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Keynote Address:
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JUDGE KATHLEEN O'MALLEY:

A senior senator – who shall remain nameless – appeared on CNN back in January, looked at the camera, and said: We have three branches of government. We have the executive; we have the House; and we have the Senate. (Laughter.) It would be funny if it were not so frightening. And it is especially frightening because this senator had recently become a member of the Judiciary Committee. (Laughter.)

The reason this is sad is that it is emblematic of how dismissive the other branches of government have become of the judiciary and of its function and role as laid out in the Constitution. In fact, it is hard for those of us on the courts to forget President Obama's remark during the "Obamacare" fights in the court when he said, essentially, that it would be unprecedented for an unelected judiciary – or unelected court – to set aside an act that had been passed by a majority of the Congress. Seriously? (Laughter.) And this man was a constitutional law professor. (Laughter, applause.)

Now, I do not want to be too harsh on the President. President Obama did appoint me, so we know he has some really good ideas. (Laughter.) But can these members of the legislative and executive branch really be that clueless about what the Framers intended when they created the three branches of government? Or have they simply gotten so used to intruding upon the authority of the judiciary and interfering with its right to act independently that they have stopped believing in the wisdom or vitality of the Framers' original vision? I fear that, since both of those speakers are lawyers, it is the latter.

So why do we care about an independent judiciary? Let me just discuss a little bit of history. As the Supreme Court has explained on a number of occasions, the desire to provide for an independent judiciary grew out of the abuses to which the colonists were subjected, both by

the king and by early legislators. The king made judges subject to his will by making their tenures in office and their salaries subject to him only, and the legislators attacked judicial officers for their decision making. In both instances, judicial officers were prone to act at the will of either the king or the legislators, and the colonists realized that they did not have an independent source to call upon when there was over-reaching by those branches of government. *See Stern v. Marshall*, 131 S.Ct. 2594, 2609 (2011) (quoting the Declaration of Independence, para. 11).

So the Framers focused on making sure that there was an independent judiciary, an independent third branch of government, enshrined in the Constitution. They wanted to make sure that the Constitution was designed so as to create an independent judiciary so that – and I quote the Supreme Court again –the judiciary might, "promote that independence of action and judgment which is essential to the maintenance of the guaranties, limitations, and pervading principles of the Constitution." *See Evans v. Gore*, 253 U.S. 245, 253 (1920)(overruled on other grounds by *United States v. Hatter*, 532 U.S. 557 (2001)).

Again quoting from the Supreme Court in *Stern v. Marshall*: In establishing a system of divided powers, the Framers believed it was essential that the, "judiciary remain truly distinct from both the legislature and the executive, and thus designed Article III to impose certain basic limitations that the other branches of government may not transgress." *See Stern*, 131 S.Ct. at 2609 (citing *Nixon v. Adm'r of General Servs.*, 433 U.S. 425, 443 (1977)).

Among the transgressions into the functions of the judiciary the Framers sought to avoid were the ability to dictate judicial decision making or to retaliate against judicial officers for their decision making. That is why judges in the federal system are given lifetime tenure and why the Compensation Clause prohibits in-term decreases in judicial salary.

Simply put, the Framers wanted judges to decide the cases before them without fear of interference or retaliation from the other branches of government. It is only by protecting the judiciary from the transgressions of the other branches of the government that the Framers believed the Constitution's guarantees could be protected. As Alexander Hamilton said, if the independence of the judiciary is destroyed, quote, "the Constitution is gone; it is a dead letter; it is a vapor which the breath of faction, in a moment, may dissipate." *The Federalist No. 79,* (Alexander Hamilton)(Lawrence Goldman Ed. 2008)

This is serious stuff. So why am I talking about this now? You are saying to yourself: "Wait, we have a lot of educated lawyers in this room. We know basic constitutional and civic principles. And besides, what does this all have to do with patent law?"

In answer to the second question, I am afraid that, given things that are going on right now in the IP world, it has a lot to do with patent law. And, with respect to the first question, I fear that there might be some constituencies that are represented in this room who have forgotten how important the independence of the judiciary is, have forgotten how hard-fought creation of the tripartite form of government was, and why the Constitution is designed the way it is; in other words, have forgotten that it is an independent judiciary that protects all of us and our system of government in the long run.

There are obvious ways to attack the independence of the judiciary – FDR's "court-packing plan;" congressional blocking of even modest cost of living allocations for judicial officers; refusal to provide reasonable levels of funding for courts while massively expanding the class of cases that they must hear. Those are all obvious transgressions. But transgressions on the independence of the judiciary can come in more subtle forms. That is what I am concerned about today.

I am afraid about some of the "fixes" that have been proposed, and that are now pending in Congress, to address concerns regarding the way the patent system is operating and the way patent litigation functions. I am concerned that those fixes are directly intruding upon the independence of the judiciary and that you are not exercising sufficient caution when advocating for these legislative proposals; I am concerned that you are ignoring the long-term danger posed to our form of government from these "fixes."

So, it seems time to remind everyone that the courts who handle patent litigation – the district courts and the Federal Circuit – are Article III courts. We do not just handle patent litigation. We handle all forms of litigation, including litigation that goes to the heart of our constitutional guarantees. When you tinker with the courts that handle patent litigation, you tinker with all Article III courts and with Article III itself.

Any encroachment upon the inherent authority of the courts to manage and control patent litigation could open the door to encroachment upon their authority to handle all litigation. When you ask Congress to dictate, not just the scope and contours of patent law, but the way courts exercise their authority over individual cases before them, you break down the distinctions between the branches of government.

Congress should not be in the business of docket control, litigation management or rule-making – in the IP world or otherwise – and you should be loath to ask it to do so. Let me give you a few examples. Let me point out a few things that I find particularly invidious about some of the "patent reform" proposals that are now pending.

First, there are proposals to change certain of the Federal Rules of Civil Procedure. Nobody likes Form 18. I know; I drafted the opinion that said we are stuck with Form 18 because Rule 84 of the Federal Rules of Civil Procedure says we are. The fact that we do not

like Form 18 does not mean that we need to ask Congress to get rid of it, however. There is a legislative proposal pending that asks Congress to either amend the rules or to direct the Supreme Court and the Judicial Conference to do so in order to abolish Form 18.

There is also a separate rules-related proposal that sweeps even more broadly. That is, a proposal to amend Rule 11 to dictate sanctions, and to say that sanctions "must be" imposed where the circumstances authorizing sanctions arise. In other words, to remove the district court's discretion to deny sanctions in all but the most extraordinary circumstances. Again, the only way to get there under the current proposal is to ask Congress to be in the business of amending the Rules of Civil Procedure.

But, the Rules Enabling Act has been in place since 1934 – something for which courts fought hard. Indeed, the Act was 10 years in the making. Under the Rules Enabling Act, it is the Supreme Court who has the authority to change the rules, not just the Rules of Civil Procedure but the Rules of Criminal Procedure, the Rules of Evidence, and the Rules of Bankruptcy Procedure. Those are all within the ambit and the authority of the Supreme Court, and only the Supreme Court. In fact, the Rules Enabling Act provides that, "All laws in conflict with such rules shall be of no further force and effect."

Since 1934 the courts have taken this authority and obligation seriously. An entire structure has been built up to address the rules; we have committees who are responsible for changes to the rules. Those committees are made up of district judges, Court of Appeals judges, and practitioners who regularly appear before the courts. This is the mechanism by which changes to the Federal Rules can and should be made. If you start asking Congress to change the rules outside of this very specific structure – one that is both dictated by law and put in place over a long period of time by very thoughtful people – you are effectively inviting Congress to

change the rules – any rules – whenever it wants to. If Congress thinks that the kinds of constituencies you represent will not just permit it to, but will ask it to change the rules, it will feel free to do so whenever it, or another complaining constituency, sees a rule they find inconvenient. Do we really think Congress should be in the business of telling courts what the Rules of Civil Procedure or Rules of Evidence should be? I do not believe that is what you want, but that is the door you are opening. I fear that your narrow IP-based concerns will put Congress into the business of usurping the courts' rule-making authority.

The other category of proposals with which I am concerned is those proposals which would dictate to courts how they handle individual cases before them. The same concern I have about blurring the lines between the branches of government and interfering with the inherent authority of the court counsel against *any* legislation which would dictate how courts may or must handle individual cases before them.

Proposals about when and how much discovery should be allowed in patent cases, when Markman hearings should occur, what evidence may be considered in those hearings, whether fee-shifting should be imposed with respect to discovery requests, and whether stays should be mandatory or should be entered in a particular class of cases are all terribly ill-conceived.

They are not ill-conceived because illegitimate concerns prompt them. Just as I do not like Form 18, there are times when I wish that district courts would be more aggressive with respect to some aspects of their case management. And, there are times when I wish that our court would be more supportive of district court efforts to be aggressive in their case management.

But inviting Congress to become the case managers in intellectual property litigation is not the answer. If Congress starts imposing those types of requirements in the IP arena, it may start to believe it has the authority to impose similar restrictions on the courts in all types of litigation. You would be asking Congress to view its authority vis-à-vis the courts, not at a macro level – like dictating the scope of our jurisdiction, or overruling broad-based principles of law that have been expressed by the Supreme Court or the Courts of Appeals that they find inconsistent with congressional intent – but at the most micro of levels. You will be encouraging Congress to believe that it can tell courts how to manage and try the cases before us. That is not a good idea for a variety of reasons.

First, as I said, if Congress comes to believe that constituencies like those represented in this room are actively encouraging it to intrude upon the inherent authority of the judicial function in IP cases, why would it limit that intrusion to IP cases only? Why would Congress not feel free to impose litigation management rules for all classes of cases? And if you put this one-size-fits-all proposal to Congress, how does that allow any judicial officer to deal with individual cases before him or her? We all recall our experience with mandatory sentencing guidelines, where trial courts lost the freedom to sentence individuals on an individualized basis – based on the facts and circumstances at hand. That experiment ultimately failed because not every case is the same. That is why traditional exercises of discretion by courts often require consideration of 10- and 12-part tests, because every case is different, and relevant factors will play out differently on a case-by-case basis. If you try to impose standards that take into consideration every single case, there will be cases that suffer dramatically – even your own cases. Finally, those proposals fly in the face of Section 1657 of Title 28, which gives courts exclusive authority over the order in which they consider civil litigation before them. If you are

telling courts that they must stay certain cases and consider others first, how is that not directly at odds with this statute to the contrary which is already in place?

So what are we asking Congress to do? Overrule expressly or implicitly things like Section 1657 and the Rules Enabling Act? Are we asking it to change the entire structure of the relationship between Congress and the courts? We must avoid making such requests at all costs. If, you ever find a need to resort to the courts – because there has been overreaching by the other branches of government vis-à-vis your company, or because there have been unfair or illegal practices taken against your company – what kind of courts do you want to find? Do you want to find courts that have been so attacked and so weakened that they are incapable of standing up to the other branches of government when you need them to? Or do you want to find the kind of strong judiciary that the Framers envisioned? You have to remember that, at some point, it will be you who needs to call upon the courts. If you try to stop a small class of cases from moving forward by asking for intrusions upon the authority of the courts, you will infect the relationship between the branches of government in a way may have very broad-reaching effects. If you swat a fly with a grenade, there will be collateral consequences.

I know you are thinking, "OK, Judge, this is all interesting, but what do we do? What can we really do about our concerns regarding patent litigation? If we should not push all the pending congressional proposals, what is left?" There are things you can do that will not break down the barriers between the branches of government. Indeed, it has been surprising for me to read all these proposals in Congress and think, "Why aren't they pursuing the correct avenues for relief?" Let me give you a few ideas – things I think you could do that would not have the invidious effect I have described on the relationship between the branches of government.

Please do not take my concerns regarding the independence of the judiciary as a belief that your concerns regarding IP litigation are not real. My comments are not meant to imply that the courts do not share some of the blame in this. As I have said, the courts need to make some changes. And you are not to take my words to mean that you should not try to do *something*. The point is to make sure that you focus your efforts in the right direction.

In the last few minutes I have to talk to you, I want to go through a few proposals. Form 18. You want to get rid of Form 18? You want to get rid of Rule 84 of the civil rules? Go through the Rules Committee. There are many lawyers not only on the Rules Committees but on the advisory committees that report to the Rules Committees. You can make proposals through them. There are thoughtful, careful judges on those committees as well. If your concern is with the Rules, do not go to Congress. Go through the system that has been put in place for such changes. The Rules Committee's membership is listed on the website for the Administrative Office for the U.S. Courts. You can find out who those committee members are. You can find out which individuals in the Administrative Office staff those committees. Call them. The Judicial Conference meets twice a year. The committees meet regularly in the interim. The rules can be changed relatively quickly. Indeed, as some of you may know, there are rule changes already in progress that address some of the very concerns you have; both as to the use of the Forms in the Federal Rules and with respect to the costs and expense of discovery. My point is to go through the court channels available to you; do not run to Congress.

With respect to the Rule 11 proposals and the asserted desire for more sanctions, I believe what you really want is not more sanctions, but more fee shifting. Having been a district judge, I know that, while sometimes you must do it, it is difficult to sanction lawyers. Most of us that have been on the district bench were also practicing lawyers, and we know that people make

mistakes, we know that lawyers can be pushed in certain directions by their clients, and we know that they do not usually intend to step over the line. And we know that a sanction can destroy a lawyer's career.

What you really want is to have 35 U.S.C. § 285 operate as a more effective fee-shifting provision. Congress could amend Section 285. That is a statute, not a rule. Congress could give district courts greater discretion to shift fees. I am not suggesting abolishing the American Rule altogether, or to make fee shifting the norm, but Congress could build in more discretion to shift fees and could make it clear in the fee shifting provision that review of a district court's determination with respect to fee shifting should be only for an abuse of discretion. That is a "fix" that fits neatly within the bounds of Congressional authority. Stay away from Rule 11, which governs all cases and is enshrined in the Federal Rules; focus on Section 285

Discovery burdens – if you are concerned about discovery abuses and burdens, do not propose that Congress eliminate discovery before Markman hearings. Anyone who has ever tried cases or presided over a Markman hearing knows that, in most cases, discovery is extraordinarily useful to the claim construction process. Those proposals are silly. If you are concerned about proportionality and the cost of discovery, look at the new Federal Rules that are going into place right now. The new Federal Rules are very clear about mandating proportionality considerations and about the potential for fee shifting as a condition precedent to certain discovery. Work with the courts to build into local rules or case management orders provisions for fee shifting for aspects of electronic discovery, or stage discovery so that the first levels of discovery are presumptively chargeable to the producing party – as has always been the rule in our court system – but that additional discovery would be contingent upon fee shifting. Again, you do not need Congress to mandate things courts are already willing to consider. The

desire to go to Congress to accomplish what courts are already doing on a case-by-case basis is shortsighted.

Next, while I know some of my friends at the Patent and Trademark Office may not like this proposal, I suggest you give more resources to those courts that are overseeing substantial patent litigation. Everyone talks about the potential benefits of the Patent Pilot Program. That is great, as far as it goes. But, those of us from the court side were adamant from the beginning that, if a Patent Pilot Program were to work, there had to be a funding mechanism. We asked Congress to fund additional law clerks for those courts that were going to take on additional patent litigation by virtue of the Pilot Program. It is complex litigation. As some of you know, in most courts, patent litigation has its own separate wheel –you pull civil cases from three categories: civil cases generally; patent cases and death penalty cases. Patent cases are considered so time consuming, complex, and unpleasant that they receive the same treatment as death penalty cases. Sorry, but they do. So, death penalty cases get their own wheel, patent cases get their own wheel, and all the rest of the civil cases are otherwise lumped together.

We hoped Congress would give money to the district courts who agreed to take on more than their share of these complex cases. There was a lot of support for Pilot Program, but nobody other than the courts themselves – who represent a very small constituency – pushed for the money. In the end, Congress stripped all funding from the bill. But, judges taking on the additional work still need the help. Those courts that have excessive patent dockets need the help. It makes no sense that district court judges only have two law clerks. I have always said that the system is upside-down. The Supreme Court – with a limited case load - has five clerks, while those judges that are doing all the work get only two.

One way you could help district courts is to look to the PTO. The PTO is making a lot of money on the *inter partes* reviews; they are making a lot of money under the America Invents Act generally. Some of that money could be diverted to funding law clerks for district court litigation. Congress is the only one that has the authority to do that. Now that is something you could ask Congress to do. The PTO may not prefer this, but they have a lot of money; they probably would not even notice. (Laughter.) I support leaving the rest of the money with the PTO to fulfill its own obligations; I am just asking to take a small portion of their resources. It is critical – if you want more and faster work from the courts – to give the courts the resources they need to give provide that service.

The next category of things you could ask Congress to address is the IP battles waged before the agencies that *are* creatures of statute. There are ways to tighten up the statutory provisions governing International Trade Commission practice and there are ways to tweak PTO practice in order to address some of your concerns about abuses or inefficiency in the IP system. I will focus on only a few such items.

For instance, I think Congress could examine the ITC statute and decide whether the domestic industry provision needs to be tweaked. I think it could be in two ways: first, Congress could make the domestic industry requirement expressly jurisdictional so that it could be decided as a threshold matter; second, you could ask Congress to look more carefully at the interaction between subsections A, B and C of the domestic industry provision and make clear to what extent licensing *qua licensing* is, in fact, a stand-alone basis for a domestic industry and whether Congress intended licensing provisions to apply to institutions beyond those denominated by name in the statute. Another ITC-related inquiry is to determine whether standard-essential patents should be under the purview of the ITC, subject to exclusion orders under Section 337.

These are questions that fit squarely within the authority of Congress. Asking Congress to address them makes sense.

When it comes to the PTO, there already has been much change. I am not suggesting that you go back and rework the AIA, but I do believe there are a few things that have yet to be clarified. First, does it really makes sense to have different tribunals considering patent litigation yet not have them all operating under the same standards for claim construction? Would it not make sense to have the PTO use the *actual* construction of the claims of an issued patent during re-exam – as do the courts and ITC – rather than a hypothetical "broadest reasonable" construction? I understand why use of the broadest reasonable construction makes sense at the application stage, or even possibly in a reissue proceeding, but with respect to validly issued and active patent, perhaps we ought to put the ITC, the courts and the PTO on the same page. It certainly would make it easier for us as a reviewing court to be able to apply one set of standards to all these IP tribunals.

I also believe there are important, unanswered questions regarding the level of process that is due to patent holders in PTO post-grant proceedings. After all, already issued patents represent property rights. It is no longer a mere request that a property right be issued. It actually is an existing property right that is being reviewed and that is at risk of being invalidated. Perhaps there should be greater care with respect to the level of process that is afforded to patent holders in those proceedings. Whether that is a congressional fix or one that you work with the PTO to develop is an open question. Either way, the due process question should not be ignored.

The point I am trying to make today is that, while I understand your frustrations, I fear where they may be taking us. I understand that we have to do a better job in the courts, at the

PTO, and in the ITC to make it less painful for those of you who have patents or who have businesses that might be subject to other people's allegations of infringement because of their patents. We need to make the process more efficient, more predictable, and less expensive. I understand that you need a better system. But, in your zeal to get a better IP system, you need to keep the bigger picture in mind; you need to have a broader view of how best to get that better system and, more importantly, how *not* to do so. Work with the courts. Work with the PTO. Do not ask Congress for quick fixes though. And do not ask Congress to intrude on the inherent authority of the courts to further your short-term interests.

I am asking you to understand that there are bigger issues at stake here. The IP world may seem all-consuming at times. But IP law does not operate in a vacuum. The importance of protecting the independence of the judiciary extends far beyond this room and far beyond the IP world; I cannot overstate its importance. Please rethink the "reforms" you seek.

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