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Shifting Expert Fees in Intellectual Property Litigation

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Current case law, along with current and pending legislation, relaxes the standard for courts to award attorney fees in intellectual property cases. Despite this recent trend, the second highest cost in intellectual property litigation, expert witness fees, remains overlooked. The current fee-shifting statutes in all areas of IP do not explicitly mention "expert witness fees." Because Supreme Court and Federal Circuit case law require an explicit statutory authority to shift expert fees, courts are bound to continue to treat these fees under the original "American Rule," where each side pays their own fees. Expert fees, along with attorney fees, contribute to the exorbitant litigation costs that can force defendants to settle even frivolous lawsuits. This article proposes that as expert fees become increasing costly in complex IP litigation, Congress should amend current IP legislation and grant explicit statutory authority for courts to shift expert fees under the same standard as attorney fees.

"Attorney Fees" in Section 285 of the Patent Act Do Not Include Expert Fees

Section 285 of the Patent Act states in whole that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285 (1952). Prior to 1991, the Federal Circuit held that "attorney fees" of Section 285 included expert fees, thus allowing expert fees to be shifted along with attorney fees. *Mathis v. Spears*, 857 F.2d 749, 759 (Fed. Cir. 1988) ("[U]nder Section 285, which authorizes an award of fees only upon a finding of 'exceptional case,' a district court may, in the exercise of its discretion . . . include an award of reasonable expert witness fees in excess of the $30/day attendance fee specified in 28 U.S.C. § 1821."). But in 1991, the Supreme Court in *West Virginia University Hospital, Inc. v. Casey* held that the term "attorney fees" in a statute does not provide courts with the explicit authority to award expert fees. 499 U.S. 83, 102 (1991). In West Virginia, the Supreme Court addressed whether a statute that states in relevant part that "the court, in its discretion, may allow the prevailing party . . . a reasonable attorney's fee as part of the costs" includes expert fees. Id. at 85 n.1. The Supreme Court determined the term "attorney's fee" does not provide the explicit statutory authority to award expert fees beyond § 1821's limit. Id. at 102. Citing several fee-shifting statutory provisions that explicitly shift both attorney fees and expert witness fees, the Court concluded "[s]uch [expert witness] fees are referred to in *addition* to attorney's fees when a shift is intended." Id. at 90 (emphasis in original). Consequently, the Federal Circuit, in *Amsted Industries v. Buckeye Steel Castings Co.*, reversed its prior ruling in *Mathis*, finding that Section 285 does not "provide the explicit statutory authority . . . to award expert fees beyond [Section 1821]." 23 F.3d 374, 377 (Fed. Cir. 1994).

Congress subsequently amended the statute at issue in *West Virginia* to include expert fees, which now reads, "[i]n awarding an attorney's fee under subsection (b) of this section . . . the court, in its discretion, may include expert fees as part of the attorney's fee." 42 U.S.C. § 1988(c) (2000). But Congress has not similarly amended Section 285 of the Patent Act to include expert fees. Thus, as of now, courts must rely on their inherent equitable power to award expert fees in a patent infringement case. The standard for shifting expert fees under the court's inherent power is limited to instances in which the party engaged in vexatious conduct, committed a fraud on the court, or there was an abuse of the judicial process. See e.g., *Takeda Chemical Ind. v. Mylan Laboratories*, 549 F.3d 1381, 1391 (Fed. Cir. 2008).

After Octane Fitness, Courts Are Shifting Attorney Fees While Denying Expert Fees

From 2005 to 2014, the standards for shifting attorney and expert fees were similarly rigorous. *The Federal Circuit in Brooks Furniture Manufacturing. Inc. v. Dutailier International, Inc.* laid out a strict framework for courts to award attorney fees under Section 285 of the Patent Act. 393 F.3d 1378, 1381 (Fed. Cir. 2005). Under that framework, courts could award

attorney fees only if there was "some material inappropriate conduct related to the matter in litigation" or, alternatively "if both (1) the litigation [was] brought in subjective bad faith and (2) the litigation [was] objectively baseless." Id. During these years, very few district courts awarded attorney fees and/or expert fees.

On April 29, 2014, the United States Supreme Court altered the legal landscape governing fee awards in patent cases. On that day, in a sea change decision arising from a petition for certiorari review in *Octane Fitness LLC v. ICON Health & Fitness, Inc.*, the Supreme Court rejected the analytical framework of Brooks Furniture calling it "unduly rigid" and an "impermissibl[e] encumbr[ance]" on "the statutory grant of discretion to district courts." 134 S. Ct. 1749, 1755 (2014). The Supreme Court instead endorsed a "flexible" analysis that does not require proof of frivolousness or bad faith, and that requires proof of exceptionality only by a preponderance of the evidence. Id.

Since *Octane Fitness*, the divergent standards for attorney and expert fee awards have become more apparent. While courts have increasingly awarded attorney fees to prevailing parties in IP cases, they continue to deny expert fee awards in most cases. For example, a Florida federal district judge recently awarded the defendant $684,000 in attorney fees for defending a patent case that was "exceptionally weak" and "designed to extract settlement not based on the merits of the claim but on the high cost of litigation." But recognizing that the patent statute did not allow an award of expert fees, the judge refused to award the defendant $335,000 in expert fees incurred in defending the case. *Advanced Ground Information Systems, Inc. v. Life 360, Inc.*, No. 14-cv-80651 (S.D. Fla. Dec. 1, 2015).

Other IP and Pending Legislation Also Do Not Shift Expert Fees

As of now, no current IP legislation explicitly grants authority for courts to shift expert fees. The relevant provision of the Copyright Act states "the court in its discretion may allow the recovery of full costs by or against any party . . . and may also award a reasonable attorney's fee . . . ." 17 U.S.C. § 505 (1976). Similarly, the relevant provision of the Lanham (Trademark) Act states "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117 (2008). Section (3)(D) of the Defend Trade Secrets Act, signed into law by President Obama this year, allows a court to award attorney fees if the other party acts in bad faith. None of these statutes mention expert fees.

Even more troublesome is the fact that pending legislation also fails to mention expert fees. For example, Section 285 of the pending Innovation Act states that the court "shall award, to a prevailing party, reasonable fees and other expenses incurred by that party . . . unless the court finds that the position and conduct of the non-prevailing party or parties were reasonably justified in law and fact or that special circumstances make an award unjust." Innovation Act of 2015 (H.R. 9). This proposed provision makes it even easier than the current Patent Act to shift attorney fees by placing the burden on the party seeking to avoid fee-shifting, and stating that the court must award fees to the prevailing party, absent specified circumstances. However, this provision does not provide the explicit statutory authority for courts to award expert fees.

Expert fees continue to contribute to exorbitant litigation costs that play a role in settlement decisions. Yet current and pending IP legislation fails to grant explicit authority for courts to shift expert fees. As courts are bound by the Supreme Court's statutory interpretation, they cannot shift expert fees under a more flexible standard without Congressional action. Congress should amend current legislation in all areas of IP to shift expert fees under the same standard as attorney fees.