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Stealth Expert

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Federal court practitioners know that the use of experts can be both a boon and a boondoggle. The expert who fails to put everything in the report that could be needed to support an opinion at summary judgment or trial quickly turns from an asset to a liability. FRCP 26(a)(2) (B) requires an expert report to contain the following:

> The report shall contain a complete statement of all opinions to be expressed and the basis and reasons therefor; the data or other information considered by the witness in forming the opinions; any exhibits to be used as a summary of or support for the opinions; the qualifications of the witness, including a list of all publications authored by the witness within the preceding ten years; the compensation to be paid for the study and testimony; and a listing of any other cases in which the witness has testified as an expert at trial or by deposition within the preceding four years.

Additionally, *Daubert*[1] information on relevance and reliability often becomes necessary.

In patent cases, at least three potential hearing milestones exist where experts can be critical: *Markman*[2], summary judgment, and trial.[3] This requires a farsighted litigator who realizes that the expert report will often need to be prepared with an eye to what could happen at the *Markman* hearing, supplemented based on what did happen at the *Markman* hearing, all the while keeping a consistent theme for the summary judgment and trial.

A little discussed exception to the expert report requirements can back stop a less than perfect expert report, and can alternatively or conjunctively be used as a stealth weapon. A lay witness, such as a party, party employee, or a third party fact witness, frequently holds a level of expertise which can be relied upon at trial. An expert report in such a case would be a large burden for these nonprofessional experts, not to mention a red light and road map for the adversary. Enter Rule 26 (a)(2)(B) which states that, while all experts have to be disclosed, pursuant to Rule 26(a)(2)(A), only specially retained experts, or employee experts who regularly give expert testimony, have to provide an expert report. Rule 26(a)(2)(B) states, in pertinent part:

> (B) Except as otherwise stipulated or directed by the court, this disclosure [of expert witnesses under (A)] shall, **with respect to a witness who is retained or specially employed to provide expert testimony in the case or whose duties as an employee of the party regularly involve giving expert testimony**, be accompanied by a written report prepared and signed by the witness.

In short, a party, or party employee, who can testify as an expert does not have to provide an expert

report unless their specific duties as an employee are to regularly give expert testimony. Similarly, a third party fact witness who can give an expert opinion does not have to prepare an expert report so long as they are not paid beyond the normal fact witness allowance.[4]

The rule has been most used in the area of treating physicians, where the treating physician is disclosed, but because they are an expert who is a fact witness, rather than retained, no expert report is required.[5] It has also been applied, however, in other types of cases as well, such as defective equipment,[6] banking fraud,[7] and suits against Indian tribes.[8] In *Navajo Nation*, the Yakima Nation identified five employee experts who were going to testify, but did not give any expert reports. The opposing party moved to strike the experts and preclude their testimony. The magistrate agreed, stating that the Rule 26(a)(2)(B) exception was only for treating physicians. The district court disagreed and stated that since the five employee experts were not specifically retained to testify as experts, and it was not their regular duties to do so, no expert reports were required.

Similarly, in *Duluth Lighthouse*, in suit by a non-profit agency that employed blind workers that manufactured bathroom tissue paper against the seller of an allegedly defective tissue rewinding machine, the former CEO of the agency gave his opinion of damages resulting from the defective equipment. The seller moved to exclude the testimony of the CEO. The district court ruled that the CEO was not a retained expert and thus was excused from the requirement to produce an expert report.

To date, the only Court of Appeals to have addressed the exception is the United States Court of Appeals for the Second Circuit. In *Bank of China, NY Branch v. NBM LLC,*[9] a case where a bank brought an action alleging that corporations and their principals defaulted on their contractual loan obligations and conspired to defraud the bank of loan proceeds, the Second Circuit considered whether it was error to admit an undisclosed expert's testimony on the issue of the business community's standards in context of international commercial transactions, the court specifically pointed out that the issue was the lack of notice, not the lack of an expert report, which, due to the exception, was not required:

> Notably, although defendants were entitled to *notice,* pursuant to Rule 26(a)(2)(A), that Huang would testify as an expert, they were not entitled to an *expert report* under Rule 26(a)(2)(B). This Rule only requires "a witness who is retained or specially employed to provide expert testimony in the case or whose duties as an employee of the party regularly involve giving expert testimony" to prepare a signed written report. Where the witness is not specially retained or employed to give expert testimony, or does not regularly give expert testimony in his or her capacity as an employee, no expert report is required.[10]

The following scenario, taken from an actual case, reveals the value of the exception. An inventor/businessman with a granted patent, sued a well represented company. In the course of discovery, the defendant exceeded the allowed number of discovery requests by the time it asked for experts, opinions, etc. In response, the plaintiff objected, identified the plaintiff as an expert, and that expert reports would be provided as required by the civil rules. The defendant did not move on that response. The defendant also elected not to depose the party. When the time came for summary judgment, the defendant was stunned to learn of the very damaging expert opinion of the well qualified party expert. The defendant moved to strike the opinion for failure to disclose the expert report as required by the civil rules, and cited a very pertinent case, *Air Turbine Technology*,[11] that stated that if a party does not provide a required expert report, the opinion must be stricken. Just before the summary judgment hearing, in which the defendant no doubt proceeded confident in its ability to slam the expert opinion for not being disclosed, the plaintiff submitted supplemental authorities on the FRCP 26(a)(2)(B) exception. The result? Silence. At the summary judgment hearing the issue just went away and the party expert opinion was, correctly, allowed in.

Practitioners should note, however, that trial courts can by order remove the exception. If in the scheduling order the district court specifically requires expert reports of all experts who will testify, then notwithstanding the plain language of Rule 26(a)(2)(B), the failure to provide the expert report of the non retained expert or party expert can result in exclusion of the testimony.[12]

This type of modification to the rule occurs inconsistently. For example, in the typical Western District of Washington scheduling order, regarding the *Markman* hearing, the Court orders: "Reports from Experts Witnesses, if any, Regarding Claim Construction Hearing", i.e., it arguably applies to any type of expert witness without the exception under FRCP 26(a)(2). Conversely, for trial and summary judgment experts in the very same order, the Court only requires: "Disclosure of expert testimony under FRCP 26(a)(2)", i.e., the exception to the expert report requirement fully applies. Thus, in the typical Western District of Washington case, you may have to provide expert reports for a *Markman* hearing but not for trial or summary judgment, for any type of expert which fits within the exception contained in FRCP 26(a)(2).

The uses of this exception to the expert report requirement can be obvious. First, in patent infringement litigation, experts typically represent a large investment of money. But inventors are not infrequently qualified to be an expert on one or more of the issues that are involved. For the patent plaintiff or defendant who is on a tight budget, using the party allows you to fill in a gap that a retained expert would normally fill, and it allows you to do it without giving an expert report to the other side. Patent litigators rely on experts and on the fact that experts will provide expert reports. Where this is the case, using the party as an expert can be an advantage.

Another advantage arises when there is a gap in an expert's report. Where there is a gap in a technical area that a party can fill with its own testimony, a potentially fatal problem in a case can be saved.

While this article is largely focused on technical experts in patent cases, the same benefits can accrue in other cases, such as cases where past licensing can be an issue of damages. Parties typically have a person in-house who has done quite a bit of licensing work. Under the low threshold for experts, such a person could testify as to damages. For any party who has paid the large fee for damages experts, here is another area where costs may be cut, or where problems can be stop-gapped.

There are disadvantages, surely. Trained experts get paid large fees for a reason. They know how to investigate an issue. They know how to work with counsel. They know how to prepare an expert report. They know how to conduct themselves in a deposition. They know how to testify at hearings and trial. But juries and judges also know of their large fees and it is a toss up upon whom the jaundiced eye is focused most clearly: the paid expert, the party, or the party employee. Certainly, a third party fact witness who is an expert is viewed with the least skepticism.

Of course, the author does not advocate an exodus from the use of retained experts. Litigators should be aware, however, that the option of a party expert, or third party fact witness expert, is open----and no expert report is required.

Hooray for the stealth expert.

Endnotes

1 Daubert v. Merrell Dow Pharmaceuticals, Inc., 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469, 27 U.S.P.Q.2d 1200 (1993).

2 Markman v. Westview Instruments, Inc., 517 U.S. 370, 116 S.Ct. 1384, 134 L.Ed.2d 577, 38 U.S.P.Q.2d 1461(1996).

3 Not including preliminary injunction which has its own mini expert issues.

4 Smith v. State Farm Fire & Cas. Co., 164 F.R.D. 49, 55- 6 (D.W.Va. 1995) (Witness is "retained or specially employed to provide expert testimony" and thus is required to provide report disclosing information about opinion to be expressed, if the witness will testify pursuant to the expert testimony evidentiary rule and receive consideration different from that usually paid witnesses by statute.).

5 See Sprague v. Liberty Mut. Ins. Co., 177 F.R.D. 78, 81 (D.N.H. 1998) ("The structure of Rule 26(a)(2) provides a clear distinction between the 'retained' class of experts and the unretained class of experts."); Salas v. United States, 165 F.R.D. 31, 32-33 (W.D.N.Y. 1995) (plain language of Rule 26(a)(2)(B) requires written report only for witnesses retained or specially employed to provide expert testimony in a case or whose duties as an employee regularly involve giving expert testimony); Lewis v. Triborough Bridge & Tunnel Auth., No. 97 Civ 0607, 2001 WL 21256 at *1 (S.D.N.Y. Jan. 9, 2001). ("It is well established that Fed.R.Civ.P. 26(a)(2) only requires a written report for a witness retained or specially employed to provide expert testimony in the case, or whose duties as a party's employee regularly involve giving expert testimony."); Peck v. Hudson City Sch. Dist., 100 F.Supp.2d 118, 121 (N.D.N.Y. 2000) ("The plain language of Fed.R.Civ.P. 26(a)(2) only requires a written report for a witness retained or specially employed to provide expert testimony in the case, or whose duties as a party's employee regularly involve the giving of expert testimony."); Kent v. Katz, 2000 WL 33711516 at *1 (D.Vt. Aug. 9, 2000) ("The structure of Rule 26(a)(2) provides a clear distinction between the retained class of experts and the unretained class of experts.... This distinction protects experts from preparing reports when they are not retained to do so and when it is outside the scope of their regular duties." (citations and quotations omitted)).

6 Duluth Lighthouse for the Blind v. C.G. Bretting Mfg. Co., Inc., 199 F.R.D. 320, 324 (D. Minn. 2000) (an expert who was neither specially retained nor regularly engaged in providing expert testimony was not compelled to produce an expert report).

7 Bank of China, NY Branch v. NBM LLC, 359 F.3d 171, 182 n. 13 (2nd Cir. 2004) *cert. granted on other grounds* 125 S.Ct. 2956.

8 Navajo Nation v. Norris, 189 F.R.D. 610, 612-613 (E.D. Wash. 1999) (plaintiff's employee-experts did not have to provide an expert report to defendant since they were neither specially retained as expert witnesses nor employees who regularly testified as experts).

9 Bank of China, NY Branch v. NBM LLC, 359 F.3d 171, 182 n. 13 (2nd Cir. 2004) *cert. granted on other grounds* 125 S.Ct. 2956.

10 Id. (omitting citations).

11 Air Turbine Technology, Inc. v. Atlas Copco AB, 410 F.3d 701 (Fed. Cir. 2005)

12 Applera Corp. v. MJ Research, Inc., 220 F.R.D. 13, 14, 17-19 (D.Conn. 2004) (a court may modify the expert report

requirement of Rule 26(a)(2)(B) by scheduling order, and in this case did so by an order that stated ""[e]ach party shall identify its trial experts on all issues for which it has the burden of proof and provide the opposing party with expert reports by February 1, 2000.").