COURT-APPOINTED EXPERTS

CIVIL LITIGATION

Judges are dusting off underutilized Federal Rule of Evidence 706 and appear increasingly willing to deploy court-appointed experts in certain types of complex cases, attorney Neil Lloyd says in this BNA Insight.

The author provides an overview of Rule 706, and analyzes the appointment of experts in two high-profile patent cases. While these two cases do not themselves make a trend, Lloyd forecasts growth in the number of judges bookmarking Rule 706 in their browsers when presiding over mass torts and other complex cases.

Courts’ Renewed Interest in Appointing Experts for Certain Complex Cases

With much understandable attention being paid to eDiscovery issues and clawbacks, to new protections for previously discoverable communications with retained experts, and even to proposed amendments to the hearsay rule, it is easy enough on a casual stroll through the Federal Rules of Evidence to skip over Rule 706, covering court-appointed experts. Indeed, while it has been clear for nearly 100 years that there is no constitutional bar to courts’ appointing expert witnesses, federal judges have historically been reticent to use their power under Rule 706 at all.

When the Federal Judicial Center last surveyed federal judges’ use of court-appointed experts (back in 1993), it found that only one in five had ever deployed a Rule 706 expert, of those who had done so, half had done so just once.2 Has anything of note happened in the 20 years since?

There are anecdotal indications that judges over the past several years have dusted off Rule 706 and there is at least the hint of a suggestion that they may be willing

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1 Ex parte Peterson, 253 U.S. 300, 312-13 (1920).
to deploy court-appointed experts in certain types of complex cases. Or perhaps in retrospect, some might wish that they had done so.

Indeed, while Justice Scalia did not touch on court-appointed experts in his June 13, 2013 concurring opinion in Association for Molecular Pathology v. Myriad Genetics, Inc., No. 12-398 (which rejected the patentability of naturally occurring DNA), he declined to join the portions of the Court’s otherwise-unanimous opinion “going into fine details of molecular biology,” because he was “unable to affirm those details on my own knowledge or even my own belief.”

Scalia “studied the opinions below and the expert briefs presented here,” but his short concurrence suggested discomfort concerning those “fine [scientific] details.” Other federal judges confronted with complex technology have felt the same intellectual pain.

In two relatively recent patent cases—Monolithic Power Systems v. O2 Micro—Oracle America v. Google—the courts opted to exercise their Rule 706 power. After a precis of Rule 706 itself, I consider the courts’ rationales in those cases for appointing experts.

An Overview of Rule 706

Rule 706 was included in the United State Supreme Court’s 1972 draft of the Federal Rules of Evidence and went into effect in 1975. Forty years ago, the Advisory Committee expressed its concern that “[t]he practice of shopping for experts, the venality of some experts, and the reluctance of many reputable experts to involve themselves in litigation, have been matters of deep concern.” Advisory Committee Notes, 1972 Proposed Rules. Acknowledging the assertion by some that “court appointed experts acquire an aura of infallibility,” the Committee nonetheless recognized “the trend increasingly to provide for their use.”

Indeed, the Committee noted that while courts rarely exercised their power to appoint experts, “the assumption may be made that the availability of the procedure in itself decreases the need for resorting to it,” for “[t]he ever-present possibility that the judge may appoint an expert in a given case must inevitably assert a sobering effect on the expert witness of a party and upon the person utilizing his services.” The rule explicitly expanded the use of court-appointed experts to civil cases, building on practice in criminal cases going back to the 1940s.

Rule 706, unchanged in substance since 1975, has five parts.

- **Appointments**: Parties may request a court-appointed expert or the court may issue an order to show cause why an expert should not be appointed, asking the parties to submit nominations. While the court may appoint any expert the parties agree upon, it may also act on its own. The only restriction is that the court may not appoint someone without their consent.

- **The expert’s role**: The court must inform the expert of her or his duties, doing so either in writing (with a copy of the instructions then filed) or orally at a conference in which the parties have an opportunity to participate. The expert is required to advise the parties of any findings he or she makes, the parties have the right to depose the expert, any party may call the expert to testify, and the expert may be examined adversely, including by a party that called the expert. The Committee specifically noted that Rule 706 modified the predecessor criminal rule to “make definite the right of any party, including the party calling him, to cross-examine.”

- **Compensation**: Rule 706 service is not pro bono; experts are instead entitled to “reasonable compensation,” which the court sets, and which is payable in condemnation and criminal case by funds provided by law and in all other civil cases by the parties “in the proportion and at the time that the court directs,” with the compensation charged like other costs. The Committee noted that the compensation provisions seemed to be “essential if the use of court appointed experts is to be fully effective.” As discussed below, they can also sting.

- **Telling the jury**: The rule expressly provides that “[t]he court may authorize disclosure to the jury that the court appointed the expert,” language borrowed from prior criminal practice.

- **No limits on other experts**: The rule does not limit parties’ choice of their own experts.

**Monolithic Power Systems v. O2 Micro**

Monolithic centered on the validity of a patent by O2 Micro (the ‘722 patent) to power inverter circuitry for laptop batteries. Laptops have to be able to operate on direct current (“DC”) sources, like batteries. But backlit laptop screens need alternating current (“AC”). O2 Micro patented a technology that converted DC power from the battery into high-voltage AC to power the laptop screens. In May 2004, Monolithic sued O2 Micro in federal court in California, seeking a declaration that the ‘722 patent was invalid and unenforceable and that its own products did not infringe; O2 Micro counterclaimed.

In explaining the technology on appeal (and highlighting for any lingering doubters why Congress decided to consolidate patent appeals there), the Federal Circuit noted that “Switches A-D define a ‘full-bridge’ switch configuration,” that “[d]iagonally opposing pairs of switches (A and D, B and C) define alternating conduction paths for current to reach” the screen load from the battery source, and that the “full bridge ‘chops up’ direct current into alternating current by requiring current to alternatively flow through the A-D and B-C paths,” so that by “selectively turning on the pairs of switches, the circuitry controls the amount of power delivered to the load.”

At a pretrial conference, the trial judge expressed concern that the technology was “extremely difficult to understand,” going so far as to say that “the notion that a jury is going to understand it, to me, is foolishness.” The court decided to appoint a Rule 706 expert to testify about “the electrical engineering aspects” of the case, in order to ensure that the jury’s decision was based on “the actual scientific merits,” rather than sim-

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5 Monolithic, 558 F.3d at 1344-45.
6 Monolithic, 558 F.3d at 1344.
ply “a jousting contest.” Of course, most litigation with expert witnesses being of the jousting variety, O2 Micro cried foul after the court-appointed expert wound up siding largely with Monolithic’s expert, and the jury found all of O2 Micro’s claims obvious under 35 U.S.C. § 103.

In March 2009, the Federal Circuit rejected O2 Micro’s contention that the use of a Rule 706 expert burdened its Seventh Amendment right to a jury trial. Although “trouble[d] . . . to some extent” by the “predicaments inherent in court appointment of an independent expert and revelations to the jury about the expert’s neutral status,” the Federal Circuit found no abuse of discretion because the trial court hewed to Rule 706.

The court recognized that the trial court was “confronted by what it viewed as an unusually complex case and what appeared to be starkly conflicting expert testimony,” and that it appointed the Rule 706 expert with the parties’ involvement, gave them the opportunity to depose the expert and to examine him at trial, and did what Rule 706 expressly provides by advising the jury of the fact that the court had appointed the witness.7

**Oracle v. Google**

While complex technology spurred the trial court to appoint a Rule 706 expert in *Monolithic*, the judge in the long-running patent and copyright case between Oracle and Google was concerned with complex—and wildly divergent—estimated damages calculations. Relying on *Monolithic*, in July 2011, the trial court in *Oracle* decided to appoint a Rule 706 expert, following Oracle’s estimate that the value of the license for the patents Google was allegedly infringing was between $6.1 and $1.4 billion, and Google’s estimate that the license was really worth between $0 and $100 million.

Explaining its reasoning in a November 2011 opinion, the judge said, “In light of the parties’ extremely divergent views on damages and the unusual complexity of the damages aspect of this case, an independent economic expert was needed to aid the jury.”8

What was so “unusual” in *Oracle v. Google* that made the damages estimates so much more complex than the run-of-the-mine business litigation dispute that the trial court decided an independent economist needed to decipher it (at an eventual cost of $2 million)?

According to the trial court, “[t]he damages aspect of this controversy is particularly involved” in part because there were both patent and copyright claims, in part because “[t]he accused items are not entire products but rather elements of products, whose roles and relative importance within the larger units are disputed,” and in part because “the parties employ elaborate, nontraditional business models for distributing and monetizing the relevant products.”9 Specifically, “Google allegedly distributes its accused Android software free of charge, hoping to later benefit from improved market position and advertising revenue generated by Google searches on Android devices.”10

In contrast, “Oracle . . . claims to have been harmed by the supposed fragmentation of its Java platform and developer community due to Google’s allegedly selective use of Java elements in Android.”11 The court made clear that while the parties’ “vastly divergent views on damages” made a Rule 706 expert “necessary,” the “scope of [the expert’s] assignment and the arrangements for his compensation were crafted so as not to interfere with the parties’ abilities to make their own presentation of the case.”12

That was back in late 2011. As has been widely reported, things went better at trial for Google than for Oracle, with the jury rejecting all but “two minor, peripheral copyright claims.”13 Explaining why Google had prevailed for cost-shifting purposes, the trial judge noted that “Oracle initially sought six billion dollars in damages and injunctive relief but recovered nothing after nearly two years of litigation and six weeks of trial. Oracle initially alleged infringement of seven patents and 132 claims but each claim ultimately was either dismissed with prejudice or found to be non-infringed by the jury.”14 The court concluded that even with the peripheral copyright wins, the action did not materially alter Google’s behavior in a way that directly benefitted Oracle, making Google the prevailing party.15

Google sought more than $4 million in costs, consisting principally of about $2.9 million in eDiscovery fees and nearly $1 million for the Google’s front-loaded share of the Rule 706 expert fees.16 The court rejected the request for eDiscovery costs, finding that many of the items were for non-taxable “intellectual effort,” but it awarded the entirety of the Rule 706 expert fees.17 The court noted that “[t]he presumption of FRE 706(c)(2) is that split fees paid during trial are charged like other taxable costs after judgment.”18

**Conclusion**

Back in 1997, Justice Breyer said that judges could “better fulfill” their role if they “had help from scientists. Judges should be strongly encouraged to make greater use of their inherent authority . . . to appoint experts.”19 The American Bar Association has expressed a similar sentiment that “[p]ractitioners should attempt to have judges use court-appointed experts in order to aid their understanding of complex economic testimony or to provide a third-party evaluation of economic evidence offered by the parties’ chosen experts.”20

*Monolithic* and *Oracle* do not themselves make a trend and the vast sums at stake in *Oracle* may have made the prospect of cost-shifting for the Rule 706 expert an insufficient incentive to either side to bridge the

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7 Specifically, the trial court told the jury that the expert was “an independent witness retained by the parties jointly at the court’s direction to assist in explaining the technology at issue in this case.” *Monolithic*, 558 F.3d at 1346.
8 *Oracle Am., Inc. v. Google Inc.* (Nov. 9, 2011).
9 Id.
10 Id.
11 Id.
12 Id.
14 Id.
15 Id.
16 Id.
17 Id.
18 Id. (emphasis in original).
gap in their damages calculations. Nonetheless, as business litigation tracks commerce, as commerce con-

21 While Oracle has appealed the denial of its copyright claims to the Federal Circuit, and Google has cross-appealed on the two claims that Oracle prevailed on at trial (Nos. 13-1021 and 13-1022), a review of the parties' opening briefs (filed, respectively on February 11, 2013 and May 23, 2013) suggests that the fight over Rule 706 fees is not part of the appeal.

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