” as the
27 Court requires. This is illustrated in the chart below:

28

Time Period	Total Patents and Issues in Dispute During Time Period	% of Patents for Fee Award	% of Issues for Fee Award
Complaint to Markman Order (3/2/12 to 2/1/13)	'367: Non-infringement (claim coverage), invalidity (prior art), laches (3 issues) '067: Non-infringement (claim coverage), invalidity (prior art), laches/estoppel, unclean hands, patent misuse, marking, damages (7 issues) '426: Non-infringement (claim coverage), invalidity (prior art), invalidity (inventorship), license, laches/estoppel/res judicata, unclean hands, patent misuse, marking, damages (9 issues) '906: Non-infringement (claim coverage), non-infringement (non-use), invalidity (prior art), unclean hands, patent misuse, damages (6 issues)	2/4 or 50%	16/25 or 64%
'367 Motion for Reconsideration (Segregated Out) (2/1/13 to 5/14/13)	'367: Motion for reconsideration only. Per Order, no separate apportionment necessary	100%	100%
Markman Order to Summary Judgment Order (Excluding '367 Motion for Reconsideration) (2/1/13 to 3/24/14)	'067: Non-infringement (claim coverage), invalidity (prior art), laches/estoppel, unclean hands, patent misuse, marking, damages (7 issues) '426: Non-infringement (claim coverage), invalidity (prior art), invalidity (inventorship), license, laches/estoppel/res judicata, unclean hands, patent misuse,	2/3 or 66%	16/22 or 73%

Time Period	Total Patents and Issues in Dispute During Time Period	% of Patents for Fee Award	% of Issues for Fee Award
	marking, damages (9 issues) '906: Non-infringement (claim coverage), non-infringement (non-use), invalidity (prior art), unclean hands, patent misuse, damages (6 issues)		
Summary Judgment Order to Jury Verdict (3/24/14 to 5/21/14)	'426: invalidity (inventorship), laches/estoppel/res judicata, unclean hands, patent misuse (4 issues) '906: Non-infringement (claim coverage), non-infringement (non-use), invalidity (prior art), unclean hands, patent misuse, damages (6 issues)	1/2 or 50%	4/10 or 40%
Post-Trial Briefing on Equitable Issues, Motion for Attorneys' Fees, Bill of Costs (5/21/14 to Present)	'426: No separate apportionment necessary for briefing on equitable issues Apportionment not otherwise applicable. ⁴	100%	100%

Using these two different approaches, URC has generated further breakdowns of the hours expended by URC's counsel showing, for each of the time periods above, the

⁴ As set forth herein, URC seeks to be compensated for its attorneys' fees and expenses incurred in connection with its post-trial work on its Motion for Attorneys' Fees and Bill of Costs. The work performed on these matters is directly tied to UEI's exceptional behavior related to the '426 and '067 patents and to URC's position as prevailing party in this matter, and thus is fully compensable under the Court's instructions. *See Trend Prod. Co.*, 1989 U.S. Dist. LEXIS at *8 ("It is proper to include in the award of attorney's fees the attorney time expended in connection with the [] claim for attorney's fees."); *Mathis*, 1986 U.S. Dist. LEXIS at *10 (same).

1 hours expended that are “attributable to the ’426 and ’067 Patents, and the motion for
2 reconsideration regarding the ’367 Patent.” *See* Kang Decl. ¶¶ 5–6 & Exs. 1, 17–18.
3 All of these hours were reasonably expended by counsel and should be utilized for
4 purposes of calculating the lodestar figure.

5 **B. The Hourly Rates at Which URC Was Actually Billed by Counsel**
6 **Were Reasonable**

7 Billing rates are evaluated “according to the prevailing market rates in the
8 relevant community.” *Blum v. Stenson*, 465 U.S. 886, 895, 104 S. Ct. 1541, 79 L. Ed.
9 2d 891 (1984). The prevailing market rates are typically rates that are “in line with
10 those prevailing in the community for similar services by lawyers of reasonably
11 comparable skill, experience, and reputation.” *Id.* at 895 n.11. Counsel’s actual
12 attorney billing rates are central to this inquiry. *See Moore v. Jas. H. Matthews & Co.*,
13 682 F.2d 830, 840 (9th Cir. 1982) (“Unless counsel is working outside his or her
14 normal area of practice, the billing-rate multiplier is, for practical reasons, usually
15 counsel’s normal billing rate.”). Only if “the evidence reveals that the rate actually
16 charged is abnormally high or abnormally low will the Court base an attorney fee
17 award on an hourly rate at variance with the bill for legal services that was actually
18 rendered to the client.” *Mathis*, 857 F.2d at 756 (quoting *Chromalloy Amer. Corp. v.*
19 *Alloy Surfaces Co.*, 353 F. Supp. 429, 431 (D. Del. 1973)). In patent cases, hourly
20 rates may be evaluated using surveys of actual rates charged by other patent litigators
21 (available, *e.g.*, from professional organizations or other third-party sources). *See*
22 *Mathis*, 857 F.2d at 755–56.

23 Here, the hourly rates charged by URC’s counsel were reasonable. The specific
24 hourly rates charged by the various attorneys and paralegals that have represented
25 URC in this matter are detailed in the accompanying declarations and invoices. *See*
26 Kang Decl. ¶¶ 16–19 & Exs. 2–16; Miro Decl. ¶¶ 7–8 & Exs. 1–36; Brookey Decl. ¶¶
27 7–8 & Exs. 1–2. These hourly rates are consistent with prevailing rates in the
28 Southern California legal community for similar services by lawyers and paralegals of

1 reasonably comparable skill, experience, and reputation, as demonstrated by
2 benchmark data from the Valeo Hourly Rates Database⁵ and the National Law
3 Journal. *See* Kang Decl. ¶¶ 18–19 & Exs. 26–32.

4 It should further be noted that URC’s counsel provided significant billing
5 discounts to URC—both pre-billing discounts *and* additional fee discounts. *See* Kang
6 Decl. ¶ 13 & Exs. 2–16; Miro Decl. ¶ 4 & Exs. 1–36; Brookey Decl. ¶ 5 & Exs. 1–2.
7 Thus, the hourly rates reported in the billing invoices imply amounts billed that are
8 significantly *higher* than those *actually* billed and paid. *See* Kang Decl. ¶ 13 & Exs.
9 2–16; Miro Decl. ¶ 4 & Exs. 1–36; Brookey Decl. ¶ 5 & Exs. 1–2. URC seeks
10 reimbursement only for the legal fees actually incurred.

11 **C. Calculation of the Lodestar Figure**

12 Multiplying (1) the hours expended by URC’s counsel that are “attributable to
13 the ’426 and ’067 Patents, and the motion for reconsideration regarding the ’367
14 Patent” under a “patent” percentage apportionment per time period by (2) counsel’s
15 actual billing rates results in a lodestar figure of \$4,650,031.68. *See* Kang Decl. Ex. 1.
16 Under a similar “issue” percentage apportionment, the lodestar figure would be
17 \$4,672,651.41. *See id.* URC submits that it would be acceptable for the Court to
18 adopt any amount between these two values (such as the average) as the lodestar
19 figure. Thus, the total amount of attorneys’ fees requested by URC is the average of
20 these two values, which is: \$4,661,341.55.

21 **D. Third-Party Surveys Confirm that URC’s Fee Request Is Reasonable**

22 The American Intellectual Property Law Association (“AIPLA”) provides an
23 annual survey of the economics of patent litigation, and this survey demonstrates that
24 URC’s fee request is reasonable. Here, UEI originally sought compensatory damages
25

26 ⁵ Sidley subscribes to a database created and maintained by Valeo Partners, the Hourly
27 Rates Database, which maintains hourly rate information for various law firms and
28 attorneys based on information contained in publicly-available court filings across the
United States. Kang Decl. ¶ 18.

1 of well over \$20 million and asserted willful infringement, which could have trebled
2 the damages awarded to over \$60 million, not including prejudgment interest and the
3 value of an injunction. *See* Kang Decl. Ex. 48. AIPLA’s 2013 survey of litigation
4 costs indicate that, in patent infringement cases where the overall exposure is greater
5 than \$25 million, the *median* cost of litigating to resolution (whether trial or
6 otherwise) across the entire United States in 2013 was \$5.5 million (with the average
7 being even higher, at almost \$6 million), and in the Central District of California that
8 median number climbed to \$8 million (and the average climbed to more than \$7
9 million). *See* Kang Decl. ¶ 25 & Ex. 49. The total amount of attorneys’ fees and
10 expenses incurred by URC in this case (for all patents and issues, before
11 apportionment) was \$8,921,918.34. *See* Kang Ex. 1. This amount is consistent with
12 AIPLA’s estimate for similarly-sized patent litigation matters in the Central District,
13 confirming that URC’s fee request is reasonable.

14 **E. Other Factors Further Demonstrate that URC’s Fee Request Is**
15 **Reasonable**

16 The Court’s evaluation of reasonableness in this case must also include
17 consideration of (1) the novelty and complexity of the issues, (2) the special skill and
18 experience of counsel, (3) the quality of the representation, and (4) the results
19 obtained. *See Morales*, 96 F.3d at 363–64 & n.9. All of these factors suggest that, if
20 anything, the amount of URC’s fee request should be adjusted upward under *Kerr*.

21 First, the courts acknowledge that patent law is a field requiring “distinctive
22 knowledge or specialized skill” justifying relatively higher hourly rates. *See Pierce v.*
23 *Underwood*, 487 U.S. 552, 572, 108 S. Ct. 2541, 101 L. Ed. 2d 490 (1988). Many
24 members of URC’s team include registered members of the Patent Bar, including lead
25 partners for both the Sidley and Ostrolenk attorneys teams. And this case was not a
26 “run of the mill” patent case. It included hard-fought litigation across the gamut of
27 patent law, including not only claim construction, non-infringement, and the prior art,
28 but also complex, less common issues such as inventorship, laches, estoppel, res

1 judicata, marking, unclean hands, and patent misuse. *See, e.g.*, ECF No. 407. Further,
2 UEI asserted almost every damages theory imaginable. *See* Kang Decl. Ex. 48.
3 Litigating and trying such complex issues, many of which are not often the subject of
4 patent trials, required the retention of counsel with specialized patent and trial
5 expertise. URC's counsel has such specialized expertise and have received
6 recognitions for their skills, as reflected in their attorney biographies. *See* Kang Decl.
7 Exs. 19–25; Miro Decl. Exs. 37–40; Brookey Decl. Exs. 3–4.

8 The difficulty of litigating this case was only exacerbated by UEI's
9 reprehensible conduct. As the Court observed, UEI's discovery tactics forced URC to
10 expend a significant amount of time overcoming obstacles erected by UEI and
11 litigating issues that should never have been litigated. *See* ECF No. 475 at 6–7, 9–11.
12 The total hours expended by URC's counsel reflect, in part, a multitude of hours
13 consumed dealing with these issues, which were of UEI's own doing. Given UEI's
14 litigation misconduct, UEI should be held responsible for all of the hours URC was
15 forced to expend to combat UEI's gamesmanship.

16 Moreover, the Supreme Court has recognized that the results obtained by
17 counsel in the litigation is a particularly important factor to be considered. *See*
18 *Hensley*, 461 U.S. at 434. Here, URC exposed UEI's improper motives and baseless
19 claims, including its fraudulent inventorship claim, achieving a resounding victory in
20 every respect. Such a high level of success reflects high quality representation by
21 counsel. After URC achieved victories at the claim construction and summary
22 judgment stages, resulting in rulings disposing of UEI's claims under three of the four
23 patents-in-suit, the jury found the '906 patent to be not infringed and both the '426
24 and '906 patents to be invalid and unenforceable. All four of UEI's patents-in-suit
25 now stand invalid, based either on a ruling by the Court, the jury verdict, or a Patent
26 Office decision.⁶ *See* ECF No. 60 at 15–20; ECF No. 407 at 3, 5; ECF No. 475 at 3.

27 _____
28 ⁶ The '067 patent was found invalid by the PTO in a reexamination proceeding
initiated by URC. UEI voluntarily dismissed its appeal of that ruling, and thus the

1 Finally, the Court found the case to be exceptional and granted URC's motion for
2 attorneys' fees. URC's high level of success in the litigation confirms that the hours
3 expended and hourly rates were reasonable.

4 Finally, in exercising its discretion to determine the amount of the attorney fee
5 award, *see Highmark*, 134 S. Ct. at 1749, the Court should also be mindful of one of
6 the key policy goals underlying section 285: deterrence. *See Octane Fitness*, 134 S.
7 Ct. at 1756 n.6; *see also* ECF No. 475 at 15. URC submits that a fee award's
8 deterrent effect must be gauged in proportion to the financial condition of the entity
9 and/or individuals to be deterred. In this regard, UEI is a corporate entity with over a
10 **half billion dollars** in annual sales. *See Kang Decl. Ex. 50* at 24. Moreover, Arling,
11 who made the decision to file this lawsuit, *see Tr. 1229:8–12*, receives millions of
12 dollars in compensation and has sold almost **\$3.5 million** in UEI stock since trial
13 concluded in May 2014. Likewise, Kopaskie, who was consulted about whether the
14 lawsuit should be filed, *see Tr. 1229:13–14*, has sold more than **\$2 million** worth of
15 UEI stock in the same period. *See Kang Decl. ¶ 27 & Exs. 51–66*. Given the
16 financial condition of UEI and its key decision-makers, deterrence would not be
17 served by reductions in URC's fee award beyond those associated with the Court's
18 apportionment requirement.

19 **F. URC Is Also Entitled to Recover its Expenses, Including its Expert**
20 **Witness Fees**

21 “The purpose of § 285 is, in a proper case and in the discretion of the trial
22 judge, to compensate the prevailing party for its monetary outlays in the prosecution
23 or defense of the suit.” *Central Soya Co., Inc. v. Geo. A. Hormel & Co.*, 723 F.2d
24 1573, 1578 (Fed. Cir. 1983). Thus, under the statute, a prevailing party such as URC
25 here is entitled to recover not only its “attorney fees” *per se*, but also any other “sums
26 that the prevailing party incurs in the preparation for and performance of legal
27 _____
28 invalidity of that patent is conclusively determined.

1 services related to the suit”—*i.e.*, expenses. *Mathis*, 857 F.2d at 757–58 (quoting
2 *Central Soya*, 723 F.2d at 1578. Such expenses may include, *e.g.*, paralegal fees,
3 secretarial expenses, overtime, document preparation costs, lodging expenses, and
4 other such disbursements. *See Mathis*, 857 F.2d at 758–59. Expenses, such as a
5 party’s expert witness fees, may also be awarded under the Court’s inherent powers.
6 *See, e.g., Takeda*, 549 F.3d at 1391.

7 Here, URC also seeks reimbursement for the non-legal-fee, non-taxable
8 expenses that it was forced to incur in defense of UEI’s meritless lawsuit.⁷ URC
9 incurred these significant expenses, including expert witness fees for preparing non-
10 infringement and invalidity opinions related to the ’426 and ’067 patents, only
11 because UEI chose to assert baseless claims. URC’s expenses have also included (1)
12 travel expenses for depositions and hearings; (2) non-taxable court reporter expenses
13 for depositions and hearings; (3) legal research expenses; (4) postage, shipping, and
14 courier expenses; (5) non-taxable costs associated with photocopies and printing; (6)
15 non-taxable document production expenses; and (7) other trial-related expenses. *See*
16 *generally* Kang Decl. ¶ 17 & Exs. 2–16; Miro Decl. ¶ 5 & Exs. 1–36; Brookey Decl. ¶
17 5 & Exs. 1–2. These expenses were reasonably and necessarily incurred by URC in
18 order to properly defend against UEI’s claims. *See* Kang Decl. ¶ 17 & Exs. 2–16;
19 Miro Decl. ¶ 5 & Exs. 1–36; Brookey Decl. ¶ 5 & Exs. 1–2. URC requests
20 reimbursement for only those expenditures “attributable to the ’426 and ’067 Patents,
21 and the motion for reconsideration regarding the ’367 Patent,” *see* ECF No. 475 at 15,
22 and to this end, as with URC’s attorneys’ fees, URC has apportioned its expenses
23 using both “patent”-based and “issue”-based methodologies. *See* Kang Decl. Ex. 1.
24 Thus, the total amount of expenses requested by URC in connection with its fee

25 _____
26 ⁷ URC has filed a Bill of Costs, but as of this writing the Clerk has not yet taxed costs.
27 *See* ECF No. 455. By this motion, URC seeks only its non-taxable costs. To the
28 extent the Clerk and/or the Court find any expenses itemized in URC’s Bill of Costs
to be non-taxable, URC respectfully requests that such expenses be included in the
Court’s award here under 35 U.S.C. § 285 and the Court’s inherent powers.

1 request is: \$860,911.50.⁸

2 **IV. CONCLUSION**

3 For the foregoing reasons, URC respectfully requests that the Court order UEI
4 to compensate URC in at least an amount of \$4,661,341.55 for its reasonable
5 attorneys' fees and \$860,911.50 for its reasonable expenses, for a total of at least
6 \$5,522,253.04,⁹ incurred in defending against UEI's assertions under the '067 and
7 '426 patents, and in responding to UEI's motion for reconsideration regarding the
8 '367 patent.

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⁸ Litigation expenses in the range of up to 20% of the total fee request are not atypical. *See Mathis*, 1986 U.S. Dist. LEXIS at *10 (citing cases). Here, the expenses sought by URC represent approximately 16% of its overall fee request.

⁹ This amount reflects attorney fees and expenses invoiced to date. URC seeks compensation for all fees and expenses incurred up to the date of March 24, 2015, the date this fee submission was submitted, some of which have not yet been invoiced. URC reserves the right to supplement this submission with an updated accounting once additional invoices have been issued by URC's counsel in early April.

1 Dated: March 24, 2015

Respectfully submitted,

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