From Alice To Fintiv: Judge O'Malley Dishes On Patent Law

By Dani Kass · Listen to article

Law360 (March 23, 2022, 6:18 PM EDT) -- There are very few patent issues that haven't ended up in front of former Federal Circuit Judge Kathleen O'Malley, and now that she's stepped down from the bench, O'Malley's speaking up on the biggest controversies of the moment, from Judge Alan Albright's transfer denials to a recent compromise that waives patents for COVID-19 vaccines.

Judge Kathleen O'Malley

Judge O'Malley spoke with Law360 in an extensive interview this week, delving into what she would like to see the U.S. Supreme Court change, defending the Federal Circuit's use of Rule 36 orders, and more.

Here, the former circuit judge shares her takes on nine major intellectual property issues. This interview has been edited for length and clarity.

1. The Supreme Court's refusal to clarify patent eligibility is 'absurd.'

The Supreme Court has repeatedly been petitioned to clarify what counts as patent-eligible subject matter under Section 101 of the Patent Act following its 2014 Alice decision, yet it has always refused.

Congress and private parties have argued that the Federal Circuit has expanded the Supreme Court's take on what is ineligible, and the judges appear to have differing interpretations of the law. Yet Judge O'Malley said the Federal Circuit judges have made their pleas for help to the Supreme Court, to no avail.

"I don't accept the criticism of the Federal Circuit that I have heard on that issue," she said. "I believe we were handed stuff from the Supreme Court and that the circuit has done the best it can to try to ferret it out and to beg the Supreme Court for more guidance, and [the Supreme Court] hasn't received it."

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Judge O'Malley continued: "Most of the jurists on the Federal Circuit — whether they're Democrat or Republican, or whether they're considered to be more pro-patent or anti-patent — they're very conservative jurists. I always was. My view is that a court of appeals judge has to live with the record that comes up to them and has to live with the law the Supreme Court and Congress gives us. We can't make the law. I think some people wish we would because the Supreme Court doesn't take a lot of our cases, but I've never thought that was the right role for the Federal Circuit."

The Federal Circuit's divide came to a head in July 2020, when it was split 6-6 on whether to revisit the invalidation of a driveshaft patent owned by American Axle. In ultimately denying the request, the judges issued more than 100 pages of opinions. Meanwhile, the Supreme Court hasn't made a call on whether to take up the case, more than a year after American Axle filed the petition for review.

"Have you ever seen all 12 active judges on a single circuit court beg the Supreme Court for guidance, and the Supreme Court says no? It's absurd," she said.

2. Judge Albright should have listened sooner.

The Federal Circuit chastised Judge Albright again and again over the last few years for his refusal to transfer patent cases out of the Western District of Texas' Waco division. Judge O'Malley said she wasn't happy that a gentle hand didn't work — as it had when faced with mandamus petitions from the Eastern District of Texas — and that the court had to issue several writs of mandamus overriding him.

"Nobody wanted to come down hard on any district court judge. Nobody wants to be mean to a district court judge," she said. "With the [Eastern District of Texas], I think there was a light hand, and the judges there got the message. We'd say, 'Look again. Check this out again,' and they started to shift."

Judge O'Malley added: "With Judge Albright, there was an effort to have a light hand, and he didn't take the hint. That's the best I can describe it. I don't think anyone enjoyed ruling on mandamus petitions. I don't think anyone took any pleasure in telling the judge that he was getting some things wrong. But at some point, because [his decisions were wrong], at the end of the day, you've got to right the ship early on. I don't fault Judge Albright to the extent that he got some things wrong in our view, but I really don't fault the [Federal Circuit] for feeling that it needed to send some messages."

3. Patent injunctions should be easier.

In 2006, the Supreme Court held in eBay v. MercExchange that injunctions shouldn't be automatically granted after finding a patent has been infringed. Judge O'Malley said the inability to get injunctions has gotten out of hand.

"I think the eBay decision has been warped and taken far beyond what I think the Supreme Court intended," she said. "I think there needs to be some course correction with respect to the ability to actually have an exclusive right. The Constitution says that there are exclusive rights, and if there's no right to exclude, then I think there's something wrong in the system."

4. The reality of Fintiv may be flawed.

In May 2020, then-U.S. Patent and Trademark Office Director Andrei Iancu made precedential a Patent Trial and Appeal Board decision referred to as Fintiv, which laid out when the timing of district court litigation can justify PTAB judges using their discretion to deny patent challenges. The policy has been extremely controversial, with large technology companies in particular trying any means possible to challenge it, without much luck.

Some of those failed attempts came from parties petitioning the Federal Circuit for mandamus relief. While the Supreme Court has made clear that PTAB institution decisions aren't appealable, the companies argued that they were challenging a bad policy, which sets it apart. The circuit court disagreed, and Judge O'Malley stood by that position.

"I don't think there is any doubt that discretionary denials are unreviewable at the Federal Circuit," she said. "Both the statute and Supreme Court case law make that clear."

Now that she's off the court, Judge O'Malley said she has the time to review the Fintiv factors and their applications in more detail, which hadn't been necessary when she knew her court couldn't review decisions related to Fintiv.

"As for the rule itself, as with all things, there is a difference between the wisdom behind the rule and the way it has worked in practice," she said. "The [America Invents Act] was designed to create an alternative venue to district courts, not to fully displace district court review."

Judge O'Malley added: "If the agency and the court are to act in harmony — in a way that is not abusive to the authority of either, or to the interests of stakeholders — both need to be cognizant of the other's jurisdiction and discretion, within reason. But it seems that some stakeholders and judges have attempted to warp application of the rule by asking for or setting trial dates that are unrealistic or unattainable."

5. The TRIPS waiver is a 'really bad idea.'

As the COVID-19 pandemic rages on, members of the World Trade Organization have been negotiating a waiver on the agency's agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS, and top players reached a compromise this month.

The controversial discussions could end in allowing certain countries to freely use patents covering the COVID-19 vaccines in order to make and distribute their own. Judge O'Malley doesn't support the move, particularly if it involves a wider array of intellectual property.

"I think it's a really bad idea," she said. "I think there's a misconception when people say, 'We obviously don't need intellectual property because they were able to come up with these vaccines so quickly,' but they weren't. It was like 13 years in the making. If there hadn't been intellectual property to protect the incremental inventions, then you wouldn't have gotten a vaccine so quickly and people wouldn't have shared all of their technology in really crucial partnerships that resulted in the vaccines. Patents helped inspire the innovation and allowed it to happen."

6. En banc petitions need to stop being the default.

Judge O'Malley also said she was "stunned" upon arriving to the Federal Circuit to see how many en banc petitions had been filed, compared to other circuit courts where she had sat by designation.

"It's in every single case," she said. "Certainly in every patent case."

Parties need to be more discerning about when en banc is the appropriate path and that when there are bigger issues, it can be better to just go straight from the panel to the Supreme Court, she said. In cases that are narrow and won't impact others, she said it doesn't make sense for the full court to hear the case.

"I understand it's hard, if you're advising a client who lost, to advise them not to file an en banc petition," the judge said. "It just seems like lawyers are supposed to also be counselors. There's a reason that there's that phrase there. You need to counsel your client and advise them not to waste their money."

Judge O'Malley said en banc petitions are best for when there are different takes coming from within the circuit, especially since there's no other circuit where conflicting decisions could be issued.

"Unlike the regional circuits, you don't have a whole bunch of different opinions percolating

up, and so if we don't give the Supreme Court some explanation of why we disagree, they don't really know what the nature of the 'split' is," she said.

7. Rule 36 judgments are necessary.

The Federal Circuit often issues decisions that simply affirm the underlying ruling without further discussion. These Rule 36 decisions have been challenged repeatedly — and unsuccessfully — at the Supreme Court, but the former judge said they do serve a purpose.

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"When I first came on the court, I had never seen something exactly like a Rule 36, so I was sort of sympathetic to the complaint," she said. "I'm not anymore."

Rule 36 judgments show only that the court has nothing of value to add regarding the law, and that the panel was on the same page about the outcome, she added.

"We don't decide that we're going to Rule 36 something early on," Judge O'Malley said. "We do the exact same development of the case, the exact same preparation of the case, the exact same oral arguments that we would in other cases, and we have the exact same debate on the merits. I actually believe it's an important tool because if we had to write in every single case, it would be impossible."

8. There must be better options for standard-essential patent fights.

When companies have patents that are essential to meet a standard like 5G, the patent owner is required to license those patents at fair, reasonable and non-discriminatory rates. Litigation has broken out around the world between major companies over what counts as a FRAND offer and which courts have the ability to set a global licensing rate.

In turn, countries have started to enjoin other countries from getting involved in this dispute with anti-suit injunctions and "anti-anti-suit" injunctions. Judge O'Malley, who is on the World Intellectual Property Organization's advisory board of judges, said she wants to

figure out a better way to work through these disputes.

"I would be interested in seeing what role I could play in helping to determine whether there isn't a better route for dealing with FRAND issues," she said. "I just got to think there's a better way."

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9. The Federal Circuit can do more.

Judge O'Malley said she wishes Congress would expand the scope of the Federal Circuit, in particular to give it jurisdiction over other intellectual property cases, like copyright and trade secrets disputes or criminal IP matters. She expressed concern that the court may be getting far more specialized in patents than Congress wanted, and she'd love to push for it to be given a broader range of responsibility.

"I don't think any judge on the Federal Circuit just wants to be a glorified patent examiner at the end of the day," she said.