

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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:
ABBVIE INC. and ABBVIE
BIOTECHNOLOGY LIMITED,
:
Plaintiffs,
:
-against-
:
THE MATHILDA AND TERENCE
KENNEDY INSTITUTE OF
RHEUMATOLOGY TRUST,
:
Defendant.
:
-----X

No. 11 Civ. 2541 (PAC)

ORDER

HONORABLE PAUL A. CROTTY, United States District Judge:

Abbvie¹ brought this declaratory judgment action seeking a declaration that certain claims of Kennedy’s U.S. Patent No. 7,846,442 (“the ‘442 Patent”) are invalid for obviousness-type double patenting (“ODP”) over certain claims of U.S. Patent No. 6,270,766 (“the ’766 Patent”). Kennedy twice moved to dismiss the case: first under Rule 12(b)(1), on the grounds that there was no actual case or controversy, and then under Rule 12(c), on the grounds that the ODP doctrine had been abrogated by statute. The Court denied both motions. (ECF Nos. 25, 80.) The Court also determined that Kennedy’s counterclaims relating to royalty payments were subject to arbitration. (See ECF Nos. 67, 137.)

Abbvie’s claims proceeded to a four-day bench trial, after which the Court found in its favor and declared the disputed claims in the ‘442 Patent invalid. See 956 F. Supp. 2d 429, 493

¹ The Court refers to Plaintiffs Abbvie Inc. and Abbvie Biotechnology Limited collectively as “Abbvie” and to Defendant The Mathilda and Terence Kennedy Institute of Rheumatology Trust as “Kennedy.”

(S.D.N.Y. 2013).

Abbvie now moves for attorney fees, expert fees, and taxation of costs. For the reasons set forth below, the motion for attorney and expert fees is denied, but the motion for taxation of costs is granted in part.

DISCUSSION

I. Motion for Attorney and Expert Fees

The Patent Act provides that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. An “exceptional” case is “one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014). “District courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” *Id.* Although “[t]here is no precise rule or formula for making these determinations,” a district court may consider “a nonexclusive list of factors, including frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 1756 & n.6 (internal quotation marks omitted).

Abbvie contends that this case is “exceptional” because “Kennedy’s positions were contradictory, baseless, and pursued in bad faith.” (Abbvie Mem. at 4.) Abbvie cites several instances where the Court identified inconsistencies in Kennedy’s positions or otherwise determined that Kennedy’s arguments lacked merit. (*See, e.g.*, Abbvie Reply at 2.) For instance, the Court found that Kennedy’s assertion that “adjunctive therapy” was an “unobvious species”

of the '766 Patent "contradicted its prior argument to the PTO . . . that the adjunctive species was representative of the broader co-administration genus." 956 F. Supp. 2d 429, ¶ 240. In addition, the Court noted that Kennedy's arguments against staying its counterclaims pending arbitration were "dubious given its prior representations" that there was no case or controversy because the royalty dispute was subject to arbitration. (ECF No. 67 at 1–2.) With regard to Kennedy's argument that the ODP doctrine had been abrogated by statute, the Court observed that "[n]o court has ever held" as such. (ECF No. 80 at 3.)

Although Kennedy's factual and legal contentions have not been accepted, they were not frivolous or made in bad faith. Kennedy's arguments do not render this case so "exceptional" to justify an award of attorney fees. For instance, in a related case between the same parties regarding a similar patent, the Court noted that "there may be plausible jurisprudential grounds" for Kennedy's contentions about the viability of ODP doctrine. *Abbvie Inc. v. Kennedy Trust for Rheumatology Research*, No. 13-CV-1358, 2014 WL 2977299, at *1 (S.D.N.Y. June 2, 2014).

While conduct need not be "independently sanctionable" to justify an award of fees, *Octane*, 134 S. Ct. at 1757, Kennedy's conduct here still falls within the range of appropriate and acceptable litigation strategy. Abbvie initiated this action, and Kennedy could reasonably pursue various legal theories in defense of its presumptively valid patent. Even though Kennedy's positions were at times inconsistent, that does not mean they were "exceptional[ly]" meritless.

Abbvie's motion for attorney fees is denied.

For the same reasons, Abbvie's motion for expert fees is denied. *See Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 23 F.3d 374, 379 (Fed. Cir. 1994) ("[A] case [must] go[] sufficiently beyond 'exceptional' within the meaning of section 285 to justify an award of expert fees as a sanction under the court's inherent power").

II. Motion for Taxation of Costs

On July 2, 2013, the Court entered judgment declaring that, *inter alia*, “[t]he Plaintiffs are the prevailing party in this litigation and the Court awards costs to the Plaintiffs as the prevailing party.”² Abbvie seeks taxation of four categories of costs: (1) fees of the Clerk; (2) deposition and trial transcripts; (3) witness fees and expenses; and (4) exhibits and demonstratives.

Kennedy does not dispute the amounts for the Clerk’s fees and transcript fees, which come to a total of \$12,198.35. Nor does Kennedy dispute the \$1,080 requested for “certified patent file histories.” (*See Abbvie Mem.* at 6.)

With respect to witness fees and expenses, Kennedy disputes only the “*de minimis* amount” of \$406.00 for Dr. Suzanne Lebold, on the grounds that she is an “employee witness” for whom costs cannot be taxed. (Opp’n at 4 (citing Local Civ. R. 54.1(c)(3) (“No party to the action may receive witness fees, travel expenses, or subsistence.”)).) Dr. Lebold is not, however, named as a party in this action, “and Defendant has provided no convincing reason to construe her as such.” *Settlement Funding, LLC v. AXA Equitable Life Ins. Co.*, No. 09-CV-8685, 2011 WL 2848644, at *2 (S.D.N.Y. July 18, 2011). Thus, including her amount, the full \$1972.50 for witnesses is taxable.

The parties dispute the largest remaining expense: \$61,537.50 for “the digital imaging of trial exhibits, preparation of demonstratives, and computer technician assistance during trial.” (*Abbvie Mem.* at 5.) Under 28 U.S.C. § 1920(4), a court may “tax as costs . . . [f]ees for exemplification and the costs of making copies of any materials where the copies are necessarily

² Kennedy states in a footnote that it “reserves the right to contest that AbbVie was the ‘prevailing party’ because many of Kennedy’s counterclaims have not been decided.” (Opp’n at 1 n.1.) Kennedy, however, made no timely objection to the language of the Judgment when it was entered, and, in any event, the Court adheres to its determination that Abbvie is the prevailing party for purposes of this motion.

obtained for use in the case.” Local Civil Rule 54.1(c)(6) provides that “[c]osts of maps, charts, and models, including computer generated models, are not taxable except by order of the Court.”

Courts in this district have interpreted these rules to permit “recover[y] of a portion of the expense [the prevailing party] incurred for the ‘design and production of demonstrative presentations for trial, scanning of exhibits, computer operation, creation of exhibit database, digitizing of audio and visual recordings, and set-up and break-down of technology used during trial.’” *E.g., DiBella v. Hopkins*, 407 F. Supp. 2d 537, 540 (S.D.N.Y. 2005) (Chin, J.); *accord Altwater Gessler-J.A. Baczewski Int’l (USA) Inc. v. Sobieski Destylarnia S.A.*, No. 06-CV-6510, 2011 WL 2893087, at *7 (S.D.N.Y. July 14, 2011). Nevertheless, the amount is recoverable only to extent that “the cost is reasonable and the devices aid in the efficient and effective presentation of evidence.” *DiBella*, 407 F. Supp. 2d at 540 (reducing amount from \$56,100 to \$10,000); *see also In re Omeprazole Patent Litig.*, No. M-21-81, 2012 WL 5427791, at *7 (S.D.N.Y. Nov. 7, 2012) (excluding “charges for expenses and on-site trial support” of graphics vendor, and awarding \$220,000 for demonstratives).

Here, the digital imaging of trial exhibits aided the effective presentation of evidence. The trial involved complex patent concepts and scientific principles, which the demonstratives rendered more intelligible. The requested amount of \$61,537.50, however, is excessive under the circumstances. The vendor’s invoice reveals that most of this amount is attributable to “on-site support” and similar charges not directly related to the production or design of the demonstratives. (*See Frazier Decl. Ex. 5.*) These fees are “are not essential to the preparation of [Abbvie]’s trial demonstratives,” *In re Omeprazole*, 2012 WL 5427791, at *7, and not adequately justified in Abbvie’s submissions. The Court declines to tax them.

Upon review of the remainder of the fees listed in the invoice, the Court concludes that

\$25,000 is a reasonable amount for the trial demonstratives.

Totaling the amounts above for Clerk's fees, transcripts, certified patent file histories, witness fees and expenses, and trial demonstratives, the Court taxes \$40,250.85 of Abbvie's costs against Kennedy.

CONCLUSION

For the foregoing reasons, Abbvie's motion for attorney fees and expert fees is DENIED, and its motion for taxation of costs is GRANTED IN PART in the amount of \$40,250.85, and the balance DENIED.

The Clerk of Court is directed to terminate the motions at Docket Nos. 122 and 126.

Dated: New York, New York
July 15, 2014

SO ORDERED



PAUL A. CROTTY
United States District Judge