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Paper 141
Dated: December 15, 2023

UNITED STATES PATENT AND TRADEMARK OFFICE

THE OFFICE OF THE UNDER SECRETARY OF COMMERCE
FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE
UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE
FOR INTELLECTUAL
PROPERTY AND TRADEMARK
OFFICE

OPENSKY INDUSTRIES, LLC,
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC,
Patent Owner.

IPR2021-01064¹
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BERNARD K. VIDAL, *Under Secretary of Commerce for
Intellectual Property and Director of the United States Patent and
Trademark Office.*

Before KATHLEEN
Intellectual Property
and Trademark Office

ORDER
Granting Motion for Fees

Intel Corporation ("Intel"), which filed a petition in IPR2022-00366, has
been joined as a party to this proceeding. Paper 43.

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I. INTRODUCTION

On October 4, 2022, I issued my decision on Director Review. Paper 102 (“Decision” or “Dec.”). In my Decision, I determined that Petitioner OpenSky Industries, LLC (“OpenSky”) abused the *inter partes* review (“IPR”) process in an attempt to extract payment from both Patent Owner VLSI Technology LLC (“VLSI”) and Petitioner Intel, who was joined to the proceeding. *Id.* at 3. I also determined that OpenSky engaged in discovery misconduct and unethical conduct, and violated my express orders in the Director Review process. *Id.* at 2–4. Due to OpenSky’s actions, I ordered “OpenSky to show cause as to why it should not be ordered to pay compensatory damages to VLSI, including attorney fees, to compensate VLSI for its time and effort in this proceeding.” *Id.* at 4. “I further order[ed] OpenSky to address the appropriate time period for which any fees should be assessed.” *Id.*

Following briefing by the parties (Papers 116, 117, 119, 120), I issued an order awarding reasonable fees as sanctions against OpenSky and authorizing VLSI to file a Motion for Fees. Paper 127.² Specifically, I determined that it was appropriate to award attorney fees to VLSI for the time spent addressing OpenSky’s abusive behavior. *Id.* at 2, 13. I further issued an Order authorizing VLSI to submit declaratory evidence attesting to the facts set forth in its Motion for Fees, and OpenSky to file an objection to

² As previously discussed in Paper 127, this Order addresses only sanctions imposed against a party. It does not address, nor does it preclude, potential sanctions or discipline against those who practiced before the USPTO on behalf of the party. *See* 37 C.F.R. § 11.18(c)(2).

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any evidence submitted by VLSI. Paper 134. VLSI filed its Motion for Fees (Paper 130, “Motion” or “Mot.”) and accompanying evidence (Exhibits 2126–2135). OpenSky opposed the motion (Paper 131, “Opposition” or “Opp.”) and objected to the evidence (Paper 137, “Objection” or “Obj.”).

On July 13, 2023, VLSI and OpenSky each filed an appeal to the U.S. Court of Appeals for the Federal Circuit. Paper 139; Paper 140. On December 7, 2023, the Federal Circuit remanded the case back to the U.S. Patent and Trademark Office (“USPTO” or “the Office”) to resolve any remaining sanctions issues. *See Ex. 3027.*

Based on the evidence and arguments, I award VLSI \$413,264.15 in fees.

II. ADDRESSING THE PARTIES’ ARGUMENTS

VLSI argues that its requested fees are reasonable in both time spent and rates billed. *See Mot. 2.* OpenSky argues that I should reject VLSI’s requested fees because: (A) OpenSky objects to Exhibits 2126–2135 and argues that VLSI has not submitted proper evidence in support of its request; (B) VLSI does not establish that the sought fees relate to OpenSky’s abuse of process; and (C) VLSI has unclean hands. *See Opp. 1; Obj. 1.*

I address the parties’ arguments and OpenSky’s objections below.³

³ I do not address OpenSky’s arguments in its Objection that do not relate to VLSI’s submitted evidence. *See Obj. 2, n.1.* To the extent OpenSky substantively argued against the Order to Show Cause (Papers 116, 120), I previously addressed these arguments (*see Paper 127, “Order Restoring OpenSky as a Party, Awarding Sanctions, and Authorizing a Motion for Fees”*).

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A. Admissible Evidence

OpenSky objects to VLSI's evidence submitted as Exhibits 2126–2135 for failing to comply with 37 C.F.R. § 42.62(a), 5 U.S.C. § 556(d), and the applicable Federal Rules of Evidence. *See* Obj. 1. OpenSky argues that the Exhibits should be excluded from the proceeding and expunged from the record. *Id.* OpenSky argues that without the Exhibits, “VLSI’s motion lacks the necessary substantial evidence support and should be denied.” *Id.* For the reasons set forth below, I reject OpenSky’s objections as to Exhibits 2126–2129, 2134, and 2135. I do not rely on Exhibits 2130–2133 and dismiss OpenSky’s objections to those exhibits as moot.

1. VLSI’s Tables of Billing Statements (Ex. 2126)

The parties agree that reasonable attorney fees may be determined “based on the ‘lodestar,’ *i.e.*, the number of hours worked multiplied by the prevailing hourly rates.” *See* Mot. 2 (citing *Perdue v. Kenny A.*, 559 U.S. 542, 546 (2010)); Opp. 3 (citing *Hensley v. Eckerhart*, 461 U.S. 424, 433 (1983) (“The most useful starting point for determining the amount of a reasonable fee is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate.”)). Under the lodestar method, “the 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. Fee applicants routinely satisfy the burden of showing reasonable hours expended by submitting invoices and billing records. *Rumsey v. Dep’t of Just.*, 866 F.3d 1375, 1379 (Fed. Cir. 2017). VLSI submitted a Table of Billing Statements (Ex. 2126, “Billing Statement”) to satisfy its burden as the fee applicant. *See* Mot. 6–12. OpenSky objects to

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VLSI's Billing Statement, arguing that the Billing Statement is not admissible evidence and does not qualify as contemporaneous time records for the lodestar calculation. *See* Opp. 4; Obj. 3–8.

I first address OpenSky's arguments that the Billing Statement should be excluded entirely. *See* Opp. 4–5; Obj. 3–8. OpenSky objects to the Billing Statement as impermissible hearsay under Rules 801 and 802. Obj. 3–8. OpenSky also objects to the Billing Statement under Rules 401–403 as an “after-the fact” reconstruction rather than a contemporaneous billing record. *See id.* at 6–7. OpenSky further objects to the Billing Statement as lacking authentication because VLSI's “attorney declarations (Exhibit Nos. 2127–2129) cannot authenticate Exhibit 2126.” *Id.* at 6. Finally, OpenSky objects to the Billing Statement as incomplete under Rule 106 and not the best evidence under Rules 1001–1003. *See id.* at 7–8.

I am not persuaded by OpenSky's arguments to entirely exclude the Billing Statement. VLSI's counsel declare that the Billing Statement was prepared by the attesting counsel who “personally went through contemporaneous billing entries” of attorneys at two law firms and listed the appropriate records in the Billing Statement. *See* Ex. 2127 ¶ 19; Ex. 2128 ¶ 14; Ex. 2129 ¶ 3. VLSI's counsel declare that the billing entries listed in the Billing Statement were cross-referenced with other contemporaneous records to ensure accuracy and responsiveness. *Id.* As discussed below, VLSI's counsel qualify as someone with knowledge of the billing entries.

OpenSky cites a series of cases to argue that “[c]ourts routinely reject after-the-fact reconstructions of billing records and insist on originals,” and therefore Exhibit 2126 is “improper.” *See* Obj. 6–7; *see also* Opp. 3–5. In

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context, however, “after-the-fact reconstructions” means situations where billing attorneys did not keep contemporaneous records of the time spent on a matter and therefore had to go back, after the court awarded fees, to determine (i.e., reconstruct) how much time they had spent working on the case. *See, e.g., National Ass’n of Concerned Veterans v. Secretary of Defense*, 675 F.2d 1319, 1327 (D.C. Cir. 1982) (“Casual after-the-fact estimates of time expended on a case are insufficient to support an award of attorneys’ fees”); *Leroy v. City of Houston*, 831 F.2d 576, 585 (5th Cir. 1987) (finding that the district court “repeatedly acknowledged deficiencies in the billing records in this case, noting that some were reconstructed, after-the-fact summaries”); *Heller v. District of Columbia*, 832 F. Supp. 2d 32, 49–56 (D.D.C. 2011) (determining that certain attorneys “failed to keep contemporaneous time records, and, instead, provided the Court with reconstructed timesheets.”).

Even in situations where fee applicants relied on reconstructed billing entries, courts have reduced the lodestar rather than entirely exclude the evidence. *See Heller*, 832 F. Supp. 2d at 49–56; *Leroy*, 831 F.2d at 585–86 (5th Cir. 1987); *Slimfold Mfg. Co. v. Kinkead Indus., Inc.*, 932 F.2d 1453, 1459 (Fed. Cir. 1991). In *Heller*, for example, the court found the failure to keep contemporaneous records “deeply troubling.” *Id.* at 50. In view of this defect, the court reduced the number of hours “by 10% in order to account for any inaccuracies or overbilling that may have occurred as a result of these attorneys’ unacceptable timekeeping practices.” *Id.*

There is no evidence that Exhibit 2126 is an after-the-fact reconstruction within the meaning of OpenSky’s cited cases. Instead,

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VLSI’s counsel “went through contemporaneous billing entries to ensure that they fell within the scope of the Fee Order.” Ex. 2129 ¶ 2. Counsel then “made reductions or exclusions if the entries did not solely apply to the 1064 IPR.” Ex. 2129, ¶ 3; *see also* Ex. 2127 ¶ 19 and Ex. 2128 ¶ 14. “These itemized billing entries, and their reductions, were entered as Ex. 2126.” Ex. 2129, ¶ 3. This evidence demonstrates that, unlike the reconstructed entries in *Heller* and *Leroy*, VLSI’s Billing Statement is based on contemporaneous billing records. *See* Ex. 2126; Ex. 2127 ¶ 19; Ex. 2128 ¶ 14; Ex. 2129 ¶¶ 2–3. Therefore, I am not persuaded by OpenSky’s argument.

I am also not persuaded by OpenSky’s remaining objections to the Billing Statement. OpenSky objects to the Billing Statement under Rules 401–403 because the exhibit is not a contemporaneous billing record. Obj. 6. I reject this objection under Rules 401–403 because the Billing Statement is relevant evidence to the time and fees expended by VLSI to address OpenSky’s misconduct, *see* Rule 401, and OpenSky does not attempt to argue that its probative value is substantially outweighed by, for example, unfair prejudice, *see* Rule 403. I reject OpenSky’s objection under Rule 901 for lack of authentication, because VLSI’s counsel’s declarations provide foundation for the Billing Statement, as they declare that “Ex. 2126 is a true and accurate copy of the amount of time spent and work done regarding the 1064 IPR that we believe is permitted under the Fee Order.” Ex. 2127 ¶ 19; Ex. 2128 ¶ 14; Ex. 2129 ¶ 3; *see also Bellflower Unified Sch. Dist. v. Arnold*, 586 F. Supp. 3d 1010, 1015 (C.D. Cal. 2022) (finding sufficient foundation where fee applicant’s counsel “declared that he reviewed the

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invoices on this matter, including the rates and hours billed by each attorney for services rendered in this litigation, and that they are reflected in the Billing Statement as an exhibit”).

OpenSky objects to the Billing Statement under Rule 106 because the “exhibit is incomplete and purports to include and rely on portions of other documents that in fairness should be considered along with this document.” *See* Obj. 7. Instead, OpenSky seeks to introduce “the remainders of those billing invoices.” *Id.* However, that would require VLSI submitting time spent on other unrelated matters, as its counsel already reviewed the relevant time entries and listed the appropriate records in the Billing Statement. *See supra.* Accordingly, Rule 106 does not apply. Rule 106 “is designed to avoid creating a misleading impression by taking a statement out of its proper context, or otherwise conveying a distorted picture to the [fact finder] by the selective introduction of documents that are part of a comprehensive whole.” *Merrick v. Mercantile-Safe Deposit & Tr. Co.*, 855 F.2d 1095, 1103–04 (4th Cir. 1988). There is no indication that the billing entries listed in the Billing Statement have been taken out of context or otherwise create a distorted picture that would be different from contemporaneous billing records. As discussed above, the Billing Statement itself is relevant evidence for determining reasonable attorney fees. *See Beech Aircraft Corp. v. Rainey*, 488 U.S. 153, 172 (1988) (“[A]s the general rules of relevancy permit a ready resolution to this litigation, we need go no further in exploring the scope and meaning of Rule 106.”)

OpenSky objects to Exhibit 2126 under Rules 1001–1003 “because this exhibit is not the best evidence.” Obj. 7–8. However, “Rule 1002

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applies not when a piece of evidence sought to be introduced has been somewhere recorded in writing but when it is that written record itself that the party seeks to prove. The rule requiring the production of the original document applies only when the proponent is attempting to prove the contents or terms of a writing.” *R & R Assocs., Inc. v. Visual Scene, Inc.*, 726 F.2d 36, 38 (1st Cir. 1984) (internal citation omitted); *see also Ecological Rts. Found. v. U.S. Env’t Prot. Agency*, 541 F. Supp. 3d 34, 51 (D.D.C. 2021) (“[T]he best evidence rule is a rule of preference, not a solid bar on secondary evidence.”) (internal quotes omitted). As discussed above, the Billing Statement itself is admissible evidence and acts as an original print-out of billing entries relevant to this proceeding. *See* Rule 1001(d). Accordingly, I reject OpenSky’s objection under Rules 1001–1003.

2. *VLSI’s Declaratory Evidence (Exhibits 2127–2129)*

OpenSky objects to the admissibility of Exhibits 2127–2129, declarations by VLSI’s counsel, under F.R.E. 602, 701–703, 801, and 802; and 37 C.F.R. § 42.65. Obj. 8–17. To the extent that I do not rely on portions of Exhibits 2127–2129 in this Order, I reject OpenSky’s objections as moot. As to the remaining objections, because OpenSky raises the same objections for all three declarations by VLSI’s counsel, I address them together.

First, OpenSky objects to Exhibits 2127–2129 under Rule 602. Obj. 8–9, 12–15. Specifically, OpenSky objects to testimony about the “preparation of Exhibit 2126” in that the declarants lacked personal knowledge of the attested facts, including other attorneys’ billing entries. *See id.* “Declarations in support of attorney fee awards should be based

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upon personal knowledge.” *Muniz v. United Parcel Serv., Inc.*, 738 F.3d 214, 222 (9th Cir. 2013) (finding inadmissible hearsay where declarant did not have personal knowledge of paralegal’s reconstructed hours). However, “personal knowledge can come from the review of the contents of business records and an affiant may testify to acts that she did not personally observe but which have been described in business records.” *Banga v. First USA, NA*, 29 F. Supp. 3d 1270, 1274 n.2 (N.D. Cal. 2014). The Seventh Circuit similarly held that an attorney’s affidavit submitted on the issue of attorney fees with a billing statement listing other attorneys and paralegals was admissible under Rule 602 “as lay witness testimony on matters about which he has personal knowledge.” *Lock Realty Corp. IX v. U.S. Health, LP*, 707 F.3d 764, 773 (7th Cir. 2013). Specifically, the court held that

the affidavit taken as a whole amply demonstrated that [the affiant] had personal knowledge of the facts presented in the affidavit and was competent to testify to them. His affidavit supported a finding that the rates reflected in the billing sheets were the actual rates charged by the attorneys and paralegals who worked on the case, and that these rates were consistent with market rates in the area.

Id. Similarly, the declarants in this proceeding testify they have personal knowledge from reviewing the contents of contemporaneous billing entries that reflect the actual rates charged by the attorneys who worked on the case. *See* Ex. 2127 ¶¶ 18, 19; Ex. 2128 ¶¶ 13, 14; Ex. 2129 ¶ 3. Moreover, the declarations as a whole demonstrate that the declarants have personal knowledge of the facts presented in the declarations and are competent to testify to them. *See* Ex. 2127 ¶¶ 8–12; Ex. 2128 ¶¶ 6–10; Ex. 2129 ¶¶ 2–3.

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Accordingly, I reject OpenSky's objection to Exhibits 2127–2129 under Rule 602.

Second, OpenSky objects to Exhibits 2127–2129 under Rules 701–703. Obj. 9, 13, 15–16. OpenSky objects to Exhibits 2127–2129 under Rule 701 for failing “to disclose the underlying facts or data on which the opinion is based” (*id.* at 9, 15), or being offered “outside of [the declarant]’s areas of expertise” (*id.* at 15). A lay opinion under F.R.E. 701 must be: (a) rationally based on the witness’s perception, (b) helpful to clearly understanding the witness’s testimony or to determining a fact in issue; and (c) not based on scientific, technical, or other specialized knowledge within the scope of Rule 702. *See* F.R.E. 701; *Union Pac. Res. Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 693 (Fed. Cir. 2001). Each of the declarants explains that their testimony is based on their personal review of contemporaneous billing entries that are represented in the Billing Statement. *See* Ex. 2127 ¶¶ 18, 19; Ex. 2128 ¶¶ 13, 14; Ex. 2129 ¶ 3. Further, the testimony is helpful in determining the attorney fees at issue in this proceeding and is not based on expert knowledge. *See id.* Although OpenSky argues that the declarants have not “demonstrated expertise to make . . . judgments” relating to which billing entries are within the scope of the fee order (for example, because certain of the declarants are not admitted to practice before the USPTO) (Obj. 16), OpenSky cites no authority that such expertise is required. OpenSky was free to challenge the exercise of judgment by challenging any billing entries VLSI included. Accordingly, I reject OpenSky’s objections under Rule 701. VLSI does not offer Exhibits

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2127–2129 as expert testimony. Thus, OpenSky’s objections under Rule 702 and 703 do not apply.

OpenSky separately argues that Ms. Wen (the declarant of Ex. 2129) and other attorneys are not registered to practice before the USPTO and were not admitted *pro hac vice*, and therefore are not authorized to practice in this proceeding. *See* Obj. 16, n. 3. OpenSky does not specifically state how this point relates to its argument (the status of other attorneys is irrelevant to its argument that Ms. Wen did not have the expertise to make judgments relating to which billing entries to include), but appears to contend that fees by attorneys not authorized to practice in this proceeding may not be recovered. *See id.* OpenSky cites no authority for the proposition that counsel must be “authorized to practice in [a] proceeding,” (*id.* at 16 n.3), for their hours to be eligible for compensation via a fees award. As OpenSky has provided no legal support for its position, I reject it. Moreover, USPTO regulations permit practitioners to use non-practitioners under their supervision “to assist the practitioner in matters pending or contemplated to be presented before the Office.” 37 C.F.R. § 11.5(b); *see also id.* § 11.503. Fees accrued by others involved in this proceeding supported the work of designated lead and backup counsel. Thus, I reject OpenSky’s objections regarding the attorneys allegedly not authorized to practice in this proceeding.

Third, OpenSky objects to Exhibits 2127–2129 as impermissible hearsay under Rules 801 and 802. Obj. 9–10, 13–14, 17. For example, OpenSky argues that paragraphs 4, 7, and 8 of Exhibit 2127 refer to “various out-of-court statements about awards or favorable press coverage regarding

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Mr. Lowenstein[, Mr. Weatherwax,] or the Lowenstein Weatherwax firm.” *Id.* at 9–10. I do not rely on these out-of-court statements in my fee calculation and, therefore, OpenSky’s objection is moot as to paragraphs 4, 7, and 8.

OpenSky argues that paragraphs 13, 14, 18, and 19 of Exhibit 2127 contain hearsay relating to other firms’ billing rates or actions. *Id.* at 10. I do not rely on paragraphs 13 and 14 that discuss other firms’ billing rates and, therefore, OpenSky’s objection is moot as to those paragraphs. Paragraphs 18 and 19 do not relate to out-of-court statements or assertions and thus are not hearsay.

Finally, OpenSky argues that paragraphs 22–26, 28, 30, 31, 33–40, and 42 of Exhibit 2127, and paragraphs 21–25, 27, and 28 of Exhibit 2128 are hearsay because they purport to provide testimony about the contents of the Billing Statement. *Id.* at 10–11, 13–14. As discussed above, the Billing Statement was prepared by the declarants of Exhibits 2127–2129. Accordingly, I reject OpenSky’s objection to these paragraphs.

3. *VLSI’s Third-Party Documents (Exhibits 2130–2135)*

OpenSky objects to the admissibility of Exhibits 2130–2135 under Rules 401–403, 801, 802, 901, and 902. Obj. 17–19. OpenSky also argues that these exhibits violate the May 8 Order by exceeding the scope of permitted submissions. *Id.* at 17 (citing Paper 134, 4). I address the scope of my May 8 Order, followed by OpenSky’s evidentiary objections below.

In my Order, I authorized VLSI to submit evidence regarding the prevailing market rates for comparably experienced attorneys handling

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litigation before the Patent Trial and Appeal Board. Paper 134, 4. As an example, I listed the American Intellectual Property Law Association’s (“AIPLA”) Economic Survey that lists the billing rates for intellectual property attorneys based on their degree of experience. *Id.*; *see View Eng’g, Inc. v. Robotic Vision Sys., Inc.*, 208 F.3d 981, 987–988 (Fed. Cir. 2000).

OpenSky argues that Exhibits 2130–2135 violate the scope of my May 8 Order because the references “are neither declaratory evidence nor evidence of prevailing market rates for comparably experienced attorneys handling litigation before the Patent Trial and Appeal Board.” Obj. 17–18. OpenSky requests that I expunge these exhibits. *See id.*

I do not rely on Exhibits 2130–2133 in my fee determination, and I dismiss OpenSky’s objection to these exhibits as moot. Exhibits 2134 and 2135 describe the rates charged by intellectual property attorneys with equivalent experience. *See View Eng’g*, 208 F.3d at 987; *see* Ex. 2134, 5 (“All the analyses included in the report derive from the actual rates charged by law firm professionals as recorded on invoices submitted and approved for payment.”); *see* Ex. 2135 (“[F]or private practitioners, data were collected for billable hours, rates, and the amount billed for legal services.”). Exhibits 2134 and 2135 are relevant for determining whether the requested rates are in line with those prevailing in the community for similar services of lawyers of reasonable comparable skill and reputation. Accordingly, OpenSky’s argument that I did not authorize submission of Exhibits 2134 and 2135 is not well taken, and I deny OpenSky’s request to expunge Exhibits 2134 and 2135.

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OpenSky objects to Exhibits 2134 and 2135 under Rules 401–403 as not relevant. *See* Obj. 18–19. Specifically, OpenSky argues that Exhibit 2134 reports data compiled for very large law firms, unlike Lowenstein & Weatherwax, and “Exhibit 2135 is dated September 2021” and does not have “any bearing to VLSI’s fee request (which is limited to the period between June 8, 2021 and December 5, 2022).” *See id.* Neither argument is persuasive. As discussed previously, Exhibits 2134 and 2135 are relevant for identifying the prevailing rates in the intellectual property community during a time period relevant to this proceeding. Both provide a useful point of comparison for determining the lodestar. *See Biery v. United States*, 818 F.3d 704, 714 (Fed. Cir. 2016) (holding that it is within a court’s discretion to “use either the Adjusted *Laffey* Matrix or the Kavanaugh Matrix and any departure, or no departure, from the rates they suggest.”). Accordingly, Exhibits 2134 and 2135 are relevant under Rule 401–402, and I reject OpenSky’s objection. OpenSky does not argue that the probative value of the exhibits is outweighed by, e.g., undue prejudice under Rule 403, and therefore I reject OpenSky’s objection based on that rule as well.

OpenSky objects to Exhibits 2134 and 2135 as inadmissible hearsay under Rules 801 and 802. Obj. 19. OpenSky argues that VLSI relies on Exhibits 2134 and 2135 for “various out-of-court statements about billing rates.” *Id.* However, Exhibits 2134 and 2135 are both market reports that are generally relied on by the public or persons in particular occupations. *See* F.R.E. 803(17). Because Exhibits 2134 and 2135 fall under a hearsay exception, I reject OpenSky’s objections under Rules 801 and 802.

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OpenSky lists an objection under Rules 901 and 902 but provides no explanation or argument for this objection. *See* Obj. 17–19. Because there is no argument that addresses this objection, I dismiss the objection.

B. Fees Linked to OpenSky’s Misconduct

OpenSky argues that “VLSI says nothing to explain how the fees sought were caused by OpenSky’s misconduct as required by the Director’s order and *Goodyear Tire & Rubber Co. v. Haeger*, 581 U.S. 101, 103–104 (2017).” Opp. 5. Contrary to OpenSky’s argument, VLSI explained how the requested fees are associated with OpenSky’s misconduct. *See* Mot. 8–12. Accordingly, I am not persuaded by OpenSky’s argument against the entirety of VLSI’s fees. I apply the billing entries to the fee calculation below.

C. VLSI’s Misconduct not at Issue

OpenSky argues that “VLSI has engaged in serious litigation misconduct throughout the entire proceeding” and should not be awarded fees under the “unclean-hands doctrine.” *See* Opp. 6–8. Specifically, OpenSky argues “that VLSI has unclean hands in this proceeding because VLSI made misrepresentations of law and fact and violated an NDA in an effort to avoid institution and thereby ‘enhance’ VLSI’s position.” *Id.* at 7–8 (quoting *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1240 (Fed. Cir. 2018)). OpenSky further refers to VLSI’s actions in another proceeding, IPR2021-01229, as evidence of unclean hands. *See id.* at 8.

I do not agree that VLSI’s alleged misconduct excuses OpenSky’s abusive behavior. To the extent that VLSI misrepresented issues of fact and

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law, I addressed VLSI's misconduct separately in this proceeding. *See* Paper 121, 4.

III. CALCULATING THE LODESTAR

“In calculating an attorney fee award, a district court usually applies the lodestar method, which provides a presumptively reasonable fee amount, by multiplying a reasonable hourly rate by the reasonable number of hours” *Lumen View Tech. LLC v. Findthebest.com, Inc.*, 811 F.3d 479, 483 (Fed. Cir. 2016) (internal citation omitted). I previously determined that it is appropriate to award attorney fees to VLSI for the time spent addressing OpenSky's abusive behavior, including the Director Review process in its entirety.⁴ Paper 127, 2. Accordingly, I examine VLSI's hours submitted for the time spent in addressing OpenSky's abusive behavior and the hourly rate charged by VLSI's counsel.

A. Reasonable Number of Hours

VLSI argues that the “unique challenges” of this proceeding required employing two law firms, Lowenstein & Weatherwax (“L&W”) and Irell & Manella (“Irell”). Mot. 3–4. VLSI further argues that this proceeding is unusual and complex, raises questions of first impression, and deals with issues important to the Office in fulfilling its mission. *Id.* at 3 (citing Paper 121, 5; Dec. 2). VLSI divides its billing entries for both law firms into the various parts of this proceeding. *See id.* at 6–12. OpenSky responds to VLSI's arguments as to each part of the proceeding, arguing that the

⁴ To the extent VLSI requests attorney fees for activity outside this IPR and Director Review, I reject that request and exclude the requested amount from the sanction against OpenSky. *See* Paper 127, 2, 13–15.

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requested fees must be reduced or excluded. *See* Opp. 8–19 (citing Ex. 1068). Accordingly, I address the parties’ arguments as to each part of the proceeding in turn.

1. Pre-Institution Activities

VLSI asserts that it spent time addressing OpenSky’s misconduct prior to the Board’s Institution Decision, including preparing the Patent Owner Preliminary Response (“POPR”) and the Board-authorized Preliminary Sur-reply. Mot. 6–8. VLSI argues that its pre-institution briefs reflect this argument as VLSI “maintained that OpenSky was a ‘prospector,’ ‘seek[ing] a payout,’ and ‘under no threat of infringement allegations,’ and that its ‘harassment should not be encouraged’” from the beginning of this proceeding. *Id.* at 6 (alteration in original). VLSI further asserts that “[m]uch of the factual and legal research and initial drafting for the POPRs and Preliminary Surreplies applied to both IPR2021-01056 (the ‘1056’) and IPR2021-1064 (the ‘1064’).” *Id.* at 8. Thus, VLSI seeks 50% of the time listed in billing entries for both the 1056 and 1064 IPRs, and 40% of the entries for drafting the 1056 IPR. *Id.*

OpenSky responds that “VLSI’s pre-institution factual research, legal research, POPR, sur-reply, and POP are all focused [on] the *Fintiv* and *General Plastic* factors, prior art invalidity, hearsay in expert reports, recycling Intel’s petition, and immunity to IPR challenges after trial, which all are unrelated to a supposed abuse of process.” Opp. 10. OpenSky further argues that “[t]here is no mention of misconduct, ethical violations, or abuse of process in any of the time entries and no legal citations in briefs until *after* February 23, 2022.” *Id.* at 11.

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I am persuaded by OpenSky’s argument to exclude VLSI’s pre-institution activities from the fee calculation. I previously indicated that I would not award attorney fees for responding to the merits of the case. Paper 127, 2. VLSI’s POPR and Preliminary Sur-Reply primarily address the merits of the case, including the substance of the Petition, discretionary denial under *Fintiv* and *General Plastic*, and hearsay based on expert declarations. *See* Paper 9; Paper 16. The Billing Statement reflects this focus. *See* Ex. 2126, 2–7. Although VLSI raised the potential for abuse in its initial filings, the vast majority of time was spent on addressing the merits or seeking discretionary denial independent of abuse. Accordingly, I exclude VLSI’s billing entries for “Pre-Institution Activities” (Billing Statement 2–7) from the fee calculation.

2. Precedential Opinion Panel (“POP”) Request for Review

VLSI asserts that its request for POP review (“POP Request”) “centered upon OpenSky’s misconduct and abuse of the IPR process.” Mot. 8 (citing Paper 20, 1, 3–4, 6–8; Decision, 10–11; Paper 127, 12). Specifically, VLSI argues that its POP Request raised the issue of OpenSky seeking payment in exchange for dropping its challenge and seeking to extract payouts from patent owners. *See id.* (citing Paper 20, 3, 5). VLSI’s Billing Statement reflects the time spent on preparing the POP Request. *See* Ex. 2126, 8–9 (Table 2.1).

OpenSky responds that “POP-related fees should be excluded [as] an unnecessary and strategic decision in response to VLSI’s merits loss, not OpenSky abuse.” Opp. 14. OpenSky further argues that, if allowed, the

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time should be reduced due to reiterating prior arguments and vague time entries. *See id.*

I am persuaded by VLSI's arguments to include the billing entries related to preparing the POP Request. Although the POP Request was denied, the POP Request raised issues relevant to Director Review of OpenSky's misconduct. *See* Paper 41; Paper 47, 7–9. Accordingly, VLSI's POP Request addresses OpenSky's abusive behavior and is part of the Director Review process. *See* Paper 127, 2. I further find VLSI's descriptions of the time billed adequate without further reduction. *See Rumsey*, 866 F.3d at 1379 (noting that counsel "is not required to record in great detail how each minute of his time was expended" but "should identify the general subject matter of his time expenditures").

3. Settlement Negotiations

VLSI asserts that the settlement negotiations between counsel for VLSI and OpenSky "were 'entirely distinguishable from conventional settlement negotiations that take place in an adversarial proceeding' (Decision, 3) and through which OpenSky attempted to extort money from VLSI (*id.*, 40)." Mot. 9 (quoting Dec. 3). VLSI's billing entries include time attributed to settlement negotiations with Patent Quality Assurance ("PQA") in IPR2021-01229. *See id.*; Billing Statement 10 (Table 3.1). Accordingly, VLSI reduces its fees with mixed billing entries to 40% of the billing amount. *Id.*

OpenSky does not specifically address the settlement negotiations. *See generally* Opp. However, OpenSky generally argues that "the Director previously rejected VLSI's attempt to seek attorney fees for proceedings

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other than the 1064 IPR.” Opp. 9 (citing Paper 127, 14). Accordingly, OpenSky argues that “VLSI cannot be awarded fees for time entries that are not expressly directed to the 1064 IPR” and that “because the lack of detail is VLSI’s fault, the fees must be reduced.” *Id.*

I am persuaded by VLSI’s arguments to include the billing entries related to the settlement negotiations, as these are directly relevant to OpenSky’s abuse of process. I also find adequate VLSI’s reduction to 40% of any billing entries that also reference IPR2021-01229 as a good faith effort to exclude fee request hours that are excessive, redundant, or otherwise unnecessary. *See Hensley*, 461 U.S. at 434.

4. Ethical Research

VLSI asserts that OpenSky’s actions “forced VLSI’s counsel to research the extent of OpenSky’s ethical violations, VLSI’s own ethical obligations, and various strategic considerations.” Mot. 10 (citing Dec. 3, 31–32). VLSI’s billing entries reflect this time. Ex. 2126, 11–12 (Table 4.1). OpenSky does not specifically challenge VLSI’s request on these billing entries.

I am persuaded by VLSI’s arguments to include the billing entries related to legal research on the ethical ramifications of OpenSky’s misconduct. As I noted in my Decision, the circumstances of this particular case are unusual and serious. *See Dec.* 43, 48. Accordingly, it was appropriate for VLSI to spend a substantial amount of time investigating OpenSky’s actions and VLSI’s corresponding obligations.

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5. Director Review Process

VLSI asserts that “[t]he Fee Order makes clear that OpenSky must compensate VLSI for its reasonable attorney fees incurred during the entirety of the Director Review process.” Mot. 10 (citing Paper 127, 1). VLSI argues that this time includes addressing the granted Director Review and Scheduling Order, responding to Mandated Discovery, and responding to my inquiries. *Id.* at 10–11. VLSI acknowledges that several billing entries list time entered for both this proceeding and IPR2021-01229. *See id.* VLSI has accordingly reduced to 50% the time entries applied to this proceeding that also list IPR2021-01229. *See id.* VLSI’s Billing Statement reflects the time spent and the reduced hours. *See* Ex. 2126, 13–31 (Table 5).

OpenSky responds that fees should be limited to entries identifying the 1064 IPR, and entries citing IPR2021-01229 “must be reduced by 50% for the lodestar percentage.” Opp. 14. OpenSky further argues that VLSI’s fees “are consistently excessive.” *Id.* at 15. For example, OpenSky argues that VLSI’s entries in Table 5.1 “should be at least further halved” “for taking an unreasonable amount of time to just talk strategy,” for being vague, and for not necessarily addressing abuse. *See id.* OpenSky argues that VLSI’s entries in Tables 5.3A and 5.3B should be reduced “for unreasonably spending over 240 hours on documents when only three requests applied to VLSI documents,” “spending 88.9 hours on its . . . request for in camera review,” “for using partner level fees to perform entry level work,” and for vague entries. *See id.* at 15–16. OpenSky argues that VLSI’s entries in Tables 5.4.A and 5.4.B should be disallowed “because

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seventy-one hours for legal research is indefensible considering VLSI’s opening brief only citing to *eight* cases,” or reduced due to excessive time spent and duplication. *See id.* at 15–16. OpenSky argues that VLSI’s entries in Tables 5.5A and 5.5B should be reduced for including PQA time and for “unreasonably taking over 220 hours to write [a] 25 page[] brief,” overstaffing, and block billing with vague entries. *See id.* at 17. Finally, OpenSky argues that VLSI’s entries in Table 5.6A should be reduced for identifying PQA and for excessive hours, overstaffing, vague entries, and not being related to OpenSky’s abuse. *See id.* at 17–18.

I am persuaded by VLSI’s arguments to include the time listed in the Billing Statement in Tables 5.1–5.6 as applied to the Director Review process. VLSI has already reduced the majority of the billing entries as a good faith effort to exclude hours that are excessive, redundant, or otherwise unnecessary, including those that overlap with IPR2021-01229. *See Ex. 2126, 13–31.* I recognize OpenSky’s arguments that VLSI spent an overly large amount of time on these issues. However, this Director Review raised numerous novel and complex issues. *See Johnson v. Georgia Highway Exp., Inc.*, 488 F.2d 714, 718 (5th Cir. 1974) (holding that courts should consider “[t]he novelty and difficulty of the questions” when assessing whether attorney fees are reasonable), *abrogated on other grounds by Blanchard v. Bergeron*, 489 U.S. 87 (1989). It is not unreasonable for VLSI’s counsel to have spent significant time to address the novel and complex issues of misconduct raised in the Director Review process. Accordingly, I accept VLSI’s billing entries including the reductions already proposed by VLSI.

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6. Attorney Fees Briefing

VLSI asserts that “[t]he briefing ordered by the Director to show cause why attorney fees sanctions should or should not be levied against OpenSky was also a part of the Director review process and directly related to OpenSky’s misconduct.” Mot. 11.

OpenSky responds that VLSI’s fees are excessive as “[a] 21-page brief does not require 3½ weeks of attorney work (6 hours per page) and VLSI double charges for sanctions legal research (*see e.g.*, Tables 4.1, 5.4.A, Table 6.1, *e.g.* 10/5/2022, 10/27/2023, 11/3/2022).” Opp. 18. OpenSky further argues that VLSI’s time went outside the scope of the show cause order for researching opposition to attorney withdrawal and arguing attorney liability. *Id.* at 18 (citing Paper 117, 15–21). Finally, OpenSky argues that VLSI’s time entries on the responsive brief are excessive and improperly vague. *See id.*

I am persuaded by VLSI’s arguments to include the time listed in the Billing Statement in Tables 6.1–6.2 as applied to the sanctions process. The sanctions are a direct result of OpenSky’s misconduct. There is no indication that VLSI’s billing entries directed to legal research are duplicative or excessive. VLSI has further reduced the hours in the entries, including those specifically identified by OpenSky as being outside the scope of the show cause order. *See Ex. 2126, 33.* Accordingly, I accept VLSI’s billing entries including the reductions already proposed by VLSI.

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B. Reasonable Rate

“The fee applicant . . . has the burden of proving that the ‘requested rates are in line with those prevailing in the community for similar services of lawyers of reasonably comparable skill and reputation.’” *View Eng’g*, 208 F.3d at 987 (approving of a lodestar determination that reduced the billing rates of attorneys whose “rates were on the high-end of rates charged by other intellectual property attorneys with equivalent experience” as compared to the AIPLA Economic Survey). As discussed above, VLSI engaged attorneys from two different law firms for this proceeding. VLSI further submits two different rates reports as evidence of the prevailing rates in the community. *See* Ex. 2134; Ex. 2135; *see also Covington v. D.C.*, 57 F.3d 1101, 1109 (D.C. Cir. 1995) (“Although fee matrices are somewhat crude—the Laffey matrix, for example, lumps attorneys with four to seven years of experience in the same category; attorneys with eleven to nineteen also share the same hourly rate—the matrices do provide a useful starting point.”)

Accordingly, I consider the reasonableness of the rates submitted by VLSI’s counsel.

1. Lowenstein & Weatherwax

VLSI asserts that L&W “is a boutique that specializes in IPRs, Federal Circuit appeals thereto, and ex parte reexaminations.” Mot. 13; Ex. 2127 ¶ 3. VLSI asserts that “L&W has had a distinguished record of success before the Board and in the Federal Circuit” as counsel of record in over 300 PTAB proceedings and 45 Federal Circuit appeals. *Id.*; Ex. 2127 ¶ 5. VLSI asserts that “L&W billed VLSI at a significantly discounted rate

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in this matter. For instance, Messrs. Lowenstein’s and Weatherwax’s rates per hour to VLSI were \$ [REDACTED] in 2021 and \$ [REDACTED] in 2022 while Ms. Woo’s rates were \$ [REDACTED] in 2021 and \$ [REDACTED] in 2022. These rates are significantly lower than what the firm charges in many other matters.” Mot. 14; Ex. 2127 ¶ 18. Mr. Lowenstein declares that Mr. Linger’s rate in 2021 was \$ [REDACTED]/hour. Ex. 2127 ¶ 18.

Mr. Lowenstein describes the experience for L&W’s billing attorneys. *See* Ex. 2127. For example, Mr. Lowenstein “worked together with Mr. Kenneth Weatherwax for many years . . . since at least 2006” (at least 17 years of experience). *Id.* ¶ 8. Colette Woo “joined L&W approximately three-and-a-half years ago” (3–5 years of experience). *Id.* ¶ 9. “Mr. Robert Pistone joined L&W in September 2022” (less than 3 years of experience). *Id.* ¶ 10.

As to the billing rates in the community, Mr. Lowenstein declares that “[t]he Los Angeles market, where both L&W and Irell are based, also garners relatively high rates.” *Id.* ¶ 15. Mr. Lowenstein references the 2022 Real Rate Report that lists mean rates for patent practitioners in the 2022 Los Angeles market (firms with more than 1,000 lawyers) as \$1,128/hour for partners and \$771/hour for associates. *Id.* ¶ 15 (citing Ex. 2134, 178).

OpenSky argues that “Exhibit 2134 reports data compiled for very large law firms with ‘More Than 1,000 Lawyers’” and has no bearing on the fees of L&W, a small boutique. Obj. 18–19.

I am persuaded that L&W’s rates are reasonable and require no further adjustment. Although Mr. Lowenstein cites to data for a firm size of “more than 1,000 lawyers,” the data otherwise includes similar rates for

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patent practitioners in Los Angeles. *See* Ex. 2134, 154 (2022 partner mean of \$943/hour; 2022 associate mean of \$736/hour). The 2022 Real Rate Report also lists prevailing rates in the patent-litigation community. Ex. 2134, 156–158. For example, the mean real rates for partners in patent litigation (fewer than 21 years of experience) was \$746/hour in 2021 and \$856/hour in 2022. *Id.* at 156. Ex. 2134, 157. The mean real rates for associates in patent litigation was \$545/hour in 2021 and \$652/hour in 2022 for 3–7 years of experience and \$341/hour in 2021 and \$427/hour in 2022 for less than 3 years of experience. *Id.* The 2022 Real Rate Report also provides information on firms of varying size. Ex. 2134, 158. For 50 lawyers or fewer, the mean real rates for patent litigation at the partner level was \$551/hour in 2021 and \$562/hour in 2022. The mean real rates for patent litigation at the associate level was \$410/hour in 2021 and \$488/hour in 2022. *Id.*

The AIPLA Economic Survey for 2012 (Ex. 2135) lists lower rates for both partners and associates. *See* Ex. 2135, 24–25 (partner mean \$545/hour), 30 (associate mean \$375/hour with fewer than 5 years’ experience). However, the AIPLA Economic Survey does not distinguish between litigation similar to AIA proceedings and non-litigation patent practice. *See id.*; *see* Ex. 2134, 156. L&W’s rates fall within the mean ranges prevalent in the community for patent litigators of similar skill and experience. Accordingly, I determine L&W’s billed rates are reasonable.

2. Irell & Manella

VLSI asserts that Irell is a leading patent litigation firm “and VLSI’s chief district court litigation counsel.” Mot. 5. Mr. Heinrich declares that

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Irell “specializes in a wide array of legal areas, including Patent Office Trials, Intellectual Property Litigation, and Intellectual Property Transactions.” Ex. 2128 ¶ 3. Mr. Heinrich declares that “Mr. Phillip Warrick is Counsel at Irell,” and has 15 years of experience. *Id.* ¶ 7. “VLSI is seeking an hourly rate of \$ [REDACTED] for Mr. Warrick.” *Id.* ¶ 13. Mr. Heinrich declares that “Ms. Charlotte Wen is a senior associate at Irell” and graduated law school in 2016. *Id.* ¶ 8. “VLSI [] seeks an hourly rate of \$ [REDACTED] for Ms. Wen.” *Id.* ¶ 13. VLSI asserts that “[i]n another patent litigation matter concerning Irell’s fee rates, the opposing party had “stipulated that the rates claimed by [Irell] are reasonable.”” Mot. 17 (citing *Finjan, Inc. v. Juniper Network*, No. 3:17-cv-05659-WHA, 2021 WL 3674101, at *3 (N.D. Cal. May 20, 2021)).

OpenSky argues that “any fees awarded for any Irell timekeepers should be reduced by fifty percent. Contrary to VLSI’s brief, plaintiff Finjan did not stipulate to Irell’s rates, but to market rates.” Opp. 10 (citing *Finjan*, 2021 WL 3674101, at *3). OpenSky provides no other argument that the Irell attorneys’ rates are unreasonable.

I am persuaded that the Irell attorneys’ rates are reasonable and require no further adjustment. Irell’s requested rates for Mr. Warrick (\$ [REDACTED]/hour) and Ms. Wen (\$ [REDACTED]/hour) are below the mean rates reported for the Los Angeles billing market for patent practitioners (Ex. 2134, 154) and are commensurate with the rates for patent litigation practice for attorneys with similar experience in law firms of similar size (*id.* at 156–157).

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C. Total Attorney Fees

VLSI requests total attorney fees of \$489,511.15. *See* Ex. 2126, 40. As discussed above, I exclude the attorney fees for “Pre-Institution Activities” (amounting to \$66,117.65) and any activities outside the IPR and Director Review proceedings (amounting to \$10,129.35). Reducing the total attorney fees by the excluded fees results in \$413,364.15. Accordingly, I sanction OpenSky for VLSI’s reasonable fees of \$413,264.15.

IV. ORDER

Accordingly, based on the foregoing, it is:

ORDERED that VLSI’s Motion for Fees is granted; and

FURTHER ORDERED that, within thirty (30) days of the date of this Order, OpenSky shall pay VLSI \$413,264.15 as a sanction.

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