

NOT INTENDED FOR PUBLICATION IN PRINT

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF INDIANA  
INDIANAPOLIS DIVISION

CARDIAC PACEMAKERS, INC, )  
GUIDANT SALES CORPORATION, )  
ELI LILLY & COMPANY, )  
MIROWSKI, ANNA, )

Plaintiffs, )  
vs. )

ST JUDE MEDICAL, INC - )  
COUNTERCLAIMANT 10/2/00, )  
PACESETTER, INC - )  
COUNTERCLAIMANT 10/2/00, )  
VENTRITEX, INC - )  
COUNTERCLAIMANT 10/2/00, )  
JOHN DOES 1 - 10, )

Defendants. )

CAUSE NO. IP96-1718-C-H/?

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GUIDANT SALES CORPORATION, )  
ELI LILLY AND COMPANY, and )  
ANNA MIROWSKI, )

Plaintiffs, )

v. )

ST. JUDE MEDICAL, INC., PACESETTER, )  
INC., and VENTRITEX, INC., )

Defendants. )

CAUSE NO. IP 96-1718-C H/K

ENTRY ON POST-JUDGMENT MOTIONS

On February 13, 2002, the court issued its Entry on Post-Verdict Motions deciding numerous post-verdict motions. The court also entered final judgment in favor of defendants in this patent infringement action. Three post-judgment motions are now ripe for resolution. Adhering to prior convention, the court refers to "CPI" to refer to all plaintiffs and to "St. Jude" to refer to all defendants, unless otherwise specified.

I. *St. Jude's Motion to Amend Judgment*

The court's Entry on Post-Verdict Motions denied St. Jude's motion for judgment as a matter of law as to whether defendants infringed Claim 1 of U.S. Patent No. 4,316,472 (the "472 patent"). The court based its denial on the view that the evidence supported a finding that St. Jude's accused products were capable of being programmed to deliver electrical charges with a non-truncated waveform.

St. Jude asserts that there is actually no evidence to support such a finding. CPI has agreed with St. Jude on this point. CPI contends that the court has misinterpreted the "selecting means" element of Claim 1, so that the inability to program non-truncated waveforms should be irrelevant. Nevertheless, CPI agrees that, if the court's interpretation of Claim 1 is correct, then St. Jude would be entitled to judgment as a matter of law on the issue of infringement of Claim 1 of the '472 patent.

Accordingly, St. Jude's motion to amend the judgment is granted, and the court grants judgment as a matter of law to St. Jude to the effect that St. Jude has not infringed Claim 1 of the '472 patent. The court is issuing today an amended judgment and an amended version of the Entry on Post-Verdict Motions to reflect this change. The court's discussion of damages issues, especially regarding the entry barrier issue and remittitur, has also been amended to

reflect the removal of certain statements by the court based on the court's earlier and mistaken view of the Claim 1 infringement issue.

## II. *Exceptional Case Under 35 U.S.C. § 285*

The court's post-verdict rulings and judgment made St. Jude the prevailing party. St. Jude then moved for a determination that this case is an "exceptional case" within the meaning of 35 U.S.C. § 285 and for an award of attorney fees.

A finding that a case is "exceptional" may be based on conduct such as willful infringement, inequitable conduct before the Patent and Trademark Office, misconduct during litigation, vexatious or unjustified litigation, and frivolous suits or defenses. *E.g., Beckman Instruments, Inc. v. LKB Produkter AB*, 892 F.2d 1547, 1551 (Fed. Cir. 1989).

The court finds this to have been an exceptional case with respect to the intentionally false testimony by CPI witness Dr. Joseph Bourland and the ways in which inside and outside counsel for plaintiff Cardiac Pacemakers, Inc. addressed Dr. Bourland's actions and failures. The court has already detailed those matters in the Entry on Post-Verdict Motions and will not repeat those findings here. Suffice it to say that the court finds that the intentionally false material testimony from CPI's key expert witness on liability and the failures of counsel – both during and after trial – to recognize and remedy that false testimony warrant an "exceptional case" finding under § 285.

The court does not find that other aspects of this case warrant such a finding. The case has been contested vigorously on a host of issues for more than five years. Perhaps in light of the stakes, the parties and highly skilled counsel on both sides have at times argued for positions with slender factual and/or legal support. See, e.g., *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, 149 F. Supp. 2d 610, 614 (S.D. Ind. 2001) (rejecting St. Jude's efforts to avoid being bound by results of the arbitration it had fought so hard to obtain). Other examples from both sides, ranging from claim construction to summary judgment practice, motions *in limine*, and trial presentations could be cited. Although this court has granted a final judgment in favor of defendants, the complexities and uncertainties of patent law make it difficult for this court to say that CPI did not have some reasonable and objective basis for asserting its claims in this case.

In light of the finding that the Bourland issues support an exceptional case finding, the determination of any award under § 285 must be based upon the extent and consequences of the conduct supporting the finding. See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 831 (Fed. Cir. 1992), citing *Beckman Instruments*, 892 F.2d at 1553-54.<sup>1</sup> The court finds that the sanctions pursuant to Fed. R. Civ. P. 37(c)(1) for the Bourland affair – both those imposed now and

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<sup>1</sup>*Read Corp.* has been superseded on other grounds, as stated in *Hoechst Celanese Corp. v. BP Chemicals Ltd.*, 78 F.3d 1575, 1578 (Fed. Cir. 1996).



the contingent sanctions in the event a new trial might be needed – are also the appropriate award under § 285. The court's Amended Entry on Post-Verdict Motions reflects this additional legal basis for the court's award. The court turns next to the amount of the sanctions.

### III. *The Amount of Sanctions*

The court's Entry on Post-Verdict Motions stated that St. Jude should recover from plaintiff Cardiac Pacemakers, Inc. the expenses and fees that St. Jude incurred as a result of the Bourland discovery violation, including St. Jude's efforts to conduct post-trial discovery and to brief the issue and the related portion of CPI's motion for a new trial. St. Jude submitted its petition. CPI raised a number of objections, and St. Jude replied. No party took up the court's invitation to request an evidentiary hearing if one were needed, so the court is deciding the amount based on the papers.

St. Jude's initial request sought \$349,670.55 in fees and \$11,754.44 in costs. In response to CPI's objections, St. Jude added \$46,383.88 to its fee request and withdrew requests for \$3,943.92 in costs, for a total request of \$403,145.85. The court awards total sanctions in the amount of \$376,917.63.



A. *Record-keeping Issues*

CPI contends that the court should substantially reduce the requested fee because many billing records for St. Jude's lawyers do not show contemporaneous detail about their work on the Bourland issues.

The court's fee award is limited, at least at this point, to work on the Bourland issues. Where lawyers' time records clearly show how much time was devoted to those issues, of course, there is no serious problem. But such a level of issue-by-issue detail in billing records is unusual, at least in this court's experience. Where St. Jude's lawyers combined work on the Bourland issues with work on other aspects of the case in the same time entry for a day, the problem is to allocate fairly the time spent on the compensable issues. See generally *Hensley v. Eckerhart*, 461 U.S. 424, 435 (1983); *Merriweather v. Family Dollar Stores of Indiana, Inc.*, 103 F.3d 576, 583-84 (7th Cir. 1996) (affirming allocation of fees where party prevailed on one claim but not another).

There is "no precise rule or formula for making these determinations." *Hensley*, 461 U.S. at 436. Even where time entries are not specific, they can be read and recalled with an eye on the calendar and the docket to make reasonable estimates of the compensable portion of the time. See, e.g., *Berberena v. Coler*,

753 F.2d 629, 634 (7th Cir. 1985) (affirming award based on review of time records as supplemented by other records); *Craig v. Christ*, 1999 WL 1059704 (S.D. Ind. Sept. 10, 1999) (relying on calendar and docket to evaluate time records).

Turning to CPI's specific challenges, St. Jude attorney Michael Rackman has submitted an affidavit explaining that he reviewed his time entries that do not detail the amount for the Bourland issues, and that he used his professional judgment and memory to estimate the time on the Bourland issues. Looking at Mr. Rackman's central role in these issues – he was the attorney responsible for cross-examining Dr. Bourland at trial – the court finds that Mr. Rackman's estimates are credible, conservative, and fair. The court will allow all of the 25 hours that he estimated from the non-specific time records.

Attorney James Ladner is an in-house attorney for St. Jude who has been deeply involved in this case. As an in-house lawyer who did not bill his time on an hourly basis, Mr. Ladner did not keep daily time records for billing purposes. St. Jude has asked for compensation for Mr. Ladner's time on the Bourland issues, using an hourly rate of \$315. See *Central States, Southeast and Southwest Areas Pension Fund v. Central Cartage Co.*, 76 F.3d 114, 117 (7th Cir. 1996) (fee award based on work of in-house lawyers should be based on market hourly

rate).<sup>2</sup> Because Mr. Ladner did not keep daily records, the request for fees for his time is based on his reconstruction and memory, as well as the contemporaneous billing records of the outside attorneys he worked with. St. Jude seeks an award for 95.5 hours of Mr. Ladner's time.

Given the amount of reconstruction that Mr. Ladner had to do, and especially since more than half the total time comes from one bulk estimate for time from July 25 to October 31, 2001, the court believes that Mr. Ladner's requested time should be discounted by 25 percent. See *Dutchak v. Central States, Southeast and Southwest Areas Pension Fund*, 932 F.2d 591, 597 (7th Cir. 1991) (affirming use of 10 percent discount for reconstructed time records); see also *PPG Industries, Inc. v. Celanese Polymer Specialties Co.*, 840 F.2d 1565, 1570 (Fed. Cir. 1988) (reversing district court's refusal to award any fees for in-house counsel who had not kept contemporaneous records, but indicating that reduction of requested amount would be appropriate).

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<sup>2</sup>The Seventh Circuit's decision on this point in *Central Cartage* took issue with the Federal Circuit's contrary conclusions in *Devine v. National Treasury Employees Union*, 805 F.2d 384, 386-88 (Fed. Cir. 1986), and *Goodrich v. Dep't of Navy*, 733 F.2d 1578, 1580-81 (Fed. Cir. 1984). The standards for fee awards under Fed. R. Civ. P. 37(c) are not specific to patent law, so this court has therefore applied the Seventh Circuit's law to the issue. CPI has not argued that Mr. Ladner's time should be compensated at less than the private market rate.

The court has also reviewed the time records of other lawyers, comparing the daily total time for the case with the portions allocated to compensable work on the Bourland issues. The allocations range from small fractions to 100 percent of the total time. The court is satisfied that the efforts to allocate time to the compensable Bourland issues were in fact reasonable, conservative, and fair.

For example, CPI has focused on David Segal's entry for September 24, 2001. Mr. Segal billed a total of 14.4 hours to the case that day. His time entry states:

Conference calls regarding post-trial briefing; messages to/from D. Moyer regarding same; analyze Bourland inconsistency issues based on M. Rackman comments; messages and conversations with D. Salmon regarding same; telephone conferences with D. Salmon regarding briefing issues; continue work on post-trial briefs; incorporate team changes into briefs.

St. Jude's fee petition seeks to recover 6.4 of Mr. Segal's 14.4 total hours, which were spent the day before St. Jude filed its set of reply briefs on the principal post-trial motions, including those relating to Dr. Bourland. The court cannot say that Mr. Segal's estimate is precise, but the court can say that, in view of all the circumstances, including the central role that the Bourland issues played in several of the post-trial motions, Mr. Segal's estimate appears to be reasonable, fair, and probably conservative.

CPI has also focused on what it describes as Mr. Whistler's time entry for July 12, 2001. Pl. Br. at 7 n.4. In fact, the entry quoted by CPI was for Mr. Williams, and it was for July 11, 2001. The total time was 5.0 hours, and the description reads: "Continued review of Bourland materials; conference call with Ladner." CPI points out there is no indication that the conference call related to the Bourland issue. However, Mr. Williams is the former federal prosecutor who came into the case after trial and who actually took Dr. Bourland's deposition the following week - the deposition in which Dr. Bourland admitted that he had intentionally lied. All of Mr. Williams' time on this case was devoted to the Bourland issues. He had nothing else to talk about with Mr. Ladner. This attack by CPI is misguided.

CPI contends that time recorded as having been spent for unspecified conferences, briefs, and trial preparation should also be excluded or reduced because the time cannot be tied to the compensable Bourland issues. Again, however, the court's examination of the allocations done by St. Jude's counsel shows that St. Jude paid attention to the issue and addressed the problem in a reasonable way, especially when parallel records, the calendar, and the docket are all considered together.

In its Appendix A, for example, CPI has identified as impermissibly vague a number of entries from Lyon & Lyon.

On August 29, 2001, St. Jude expert witness Mihran recorded 0.5 hours for “Phone conference with J. Olson,” and all of that time was allocated to the Bourland issues. Mihran had a separate entry for the same day for 0.9 hours for “Review CPI post-trial brief/Bourland rept.” And when one looks at Mr. Olson’s entry for the same day, he recorded 3.5 hours for “Conference with Mihran re responding to CPI’s motion for new trial re ‘288 patent.” That time was all reasonably allocated to the Bourland issues, and it is reasonable to conclude that the conference between Dr. Mihran and Mr. Olson was focused on the Bourland issues.

On September 23, 2001, Mr. Olson recorded 7.8 hours for “Continued work on post trial motions.” He allocated half of the time, 3.9 hours, to the Bourland issues. In context, that was the day before St. Jude’s attorneys needed to finalize their reply briefs on the post-verdict motions. Also, the court is familiar with the role that Mr. Olson played in the case, which focused on some of the most challenging patent law issues. He obviously played an important role in developing St. Jude’s case on the Bourland issues. Half of his time that day is a reasonable allocation.



CPI attacks in its Appendix A a Lyon & Lyon entry for September 6, 2001 that CPI mistakenly attributes to “Meier” for 1.9 hours for “Phone conference with P. Meier.” In fact, the Lyon & Lyon entry of 1.9 hours for that day is for expert witness Mihran, not attorney Meier. And when one looks at Mr. Meier’s entry for the same day, it shows 5.2 hours, all allocated to the Bourland issues, based on the description: “Continued drafting of materials re opposition to CPI new trial motion; conference with R. Mihran re same.” The CPI new trial motion put the Bourland situation directly at issue, and when one looks at the entries together, one can conclude that Dr. Mihran’s conference with Mr. Meier was compensable.

Further examples could be provided but would add little to the analysis. The point is that St. Jude’s attorneys paid attention to the problem of allocation and made reasonable and conservative estimates to solve the problem. Their approach is permissible, and the court will not discount their requests further on this basis than they have done already.

B. *Use of Multiple Lawyers*

CPI also attacks St. Jude’s fee request as excessive for involving four different law firms and inside counsel, and fourteen lawyers. CPI adds that such

a large team caused an excessive amount of lawyer time to be spent on lawyers reviewing one another's work and conferring with one another. CPI asserts that 42 percent of all St. Jude time entries included at least some conferencing among attorneys, though one should not conclude that 42 percent of lawyer time was spent on conferences. CPI cites several decisions from the Northern District of Illinois reducing fee requests that were found to include excessive intramural attorney conferences. See *Komperda v. Turcy*, 1999 U.S. Dist. Lexis 6329 (N.D. Ill. April 14, 1999); *Special Education Services v. RREEF Performance Partnership-I*, 1996 U.S. Dist. Lexis 9698 (N.D. Ill. July 11, 1996); *General Electro Music Corp. v. Samick Music Corp.*, 1994 U.S. Dist. Lexis 3106 (N.D. Ill. March 17, 1994).

It was not surprising or unreasonable for St. Jude to assemble a large team to litigate this case. Given the complexity of the facts and law, and the high stakes for St. Jude, the case called for a sizable team. CPI similarly assembled a large team of attorneys, albeit from two firms rather than four.

Given that a large team requires coordination, a lot of conferencing is to be expected. Also, in light of the stakes, it was reasonable for even the most senior and skilled attorneys to have their work reviewed by others on the team. See, e.g., *Bohen v. City of East Chicago*, 666 F. Supp. 154, 157 (N.D. Ind. 1987) (Easterbrook, J., sitting by designation) (consultations ensure that attorneys do

not overlook significant facts or injuries). Still, given the size of the team and the volume of conferences, the court is confident that some reduction is appropriate for the extensive conferencing. Determining a precise amount for an appropriate reduction is a nearly impossible task. The court will apply a five percent discount to the total fee request as an effort to apply a reasonable reduction.

C. *Hourly Rates and Use of Personnel*

CPI also argues that St. Jude's fee request should be reduced because the staffing of the case was in essence "top-heavy." Twelve of the fourteen lawyers involved with the Bourland issues either are partners in their law firms or seek rates comparable to those partners' rates. According to CPI's calculations, those partners spent about two-thirds of the total attorney time on the Bourland issues. CPI is also critical of the fact that the partners deigned to spend their time performing such supposedly lowly tasks as legal research and drafting briefs. CPI suggests that such efforts should be compensated at lower hourly rates. Some courts have adopted similar criticisms in deciding fee petitions. See *Spicer v. Chicago Bd. Options Exchange, Inc.*, 844 F. Supp. 1226, 1246 (N.D. Ill. 1993) (calling partner/associate hours ratio of 1.22 to 1.0 "extraordinary"); *Skelton v. General Motors Corp.*, 661 F. Supp. 1368, 1384 (N.D. Ill. 1987) (discounting some of senior partner's hours devoted to tasks that could have been performed by

legal assistant or less experienced attorney), *rev'd in part on other grounds*, 860 F.2d 250 (7th Cir. 1988).

The court views CPI's criticism as misguided, at least as applied to the tasks at issue in this case. The criticism reflects a persistent but not always accurate caricature of law practice in which senior partners do relatively little hands-on work while more junior minions do the bulk of the work. The criticism also tends to undervalue legal research and writing, which are often decisive, especially when dealing with complex and unusual issues.

CPI's criticism also is not consistent with the eminently rational decisions that the sophisticated clients on both sides of this case made in staffing a case of great value and importance to all of them. "Markets know market values better than judges do." *In re Continental Illinois Securities Litigation*, 962 F.2d 566, 570 (7th Cir. 1992). From the trial in this case, it is evident that the most senior lawyers on both sides were fully engaged in the case. That engagement requires knowing the law and the evidence, thoroughly and first-hand.

CPI singled out Mr. Salmon for criticism, noting that this senior partner with one of the nation's leading law firms spent a considerable amount of time doing legal research. Mr. Salmon's research efforts relevant to the Bourland

problem do not warrant criticism. Having a smart and experienced lawyer do some of the legal research on an unusual and pivotal issue was a reasonable choice. Mr. Salmon presumably knew what he was hoping to find. He knew his own case as well as anyone else, and no one was in a better position to evaluate the results of research and to anticipate rebuttals from CPI. Sometimes the most efficient approach to a task is to have an expert with a high billing rate do the work himself or herself. A less skilled or experienced attorney might charge lower rates but might also spend a lot of time spinning wheels in the library or the electronic database. The court will not discount the fee request on the theory that St. Jude used too many partners with relatively high hourly rates.<sup>3</sup>

To sum up the results of these decisions, beginning with St. Jude's request for a total of \$396,054.43 in attorney fees, the court subtracts \$7,520.63, which is 25 percent of attorney Ladner's time, and then applies a five percent "conferencing" discount to the remainder. The result is a total fee award of \$369,107.11. St. Jude has reduced its cost request to \$7,810.52, saying that the disputed items were not worth arguing about. The remainder of the cost requests

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<sup>3</sup>St. Jude has supported this argument by showing that plaintiff Eli Lilly and Company has taken a similar approach in another patent case pending before this court. In the case of *Eli Lilly and Company v. Zenith Goldline, Inc.*, Cause No. IP 99-38-C, Lilly has submitted a fee petition with a ratio of four partner hours to one associate hour, with partners doing a substantial amount of legal research and drafting. See Salmon Reply Decl., Ex. F.

will be allowed, so that the total award of costs and fees arising from the Bourland issue thus far is \$376,917.63. Pursuant to Fed. R. Civ. P. 37 and 54(d)(2)(C) (the court relies on both rules because sanctions are imposed under Rule 37 and 35 U.S.C. § 285), the court is entering a separate judgment in that amount in favor of defendants and against plaintiff Cardiac Pacemakers, Inc.

So ordered.

Date: July 5, 2002

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DAVID F. HAMILTON, JUDGE  
United States District Court  
Southern District of Indiana

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