

Slip Copy, 2010 WL 1881484 (N.D.Cal.)
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United States District Court,
 N.D. California.
 EXPEREXCHANGE, INC., Plaintiff(s),

v.

DOCULEX, INC., et al., Defendant(s).

No. C-08-03875 JCS.

May 10, 2010.

Daniel Ralph Richardson, Richardson Intellectual Property Law, San Francisco, CA, for Plaintiff.

David Wesley Swift, Jeremiah Tracy Reynolds, Kinsella Weitzman Iser Kump & Aldisert LLP, Santa Monica, CA, for Defendants.

**ORDER GRANTING IN PART AND DENYING
 IN PART MOTION FOR AWARD OF ATTORNEYS' FEES, EXPERT FEES AND COSTS
 [Docket No. 98]**

JOSEPH C. SPERO, United States Magistrate Judge.

I. INTRODUCTION

*1 In this case, ExperExchange alleged that DocuLex's incorporation of ExperExchange's optical character recognition ("OCR") software into some of DocuLex's document management software products exceeded the scope of the license agreement between the parties. The Court dismissed all of Plaintiff's claims on summary judgment and entered judgment in favor of Defendants on November 17, 2010. Defendants now bring a Motion for Award of Attorneys' Fees, Expert Fees and Costs ("the Motion"). Based on the parties' briefs, including supplemental briefs filed on March 26, 2010 (Defendants) and April 11, 2010 (Plaintiff) in response to the Court's request, the Court finds that

the Motion is suitable for determination without oral argument, pursuant to Civil Local Rule 7-1(b). For the reasons stated below, the Motion is GRANTED in part and DENIED in part. Defendants are awarded \$577,931.75 in attorneys' fees, \$51,840.00 in expert fees and \$6,669.47 in costs.^{FN1}

FN1. On April 2, 2010, after the instant motion was filed, Plaintiff filed a notice of appeal seeking review of the Court's summary judgment order. The appeal does not divest this court of jurisdiction as to Defendants' Motion, however, because the award of fees and costs is a collateral issue over which the district court normally retains jurisdiction even after being divested of jurisdiction over the merits. *See Leslie v. Grupo ICA*, 198 F.3d 1152, 1160 (9th Cir.1999).

II. THE MOTION

Defendants seek to recover attorneys' fees, expert witness fees and costs that are not covered under Fed.R.Civ.P. 54 pursuant to California Civil Code section 1717, governing contractual attorneys' fees provisions, and the following provision in the license agreement between ExperExchange and DocuLex:

Attorneys' and Experts' Fees. In the event any action is commenced to enforce this Agreement or otherwise relating to this Agreement, the prevailing party shall be entitled to reasonable attorneys' and experts' fees and costs incurred in connection therewith.

Declaration of David W. Swift in Support of Application for Attorneys' Fees and Costs [Docket No. 98] ("Swift Decl."), Ex. A (RTK Software License Agreement ("License Agreement")), § 23. Defendants assert that they are entitled to an award of fees and costs under this provision because they have prevailed on the merits on all of Plaintiff's claims,

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and those claims relate to the scope of the license under the License Agreement. As an alternative basis for awarding fees and costs, Defendants rely on the Copyright Act, which affords district courts the discretion to award attorneys' fees and costs to prevailing parties. *See* 17 U.S.C. § 505.

In the Motion, Defendants requested \$609,895.83 in fees and costs incurred through November 30, 2009. This amount consists of: 1) \$549,769.25 in attorneys' fees; 2) \$54,000.00 in expert fees; and 3) \$6,126.58 in costs. In addition, in their Reply brief, Defendants requested an additional \$35,180.39 for fees and costs incurred after November 30, 2009. This amount includes: 1) \$28,162.50 in attorneys' fees incurred through December 30, 2009 in connection with Plaintiff's Rule 59(e) motion and the reply brief on Defendants' motion for attorneys' fees; 2) \$792.89 in expenses—primarily travel expenses incurred in connection with the summary judgment hearing; 3) \$5,625.00 in attorneys' fees for time Defendants' counsel anticipated spending preparing for the pending motions and traveling to the scheduled March 12 hearing; and 4) \$600.00 for the costs of travel to the hearing.

*2 The attorneys' fees were incurred by Defendants' current counsel, Kinsella Weitzman Iser Kump & Aldisert ("Kinsella"), as well as former counsel Davis Wright & Tremaine, LLP and Peterson & Myers, PA. Kinsella seeks a blended rate of \$375.00/hour, while the rate sought for Davis Wright & Tremaine LLP is \$475.00/hour and for Peterson & Myers, PA is between \$160.00/hour and \$315.00/hour. Defendants' expert is Ray Smith, whose rate is \$450.00/hour. Defendants assert that the amount of attorneys' fees they seek is reasonable, applying the "lodestar approach," because both the time spent and the rates sought are reasonable. *See Hensley v. Eckerhart*, 461 U.S. 424, 433-34, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983). In support of the amount of time spent on the case, Defendants argue that the time was reasonable in light of the complex factual and legal issues raised by Plaintiff's claims.

In its opposition brief, Plaintiff does not dispute that Defendants prevailed on the merits (although Plaintiff argues at length in its brief that its claims have merit), or that the license agreement provides that the prevailing party is entitled to attorneys' fees and costs. However, Plaintiff asserts that the motion should be denied because it was filed untimely. Plaintiff further asserts that the Court should not exercise its discretion under the Copyright Act to award attorneys' fees because its claims were not frivolous or objectively unreasonable. Plaintiff does not address the attorneys' fees provision in the license agreement.

With respect to the fees sought by Defendants, Plaintiff argues that Defendants have not borne their burden of showing the rates charged are in line with prevailing rates in the cities in which the firms are located. In particular, Plaintiff notes that Defendants have submitted in support of the motion only declarations by their own counsel and have not submitted any independent surveys or other materials reflecting the prevailing rates in those communities. Plaintiff also argues that much of the time billed by Defendants' counsel was not reasonable because it was "spent in bad faith, waste of time or unnecessary works [sic]." *See* Declaration of Amy Zhang in Support of Plaintiff's Opposition to Defendant's Motion for Award of Attorneys' Fees ("Zhang Decl."), ¶ 17.

On March 11, 2010, the Court issued an order requesting additional materials from Defendants, including evidence of the prevailing rates in the relevant geographical area for each billing attorney, as well as declarations setting forth: 1) the names and number of attorneys who attended each deposition; 2) any time spent by new counsel familiarizing themselves with the case; and 3) any time that was or should be excluded due to the exercise of billing judgment. Defendants filed the additional materials on March 26, 2010, and Plaintiff filed a response on April 9, 2010.

III. ANALYSIS

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A. Timeliness of Motion

Plaintiff argues that the Motion should be denied because the Motion was not timely filed under Rule 54(d)(2)(B), which requires that “[u]nless a statute or a court order provides otherwise,” a motion for attorneys’ fees be filed “no later than 14 days after the entry of judgment.” The docket sheet for this case reflects that judgment was “entered” by the Court on November 18, 2009, but the judgment itself is dated November 17, 2009, which is also shown as the filing date on the docket sheet. Defendants’ motion was filed on December 2, 2009. Defendants assert that the Motion was timely because judgment was not “entered,” for the purposes of Rule 54, until November 18. In the alternative, Defendants argue that the Motion is timely because Plaintiff has filed a Rule 59(e) motion, thus suspending the finality of the judgment. As a result, Defendants assert, the deadline for filing their attorneys’ fees motion is within 14 days of the Court’s order deciding Plaintiff’s Rule 59(e) motion, which has not yet occurred. The Court concludes that the Motion is timely and that even if it was filed one day late, that delay does not justify denying Defendants’ Motion.

*3 First, the Court finds that the Motion was filed within fourteen days of “entry” of judgment. In particular, while the docket sheet shows a filing date of November 17, 2009, it also shows that the judgment was not actually “entered” until the next day. As a practical matter, this means that the judgment was not posted on the Court’s electronic filing system and the parties did not receive notice of the judgment until November 18. Under these circumstances, the Court concludes that the fourteen day deadline did not begin to run until November 18.

Second, the Ninth Circuit has held that where a post-trial motion is filed under Rule 59(e), as is the case here, the deadline for filing a motion for attorneys’ fees is 14 days from the date on which that motion is decided. *See Bailey v. County of Riverside*, 414 F.3d 1023, 1025 (9th Cir.2005). As Plaintiff’s Rule 59(e) motion was still pending until

March 4, 2009, Defendants’ attorneys’ fees motion is not untimely.

Third, the Ninth Circuit has held that the fourteen-day deadline under Rule 54 is not jurisdictional. *Kona Enterprises, Inc. v. Estate of Bishop*, 229 F.3d 877, 889 (9th Cir.2000). Thus, a court may consider a motion that is filed outside of the fourteen-day deadline where there is a “compelling showing of good cause.” *Id.* Assuming that the Motion was due on December 1, 2009, as Plaintiff contends, the Court finds that Defendants have made a compelling showing of good cause for filing their motion one day late based on the docket entry expressly stating that judgment was “entered” on November 18, 2009.

B. Whether Defendants are Entitled to an Award of Fees and Costs

Defendants point to two sources of authority in support of their request for attorneys’ fees and costs: 1) the contractual provision in the license agreement under which a prevailing party is entitled to attorneys’ fees and costs; and 2) § 505 of the Copyright Act, which gives the district court discretion to award attorneys’ fees to prevailing parties in cases brought under the Copyright Act. Neither side, however, addressed in its briefs the question of whether the district court’s discretion with respect to the award of fees under the Copyright Act is negated by the fee provision in the underlying license agreement. Nor did they address whether an attorneys’ fees provision is even enforceable in a case that is not based on diversity and where the state law claims have been dismissed on the basis of preemption under the Copyright Act. In particular, although Plaintiff argued that attorneys’ fees should not be awarded under the Copyright Act, it did not address Defendants’ assertion that they are entitled to attorneys’ fees and costs under the license agreement. Defendants, in turn, cited only to diversity cases in support of their assertion that the attorneys’ fees provision in the license agreement should be enforced.

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Given that Plaintiff's state law claims were dismissed on summary judgment on the basis that they were preempted by the Copyright Act, the Court is doubtful that it would be required to enforce the fee provision in the license agreement if it did not find that such an award was appropriate under the Copyright Act. *See Dalton-Ross Homes, Inc. v. Williams*, 2008 WL 324199 (D.Ariz., Feb.5, 2008). Here, however, the Court need not reach this question because it finds that an award of attorneys' fees and costs under the Copyright Act is warranted.

*4 Section 505 of the Copyright Act provides as follows:

In any civil action under this title, the court in its discretion may allow the recovery of full costs by or against any party other than the United States or an officer thereof. Except as otherwise provided by this title, the court may also award a reasonable attorney's fee to the prevailing party as part of the costs.

17 U.S.C. § 505. "Fees are proper under this statute when either successful prosecution or successful defense of the action furthers the purposes of the Copyright Act." *Perfect 10, Inc. v. CCBill LLC*, 488 F.3d 1102, 1120 (9th Cir.2007). The standard is the same for prevailing defendants as it is for prevailing plaintiffs. *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 527, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994) (rejecting dual approach that had been followed by some courts, in which plaintiffs were treated more favorably than defendants under § 505, and noting that "a successful defense of a copyright infringement action may further the policies of the Copyright Act every bit as much as a successful prosecution of an infringement claim by the holder of a copyright").

In *Fogerty*, the Supreme Court endorsed the non-exclusive list of factors set forth in *Lieb v. Topstone Industries, Inc.*, 788 F.2d 151, 156 (3d Cir.1986) to guide the district court's discretion in determining whether to award costs under § 505. *See id.* at 534 n. 19. *Lieb*, in turn, characterized the discretion af-

forded the district judge under § 505 as follows:

Thus we do not require bad faith, nor do we mandate an allowance of fees as a concomitant of prevailing in every case, but we do favor an even-handed approach. The district courts' discretion may be exercised within these boundaries. Factors which should play a part include frivolousness, motivation, objective unreasonableness (both in the factual and in the legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence. We expressly do not limit the factors to those we have mentioned, realizing that others may present themselves in specific situations. Moreover, we may not usurp that broad area which Congress has reserved for the district judge.

788 F.2d at 156; *see also Smith v. Jackson*, 84 F.3d 1213, 1221 (9th Cir.1996) ("the district court may consider (but is not limited to) five factors in making an attorney's fees determination pursuant to § 505 of the Copyright Act: (1) the degree of success obtained, (2) frivolousness, (3) motivation, (4) objective unreasonableness (legal and factual), and (5) the need to advance considerations of compensation and deterrence").

In this case, the Court finds that awarding Defendants the fees and costs incurred in the defense of this action furthers the purposes of the Copyright Act and particularly, the need to advance considerations of compensation and deterrence. The evidence that came to light at the summary judgment stage of the case, including undisputed evidence, indicates that Plaintiff was motivated more by business considerations than it was by the strength of its legal position in bringing this action. As set forth in the Court's summary judgment order, Plaintiff brought this action based on the allegation that Defendants were incorporating Plaintiff's RTK software into their products in violation of the license agreement, but the undisputed evidence showed that Plaintiff had been aware of this conduct for many years and had never notified Defendants of the alleged viola-

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tion. Indeed, it is undisputed that Plaintiff's former Chief Operating Officer, Bo Yan, worked closely with Defendants and encouraged them to incorporate Plaintiff's software into as many of their products as possible so as to increase Plaintiff's royalties. It was only when Bo Yan was replaced and new management took over that Plaintiff turned to litigation.

*5 Further, in litigating this case, Plaintiff went to great lengths to avoid dismissal of its claims, bordering on bad faith. The Court is particularly troubled by Plaintiff's submission of a declaration by Bo Yan in support of its opposition to Defendants' summary judgment motion. As the person who worked most closely with Defendants during the relevant time period, Bo Yan would likely have been a key witness in this case had it gone to trial. Because he had moved to China, however, Plaintiff informed Defendants that Bo Yan was unavailable for deposition. Although Defendants asked Plaintiff to notify them if Bo Yan came to the United States so they could arrange to depose him, Plaintiff did not notify Defendants when Bo Yan visited. During this visit, Bo Yan signed the declaration Plaintiff submitted in support of its opposition to Defendants' summary judgment motions.

In addition, Plaintiff submitted what the Court found to be a sham declaration by Troy Sarmiento in opposition to Defendants' summary judgment motions. Sarmiento's testimony at his deposition strongly supported Defendants' position that Plaintiff had been aware of the alleged infringement for many years. In opposing Defendants' summary judgment motion, Sarmiento submitted a declaration giving a vastly different account and asserting that he had been under the influence of Morphine, Percocet and Methadone during his deposition. For the reasons stated in the Court's summary judgment order, the Court found that Sarmiento's new version of the facts was unconvincing and was offered simply to avoid summary judgment.

Finally, when it became apparent that Plaintiff's claims were likely to fail on summary judgment,

Plaintiff resorted to adopting an entirely new theory of liability under which even the one product that expressly fell under the license agreement now was alleged to infringe. Even as to this new theory, the Court found that Plaintiff did not proceed with diligence in analyzing discovery materials that were provided to it well before the hearing on Defendants' summary judgment motions and Plaintiff's motion to amend.

In short, the Court concludes that this action was factually and legally weak at the outset, that Plaintiff's motivation in bringing the action was based on business considerations rather than the legal merits, and that in conducting the case, Plaintiff's conduct was objectively unreasonable in many respects. Therefore, the Court exercises its discretion to award Defendants attorneys' fees and costs under § 505 of the Copyright Act.

C. Amount of the Award

1. Attorneys' Fees

a. Legal Standard

In this Circuit, the starting point for determining reasonable fees is the calculation of the "lodestar," which is obtained by multiplying the number of hours reasonably expended on litigation by a reasonable hourly rate. *See Jordan v. Multnomah County*, 815 F.2d 1258, 1262 (9th Cir.1987) (citing *Hensley v. Eckerhart*, 461 U.S. 424, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983)). In determining a reasonable number of hours, the Court must review detailed time records to determine whether the hours claimed by the applicant are adequately documented and whether any of the hours were unnecessary, duplicative or excessive. *Chalmers v. City of Los Angeles*, 796 F.2d 1205, 1210 (9th Cir.1986), *reh'g denied, amended on other grounds*, 808 F.2d 1373 (9th Cir.1987). To determine a reasonable rate for each attorney, the Court must look to the rate prevailing in the community for similar work performed by attorneys of comparable skill, experi-

ence, and reputation. *Id.* at 1210-11.

*6 “The fee applicant has the burden of producing satisfactory evidence, in addition to the affidavits of its counsel, that the requested rates are in line with those prevailing in the community for similar services of lawyers of reasonably comparable skill and reputation.” *Jordan*, 814 F.2d at 1263. “Affidavits of the plaintiff’s attorney and other attorneys regarding prevailing fees in the community, and rate determinations in other cases, particularly those setting a rate for the plaintiff’s attorney, are satisfactory evidence of the prevailing market rate.” *United Steelworkers of America v. Phelps Dodge Corp.*, 896 F.2d 403, 407 (9th Cir.1990). Courts also may rely on decisions by other courts awarding similar rates for work in the same geographical area by attorneys with comparable levels of experience. *See, e.g., Nadarajah v. Holder*, 569 F.3d 906, 917 (9th Cir.2009) (affirming award of attorneys’ fees at rate of \$500.00/hour where party had submitted a declaration describing her experience and attached copies of fee awards in the same geographical area where counsel had comparable experience).

In calculating the lodestar, the Court should consider any of the factors listed in *Kerr v. Screen Extras Guild, Inc.*, 526 F.2d 67 (9th Cir.1975), *cert. denied* 425 U.S. 951, 96 S.Ct. 1726, 48 L.Ed.2d 195 (1976), that are relevant. *Jordan*, 815 F.2d at 1264 n. 11 (noting that the Ninth Circuit no longer requires that the district court address every factor listed in *Kerr*). In *Kerr*, which was decided before the lodestar approach was adopted by the Supreme Court as the starting point for determining reasonable fees in *Hensley v. Eckerhart*, 461 U.S. 424, 433, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983), the Ninth Circuit adopted the 12-factor test articulated in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir.1974). This analysis looked to the following factors for determining reasonable fees: (1) the time and labor required; (2) the novelty and difficulty of the questions involved; (3) the skilled requisite to perform the legal service properly; (4) the preclusion of other employment by the attorney

due to acceptance of the case; (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations imposed by the client or the circumstances; (8) the amount involved and the results obtained; (9) the experience, reputation, and ability of the attorneys; (10) the ‘undesirability’ of the case; (11) the nature and length of the professional relationship with the client; and (12) awards in similar cases.

To the extent that the *Kerr* factors are not addressed in the calculation of the lodestar, they may be considered in determining whether the fee award should be adjusted upward or downward, once the lodestar has been calculated. *Chalmers*, 796 F.2d at 1212. However, there is a strong presumption that the lodestar figure represents a reasonable fee. *Jordan*, 815 F.2d at 1262. An upward adjustment of the lodestar is appropriate only in extraordinary cases, such as when an attorney faced exceptional risks of not prevailing or not recovering any fees. *Chalmers*, 796 F.2d at 1212. A reduced fee award is appropriate where a plaintiff achieves only partial or limited success. *Hensley*, 461 U.S. at 436. To be compensable, an attorney’s time must be “reasonable in relation to the success achieved.” *Id.* When accounting for limited success, a court may eliminate specific hours in calculating the lodestar, or it may simply reduce the award. *Id.*

b. Reasonableness of Hourly Rates

*7 Over the course of this litigation, Defendants were represented by: 1) Joe Adieggo, of Davis Wright & Tremaine (\$475/hour); 2) Kerry Wilson (\$315/hour), Steven Senn (\$300.00/hour), Ryan Zika (\$160.00/hour) and Brian Mathis (\$160.00/hour) of the firm of Peterson & Myers; and 3) Dale Kinsella, Jennifer McGrath, and Jeremiah Reynolds, all charging a blended rate of \$375/hour, at the firm of Kinsella Weitzman Iser Kump and Aldisert (“the Kinsella firm”). In addition, paralegals Jonathan Noyes and Laurie Schwartz, of the Kinsella firm, worked on the case, at a rate of \$125.00/hour and paralegals of Peterson

