

6-4-2019

## State Immunity And The Patent Trial and Appeal Board

Tejas N. Narechania

Follow this and additional works at: <https://scholarship.kentlaw.iit.edu/ckjip>



Part of the [Intellectual Property Law Commons](#)

---

### Recommended Citation

Tejas N. Narechania, *State Immunity And The Patent Trial and Appeal Board*, 18 Chi.-Kent J. Intell. Prop. 537 (2019).

Available at: <https://scholarship.kentlaw.iit.edu/ckjip/vol18/iss3/11>

This Article is brought to you for free and open access by Scholarly Commons @ IIT Chicago-Kent College of Law. It has been accepted for inclusion in Chicago-Kent Journal of Intellectual Property by an authorized editor of Scholarly Commons @ IIT Chicago-Kent College of Law. For more information, please contact [jwenger@kentlaw.iit.edu](mailto:jwenger@kentlaw.iit.edu), [ebarney@kentlaw.iit.edu](mailto:ebarney@kentlaw.iit.edu).

---

---

# STATE IMMUNITY AND THE PATENT TRIAL AND APPEAL BOARD

TEJAS N. NARECHANIA\*

## INTRODUCTION

Since Congress's enactment of the Leahy-Smith America Invents Act, the power and influence of the Patent Trial and Appeal Board ("PTAB") as an adjunct to (or substitute for) patent litigation has steadily grown. And just as the PTAB and district courts both face difficult questions of substantive patent law, many of the difficult jurisdictional and procedural issues that have presented in district court litigation have found counterparts in the PTAB, too. One category of such challenges regards the power of the PTAB to hear claims involving other governmental entities. The interactions among private patent rights, the federal patent power, and other sovereign interests present a series of interesting questions. For example, how may federal agencies defend against suits alleging infringement by the government?<sup>1</sup> Are Indian tribes immune from the power of the PTAB?<sup>2</sup> Are the fifty states?<sup>3</sup>

In this invited symposium contribution, I consider that latter question: Are the states immune from the power of the PTAB? This question—like the

\* Assistant Professor of Law, University of California, Berkeley, School of Law. For their generous comments, suggestions, and conversations, I thank Easha Anand, Sonia Katyal, Mark Lemley, Jonathan Masur, Khushali Narechania, Arti Rai, and Greg Reilly. I also thank the diligent and careful editors of the Chicago-Kent Journal of Intellectual Property.

1. *Compare, e.g.,* *Motorola Inc. v. United States*, 729 F.2d 765, 768–69, 768 n.3 (Fed. Cir. 1984) (describing some remedies that are not available in suits against the federal government), *with* *Return Mail, Inc. v. U.S. Postal Service*, 139 S. Ct. 397 (2018) (mem.) (granting certiorari to decide whether federal agencies may petition for patent review in the PTAB).

2. *Compare, e.g.,* *Specialty House of Creation, Inc. v. Quapaw Tribe*, No. 10-CV-371-GKF-TLW, 2011 WL 308903, at \*1–2 (N.D. Okla. Jan. 27, 2011) (the district court's jurisdiction does not encompass patent claims against the Quapaw Tribe), *with* *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018) (the PTAB's jurisdiction does encompass proceedings against the Saint Regis Mohawk Tribe).

3. *Compare, e.g.,* *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 647–48 (1999) (the federal courts' jurisdiction does not encompass patent infringement claims against the states), *with* *Ericsson Inc. v. Regents of Univ. of Mo.*, No. IPR2017-01186, 2017 WL 6517563, at \*2 (P.T.A.B. Dec. 19, 2017) (the PTAB's jurisdiction may encompass proceedings against the states).

question of tribal immunity from PTAB jurisdiction—may be exceptionally consequential. Sovereign immunity from post-issuance patent review can confer important advantages on states and tribes for reasons that are entirely untethered to innovation policy. There is no evident reason, for example, that a state university’s patents should be relatively more valuable than those issued to a comparable private university. But immunity confers such value.<sup>4</sup> Moreover, sovereign entities may lease their immunity to private patent owners in order to shield their patents from review.<sup>5</sup> Indeed, Mylan Pharmaceuticals accused Allergan and the Saint Regis Mohawk Tribe of employing exactly such a scheme.<sup>6</sup> And though the Supreme Court recently declined to review a decision denying immunity to the Saint Regis Mohawk Tribe under those circumstances,<sup>7</sup> other cases—including cases implicating the states’ immunity—continue to percolate.<sup>8</sup>

So can the states shield their patents from post-issuance review? I conclude that they cannot. State sovereign immunity jurisprudence suggests at least three reasons why this is so.

First, state sovereign immunity is primarily a limit on the federal government’s “judicial power” under Article III of the Constitution. But the Supreme Court has explained that the PTAB does not—indeed, it could not—exercise such Article III power when it reconsiders a decision to grant a patent.<sup>9</sup>

Second, though state immunity generally applies to exercises of Article III power, the Supreme Court has explained that the Eleventh Amendment’s penumbras may shield states from other federal proceedings—say, agency proceedings—that closely resemble an ordinary lawsuit.<sup>10</sup> But *inter partes* review at the PTAB differs from ordinary litigation in several significant,

4. Tejas N. Narechania, *An Offensive Weapon?: An Empirical Analysis of the ‘Sword’ of State Sovereign Immunity in State-Owned Patents*, 110 COLUM. L. REV. 1574, 1602 (2010) (suggesting that state universities have been able to “become more aggressive licensors of their patents” vis-à-vis their private counterparts).

5. See, e.g., Cecilia (Yixi) Cheng & Theodore T. Lee, *When Patents are Sovereigns: The Competitive Harms of Leasing Tribal Immunity*, 127 YALE L.J. F. 848, 850 (2018) (explaining that such leases may “allow the [patent-holder] to maintain a dominant market position to the detriment of competitors and consumers”).

6. Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-01455-WCB, 2017 WL 4619790, at \*2–4 (E.D. Tex. Oct. 16, 2017).

7. Saint Regis Mohawk Tribe v. Mylan Pharm., Inc., No. 18-899, 2019 WL 1590253, at \*1 (U.S. Apr. 15, 2019) (mem.).

8. E.g., Regents of the Univ. of Minn. v. LSI Corp., No. 2018-1559 (Fed. Cir. Feb. 12, 2018).

9. See *Oil States Energy Serv. v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1373–75 (2018).

10. E.g., *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760–61 (2002).

relevant respects.<sup>11</sup> District courts, for example, generally lack discretion to refuse a plaintiff's complaint.<sup>12</sup> Not so in inter partes review: The Patent Office has the unreviewable discretion to deny any petition for review.<sup>13</sup>

This particular distinction—that the Patent Office may itself decide whether to institute review—suggests a third, and perhaps more novel, basis for subjecting states to the PTAB's jurisdiction. The Supreme Court has repeatedly affirmed the federal government's power to sue the states to protect federal interests.<sup>14</sup> And the federal government has a clear, compelling interest in ensuring that public rights, such as patents, “are kept within their legitimate scope.”<sup>15</sup> Hence, because inter partes review is “designed to end [the] continuing violation of federal law” wrought by an wrongly-issued patent, the Patent Office may decide, in its own discretion, to institute review of a state-owned patent, state immunity notwithstanding.<sup>16</sup> Such review “vindicate[s] the federal interest,” both in “assuring the supremacy of that law,” and in restoring parity between public and private patentees.<sup>17</sup>

This article proceeds in three parts.

I begin with a brief survey of the states' claims to immunity in patent settings. While the Supreme Court's decision in *Florida Prepaid* has largely kept the states out of federal court on patent claims,<sup>18</sup> the PTAB's state immunity decisions are far less consistent, yielding at least four distinct theories of immunity.<sup>19</sup> In some cases, the PTAB has concluded that sovereign immunity shields, absolutely, state-owned patents from post-grant review. But this view may, as noted, both distort patent-related markets and create an undesirable market for sovereign immunity. In other cases, the PTAB has concluded that a state's immunity is contingent on its conduct in other fora. But this approach requires putative petitioners to wait to be sued before petitioning for review. In other cases, the PTAB has concluded that while the states may not be haled before the Board, their co-patentees may

11. See, e.g., *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2143–44 (2016); see also *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1326–29 (Fed. Cir. 2018).

12. *Fed. Mar. Comm'n*, 535 U.S. at 757, 763–64.

13. *Cuozzo*, 136 S. Ct. at 2139–40.

14. E.g., *United States v. Minn.*, 270 U.S. 181, 195 (1926); see also *Fed. Mar. Comm'n*, 535 U.S. at 767–68.

15. *Oil States Energy Serv. v. Greene's Energy Grp.*, 138 S. Ct. 1365, 1373–75 (2018) (quoting *Cuozzo*, 136 S. Ct. at 2144).

16. See *Green v. Mansour*, 474 U.S. 64, 68 (1985).

17. See *id.*

18. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 647–48 (1999).

19. See *infra* notes 42–57 and accompanying text.

be. And in the final class of cases, members of the PTAB have concluded that state sovereign immunity should never apply to the Board's proceedings. But both of these latter approaches threaten the states' fiscal interests, and may, in the states' view, constitute a constitutionally "impermissible affront" to the states' sovereign dignity.<sup>20</sup>

In view of these doctrinal difficulties, I take a fresh look at the states' claim to immunity from the PTAB's jurisdiction. I conclude that the Patent Office Director's power to institute inter partes review includes the power to institute review of a state-owned patent (no less than any privately-owned patent). This is so for the three primary, doctrinal reasons described above. One, state sovereign immunity operates primarily as a limit on the federal government's "judicial power"—a power the PTAB cannot exercise.<sup>21</sup> Two, the states' immunity does not apply to administrative proceedings that, like inter partes review, do not "walk[], talk[], and squawk[]" like ordinary litigation.<sup>22</sup> Three, the federal government retains the power to check, via agency process, the lawfulness of public rights granted to the states.<sup>23</sup>

Finally, I explore the policy concerns that attend to immunity from challenges to state-owned patents. I explain that these challenges are rather far afield from the core concerns of sovereign immunity. Instead, such immunity operates to give states an undue advantage in its role as market participant (rather than sovereign governor).<sup>24</sup> States, for example, have deployed their immunity to avoid ownership challenges and validity challenges, and have thereby "become more aggressive licensors of their patents."<sup>25</sup> But in other sovereign immunity contexts, Congress has eliminated these undue advantages. Hence, the government's power to check state-owned patents through inter partes review helps assure a better balance between public and private patentees.

20. *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 766–67 (2002).

21. U.S. CONST., Art III., § 1.

22. *Fed. Maritime Comm'n*, 535 U.S. at 751.

23. *See infra* notes 102–129 and accompanying text.

24. *Cf. Thacker v. Tenn. Valley Auth.*, 139 S. Ct. 1435, 1442–43 (2019) (noting that the Court had previously reasoned that "the liability of the Postal Service. . . should be similar to that of other self-sustaining commercial ventures").

25. Narechania, *supra* note 4, at 1602.

## STATE IMMUNITY IN PATENT PROCEEDINGS

*Immunity from Judicial Process*

The modern history of state sovereign immunity in intellectual property settings begins with the Federal Circuit's decision in *Chew v. California*.<sup>26</sup> In *Chew*, the Federal Circuit concluded that though Congress might abrogate the states' immunity from federal patent litigation, the Patent Act lacked the "requisite unmistakable language of congressional intent necessary to abrogate Eleventh Amendment immunity."<sup>27</sup> Because the Patent Act failed this clear statement test, the states were "immune from suit for patent infringement."<sup>28</sup>

Congress responded quickly to *Chew*: Finding that state immunity from suit "cuts against [the Intellectual Property clause] of the U.S. Constitution" because it "effectively discourages future innovati[ons]," Congress amended the patent, copyright, and trademark statutes "to clarify that states are monetarily liable" for the infringement of intellectual property rights.<sup>29</sup> These bills stated, in unmistakably clear language, that infringement liability extends to "any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity."<sup>30</sup>

The Supreme Court would eventually take a closer look at these new provisions. Both the Federal Circuit (in *Chew*) and Congress (by amending various intellectual property statutes) assumed that Congress could abrogate the states' immunity under its Intellectual Property and Commerce Clause powers.<sup>31</sup> But an intervening decision—*Seminole Tribe v. Florida*—seemed

26. *Chew v. Cal.*, 893 F.2d 331 (Fed. Cir. 1990).

This summary of the "modern history of state sovereign immunity" from judicial process is adapted from my previous work, Tejas N. Narechania, *An Offensive Weapon?: An Empirical Analysis of the 'Sword' of State Sovereign Immunity in State-Owned Patents*, 110 COLUM. L. REV. 1574 (2010).

27. *Chew*, 893 F.2d at 334.

28. *Id.* at 336.

29. See, respectively, S. REP. NO. 102-280, at 8 (1992); *id.*; and H.R. REP. NO. 101-960, pt. 1, at 2 (1990).

30. See Trademark Remedy Clarification Act, Pub. L. No. 102-542, 106 Stat. 3567 (1992), *invalidated by* Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666 (1999); Patent and Plant Variety Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992), *invalidated by* Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627 (1999); Copyright Remedy Clarification Act, Pub. L. No. 101-553, 104 Stat. 2749 (1990), *invalidated by* Chavez v. Arte Pub. Press, 204 F.3d 601, 608 (5th Cir. 2000) (holding CRCA was "doomed in the wake of *Florida Prepaid*").

31. See, respectively, e.g., *Chew*, 893 F.2d at 334; and *Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. at 635.

to call that assumption into question.<sup>32</sup> And, in a subsequent pair of companion cases—*Florida Prepaid v. College Savings Bank* and *College Savings Bank v. Florida Prepaid*—the Court held that these Article I powers did not empower Congress to abrogate the states’ immunity and thereby hold them liable for intellectual property infringement.<sup>33</sup>

Hence, following the *Florida Prepaid* decisions, the states were immune from federal litigation alleging violations of private intellectual property rights. And the Federal Circuit extended this immunity to encompass a range of suits and violations. In *Xechem*, for instance, the Federal Circuit held a state university immune from an ownership challenge regarding a patent that had allegedly been co-developed by a Xechem scientist and a state university researcher.<sup>34</sup> Likewise, in *Tegic Communications*, that court held another state university immune from a declaratory judgment challenge to a state-owned patent.<sup>35</sup> This was so even though the state university had filed a related infringement lawsuit in another federal district court.<sup>36</sup>

To be sure, the states’ immunity from federal judicial process is not absolute. They may, for example, waive their immunity. In *Vas-Cath v. University of Missouri*, the state university initiated an administrative interference proceeding before the Board of Patent Appeals and Interferences (the PTAB’s predecessor).<sup>37</sup> The University of Missouri prevailed before the agency, and when Vas-Cath appealed the agency’s decision, the district court dismissed the appeal on sovereign immunity grounds.<sup>38</sup> But the Federal Circuit reversed, concluding that Missouri waived immunity by commencing the administrative proceeding.<sup>39</sup> Because Missouri waived immunity before the agency, the Federal Circuit concluded that would be impermissibly unfair to allow the state to “retain the fruits of [the original administrative] action and bar the losing party from its statutory right of review.”<sup>40</sup> Indeed, the Supreme Court in *Lapides v. Board of Regents*

32. *Seminole Tribe of Fla. v. Fla.*, 517 U.S. 44, 54 (1996).

33. Respectively, *Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. at 635–36, 647–48; *Coll. Savings Bank*, 527 U.S. at 672.

34. *Xechem Int’l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324, 1332 (Fed. Cir. 2004).

35. *Tegic Commc’ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys.*, 458 F.3d 1335, 1340 (Fed. Cir. 2006).

36. *Id.* at 1337, 1344.

37. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1378 (Fed. Cir. 2007).

38. *Id.* at 1379–80.

39. *Id.* at 1382.

40. *Id.* at 1385.

of the University System of Georgia denounced a similarly “selective use of immunity to achieve litigation advantages.”<sup>41</sup>

### *Immunity from Administrative Process*

States, then, can waive immunity from judicial process by participating in agency proceedings. And they can waive immunity from administrative process, too—say, by voluntarily filing an agency petition. But, beyond this simple scenario, the scope of the states’ immunity from the PTAB’s jurisdiction remains uncertain.

Consider several recent PTAB adjudications, many of which advance conflicting conclusions regarding the scope of the states’ immunity.

In the first such proceeding, a state university sued Covidien, alleging a breach of a license arrangement.<sup>42</sup> Covidien’s strategy in response included a counterclaim of invalidity, removal to federal court, and several petitions for inter partes review before the PTAB.<sup>43</sup>

The PTAB’s decision in *Covidien* begins with *Federal Maritime Communication v. South Carolina State Ports Authority* (“*FMC*”), the Supreme Court’s leading account of the scope of state immunity from agency process.<sup>44</sup> The short answer—elaborated in more detail *infra*—is that states are immune from agency proceedings that “walk[], talk[], and squawk[]” like ordinary litigation in the federal district courts.<sup>45</sup>

The *Covidien* panel determined that inter partes review proceedings at the PTAB satisfied *FMC*’s standard for immunity.<sup>46</sup> In the view of the *Covidien* panel, “the considerable resemblance between” inter partes review and ordinary litigation was “sufficient to implicate the [states’] immunity.”<sup>47</sup> In particular, the Board explained that the similarities in the adversarial nature of the proceeding, the role of the adjudicator, and the governing rules all meant that state immunity applied.<sup>48</sup> Other PTAB decisions reach like conclusions. In *NeoChord*, for example, the panel similarly concluded that a

41. *See id.* at 1383 (quoting *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002) (internal quotation marks omitted)).

42. *Covidien LP v. Univ. of Fla. Research Found.*, No. IPR2016-01274, No. IPR2016-01275, No. IPR2016-01276, 2017 WL 4015009, at \*1 (P.T.A.B. Jan. 25, 2017).

43. *Id.*

44. *Id.* at \*2 (citing *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 753–61 (2002)).

45. *Fed. Mar. Comm’n*, 535 U.S. at 751.

46. *Covidien LP*, 2017 WL 4015009, at \*12.

47. *Id.* at \*11.

48. *Id.* at \*9–11.

state respondent was immune from inter partes review given the apparent similarities between the agency's proceeding and district court litigation.<sup>49</sup>

So too in *Reactive Surfaces*—though, there, the agency's proceeding remained active because of a non-sovereign co-owner.<sup>50</sup> That is, the PTAB could keep the state-owned patent under review, so long as a non-state co-owner remained subject to the Board's jurisdiction. Hence, though the state escaped the burdens of agency process, the state's interest in the patent remained under threat.

In *Covidien* and *NeoChord*, the PTAB terminated proceedings challenging state-owned patents in view of the states' immunity. And in *Reactive Surfaces*, the PTAB held the state patent owner immune from the agency's jurisdiction—though the challenge to the patent (and, hence, to the state's fiscal interest) remained active in view of its non-state co-owners.

At least one other PTAB panel has taken an even narrower view of the states' immunity from the power of the Board.

In *Ericsson Inc. v. Regents of University of Missouri*, the panel majority explained state sovereign immunity may apply to the PTAB's proceedings.<sup>51</sup> But, there, the state waived immunity by first filing an infringement suit in district court.<sup>52</sup> That is, notwithstanding cases like *Tegic*—holding that a state's participation in one matter cannot be understood as waiving immunity in a different (even if related) proceeding—the *Ericsson* panel concluded that immunity does not apply where the petitioner has been sued by the state for infringement.<sup>53</sup> Instead, the panel reasoned that a petition for inter partes review more closely resembled a compulsory counterclaim in the same action, rather than a complaint in a wholly different proceeding: Both must be brought in response to the initial complaint, or never brought at all.<sup>54</sup> And since immunity is deemed waived as to compulsory counterclaims, so too with inter partes review.<sup>55</sup>

49. *NeoChord, Inc. v. Univ. of Md., Balt.*, No. IPR2016-00208, 2017 Pat. App. LEXIS 12969, at \*31 (P.T.A.B. May 23, 2017).

50. *Reactive Surfaces v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429, at \*7 (P.T.A.B. July 13, 2017).

51. *Ericsson Inc. v. Regents of Univ. of Mo.*, No. IPR2017-01186, 2017 WL 6517563, at \*2 (P.T.A.B. Dec. 19, 2017).

52. *Id.* at \*3–4.

53. *Id.*

54. Compare FED. R. CIV. P. 13(a), with 35 U.S.C. § 315(b).

55. *Ericsson Inc.*, 2017 WL 6517563, at \*4; see also *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1125–26 (Fed. Cir. 2003).

Judge Bisk concurred, suggesting that state immunity should *never* apply to inter partes review.<sup>56</sup> In her view, several features of the Board’s power and process “differentiat[e] inter partes review from civil litigation,” including the proceeding’s basic purpose as a check on an examiner’s initial decision to grant a patent application, the petitioner’s available remedies, and the PTAB’s jurisdiction to conclude the proceeding even where the original parties have settled the matter privately.<sup>57</sup>

Hence, different members of the PTAB have advanced at least four different views about the scope of state immunity before that Board. Cases like *Covidien* suggest that the similarities between the Board’s proceedings and ordinary litigation mean that immunity applies, full stop. In contrast, Judge Bisk’s concurrence implies that the differences between inter partes review and district court proceedings mean that immunity never applies. Meanwhile, other opinions attempt to chart a middle ground. The panel majority in *Ericsson*, for example, suggests that immunity may apply, except where the state has waived its immunity through its conduct in other fora. And *Reactive Surfaces* shields the state from the costs and burdens of the agency’s proceeding—but keeps the state’s patent interest under review. So which is it?

#### STATE IMMUNITY AT THE PATENT TRIAL AND APPEAL BOARD

As I suggested in the Introduction, the states are not immune from the PTAB’s power to institute and conduct inter partes review, among other forms of post-grant patent review.<sup>58</sup> This conclusion accords both with the Supreme Court’s sovereign immunity jurisprudence, as well as with prudential sovereign immunity policy. I begin with the doctrine. First, the Court has explained that state sovereign immunity operates primarily as a limit on the federal government’s “judicial power” under Article III of the Constitution. But the PTAB’s lawfulness hinges on the fact that it does not exercise any such judicial power.<sup>59</sup> Second, though state immunity may also apply outside Article III contexts, such penumbral immunity from agency process is limited to proceedings that closely resemble an ordinary lawsuit.

56. *Ericsson Inc.*, 2017 WL 6517563, at \*7 (Bisk, A.P.J., concurring).

57. *Id.* at \*5–6 (Bisk, A.P.J., concurring).

58. Portions of this section are adapted, with permission, from an amicus brief that I co-authored and filed with Mark Lemley on behalf of a group of intellectual property law professors. See Brief Amici Curiae of Intellectual Property Professors in Support of Appellees, *Regents of the Univ. of Minn. v. LSI Corp.*, No. 2018-1559 (Fed. Cir. Aug. 7, 2018).

59. See *Oil States Energy Serv. v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1373–75 (2018).

But *inter partes* review differs from ordinary patent litigation in several significant, relevant respects.<sup>60</sup> Third, the nature of the proceeding and the character of the right both inform the scope of a state's immunity from federal process. Here, the public right character of a patent confirms the federal government's power to institute review in order to check the lawfulness of the state's patent.

### *Sovereign Immunity from the Federal Judicial Power*

As the *Florida Prepaid* decisions (along with several other of the Supreme Court's state sovereign immunity opinions) confirm, the judicial power of the United States cannot be exercised against unconsenting states.<sup>61</sup> That is, "the jurisdictional heads of Article III" remain subject to "the sovereign immunity that the [s]tates possessed before entering the Union."<sup>62</sup> This is because the Supreme Court has understood the Constitution's Eleventh Amendment as restoring the Founders' view—temporarily upset by its decision in *Chisholm v. Georgia*—that each state, as its own sovereign entity, is not "amenable to the suit of an individual without its consent."<sup>63</sup> The states' sovereign immunity, reified in the Constitution's Eleventh Amendment, is thus principally a limit on the federal government's judicial power. As a result, states may not, as noted above, be haled into federal court to face patent litigation.

And while the states' immunity is principally a limit on the federal government's judicial power, the Supreme Court has made clear that the Patent Office does not exercise this power when it revisits a decision to grant a patent application.<sup>64</sup> This is because "Congress cannot confer the government's judicial power on entities outside of Article III."<sup>65</sup> That is, *inter partes* review is constitutional precisely because it does not involve an exercise of Article III power. Hence, the power of the PTAB is not subject to strictly the same limits as apply to the federal judicial power. Rather, any state immunity from the PTAB's jurisdiction must begin with another theory.

60. See, e.g., *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2143–44 (2016); see also *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1326–29 (Fed. Cir. 2018).

61. *Seminole Tribe of Fla. v. Fla.*, 517 U.S. 44, 54 (1996).

62. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 669–670 (1999).

63. *Hans v. La.*, 134 U.S. 1, 13 (1890) (quoting THE FEDERALIST No. 81 (A. Hamilton)). But see *Seminole Tribe of Fla.*, 517 U.S. at 102–06, 142–50 (Souter, J., dissenting) (arguing that "the Framers and their contemporaries did not agree about the place of common-law state sovereign immunity").

64. *Oil States*, 138 S. Ct. at 1373–75.

65. *Id.* at 1372–73.

*Penumbral Immunity from Agency Process*

Though the states' sovereign immunity operates principally as a limit on the federal government's judicial power—that immunity has certain further penumbras.<sup>66</sup> Among them is immunity from certain agency proceedings.<sup>67</sup> Specifically, states may be immune from nonjudicial proceedings that nevertheless “walk[], talk[], and squawk[] very much like a lawsuit.”<sup>68</sup> That is, the states may not be compelled to submit to a “type of proceedin[g]” that would offend their sovereign dignity.<sup>69</sup>

To determine whether an administrative proceeding sufficiently looks like ordinary litigation (and whether a state may consequently be immune from that tribunal's power), the Supreme Court, in *FMC*, considered several specific, discrete aspects of the agency's adjudication, including motion practice, the scope of discovery, and the role of the presiding officers.<sup>70</sup> In nearly every relevant respect, inter partes review differs from ordinary litigation.

## Motion Practice

In *FMC*, the Court explained that, under its apparent look-alike test, the states may be immune from agency proceedings whose basic motion practice closely resembles practice under the Federal Rules of Civil Procedure.<sup>71</sup>

For example, *FMC*'s holding in favor of immunity is explained, at least in part, by the fact that the agency's proceeding is—as in ordinary litigation—“commenced by the filing of a complaint.”<sup>72</sup> The Federal Maritime Commission lacked “the discretion to refuse to adjudicate complaints brought by private parties.”<sup>73</sup> Not so in inter partes review. In inter partes review, it is the Patent Office—not a private complainant—that decides whether to institute review.

66. See, e.g., Katherine Florey, *Sovereign Immunity's Penumbras: Common Law, "Accident," and Policy in the Development of Sovereign Immunity Doctrine*, 43 WAKE FOREST L. REV. 765, 766 n.7, 767 (2008); Helen Hershkoff, *Horizontality and the "Spooky" Doctrines of American Law*, 59 BUFFALO L. REV. 455, 485–86 (2011); see also *Franchise Tax Bd. of Cal. v. Hyatt*, No. 17-1299, 2019 WL 2078084, at \*6–9 (U.S. May 13, 2019).

67. See, e.g., William Baude, *Sovereign Immunity and the Constitutional Text*, 103 VA. L. REV. 1, 15–18 (2017).

68. *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 757 (2002).

69. *Id.* at 751, 757.

70. *Id.* at 757–59.

71. See *id.* at 757.

72. *Id.*

73. *Id.* at 764.

This distinction alone may settle the question of state immunity from PTAB jurisdiction. *FMC* expressly affirms an agency's power "to institute its own administrative proceeding against a [state]," "either upon its own initiative or upon information supplied by a private party."<sup>74</sup> That reflects precisely the institution of inter partes review: A private party supplies information to the Patent Office by way of a petition, but the Director makes an independent, unreviewable determination whether to institute the proceeding against the state.<sup>75</sup> Indeed, the agency has the unreviewable discretion to deny any petition—even petitions that seem, on their face, reasonably likely to succeed.<sup>76</sup>

Other distinctions also set PTAB proceedings apart from patent litigation in the federal courts. *FMC*, for example, considers the cadence of required filings.<sup>77</sup> A defendant's response to a complaint filed in federal court is due within 21 days—and failing to respond can lead to a default judgment.<sup>78</sup> But in inter partes review, a patent owner has three months (not three weeks) to file a preliminary response to a petition—and may even choose to waive her right to respond without facing a default judgment.<sup>79</sup> *FMC* also considers whether, as under the Civil Rules, respondents may file counterclaims.<sup>80</sup> Yet again, PTAB process differs: Patent owners in inter partes review may not file counterclaims. *FMC* likewise considers whether putative intervenors have similar rights both under the Civil Rules and in the agency proceeding.<sup>81</sup> And unlike judicial process, putative petitioners may not intervene by right into an instituted inter partes review (though the Board may decide, in its own discretion, to join distinct petitioners).<sup>82</sup>

### Discovery

*FMC*'s look-alike test, in addition to motion practice, also considers similarities between the agency's adjudication and federal litigation in the scope of discovery: *FMC*'s own conclusion that a state was immune from

74. *Id.* at 768.

75. *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2139–42 (2016).

76. *Compare* 35 U.S.C. § 314(a), (d), *Cuozzo*, 136 S. Ct. at 2139–40, and *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018), with FED. R. CIV. P. 12(b)(6).

77. *Fed. Mar. Comm'n*, 535 U.S. at 757 (citing FED. R. CIV. P. 12(a)(1)).

78. *See id.*

79. *See* 37 C.F.R. § 42.107(b); *see also* 37 C.F.R. § 42.120(b) (patent owner has three months to file a response after inter partes review has been instituted).

80. *Fed. Mar. Comm'n*, 535 U.S. at 757.

81. *Id.* (comparing agency rules to FED. R. CIV. P. 24).

82. *Compare* 35 U.S.C. § 315(c) with FED. R. CIV. P. 24(a).

proceedings before the Federal Maritime Commission is based, in part, on the Court's view that "discovery in FMC adjudications largely mirrors discovery in civil litigation."<sup>83</sup> Indeed, the relevant statutory provisions in *FMC* explained that the agency's discovery practice must, to the extent possible, conform to the Federal Rules of Civil Procedure.<sup>84</sup>

But discovery in inter partes review is quite unlike discovery under the Civil Rules.<sup>85</sup> Rule 26 allows the parties to "obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case;" the provisions governing inter partes review, by contrast, offer limited preliminary discovery, and additional discovery only "in the interest of justice."<sup>86</sup> As the PTAB has explained, in inter partes review, "discovery is available for the deposition of witnesses submitting affidavits or declarations and for what is otherwise necessary in the interest of justice. . . That is significantly different from the scope of discovery generally available under the Federal Rules of Civil Procedure."<sup>87</sup> Indeed, the scope of relevant prior art in inter partes review is limited to patents and printed publications, excluding from consideration prior public uses and sales that would require litigation-style discovery.<sup>88</sup>

These differences in motion practice and discovery reflect Congress's focus on efficient and speedy adjudication.<sup>89</sup> The gap between federal litigation and inter partes review is meant to lead to lower costs, reduced complexity, and shorter adjudications.<sup>90</sup> Hence, inter partes review proceedings are, once instituted, generally required to come to a final decision within one year.<sup>91</sup> By contrast, courts are not required to terminate a case within a particular period, and the average pendency for patent litigation is more than twice as long.<sup>92</sup>

83. *Fed. Mar. Comm'n*, 535 U.S. at 758.

84. *Id.* (quoting 46 U.S.C. § 1711(a)(1) (1994)).

85. See *Saint Regis Mohawk Tribe v. Mylan Pharm.*, 896 F.3d 1322, 1328 (Fed. Cir. 2018).

86. Compare FED. R. CIV. P. 26(b)(1) with 35 U.S.C. § 316(a)(5)(B) and 37 C.F.R. § 42.51(b).

87. *Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-00001, 2013 WL 11311697, at \*3 (P.T.A.B. Mar. 5, 2013).

88. 35 U.S.C. § 311(b).

89. See Paul R. Gugliuzza, *Quick Decisions in Patent Cases*, 106 GEO. L.J. 619, 641–42, 649 (2018).

90. See *Garmin Int'l*, 2013 WL 8149380, at \*1.

91. 35 U.S.C. § 316(a)(11).

92. See PwC, *2018 Patent Litigation Study* fig. 4, [http://bit.ly/PWC\\_2018Study](http://bit.ly/PWC_2018Study) (last visited Apr. 29, 2019).

### Presiding Officer

Finally, *FMC*'s look-alike test compares the role of an agency proceeding's presiding officer to that of a federal district court judge: Is "the role of the [administrative law judge]. . . similar to that of an Article III judge"?<sup>93</sup> If so, then immunity may apply.

But, as with motion and discovery practice in inter partes review, the PTAB's administrative patent judges differ from federal district judges in several respects. The district court judges (like some other administrative law judges) have wide remedial discretion to issue equitable remedies, such as injunctions, as well as the power to assign private liability and award damages or "reparations."<sup>94</sup> But administrative patent judges lack this same remedial discretion: These judges, for example, have no power to assign private liability or assess damages. By contrast, the PTAB has the power to issue amended patent claims<sup>95</sup>—but the district courts have no like power to modify a patent.

Administrative patent judges differ from Article III judges in several other respects, too. Unlike many federal district judges (as well as ordinary administrative law judges), administrative patent judges have patent-related expertise, and that expertise may coincide with particular technologies related to the patents under review.<sup>96</sup>

Moreover, federal judges are often assigned by lottery, while the Director of the Patent Office may assign administrative patent judges to particular cases.<sup>97</sup> And the Director has—and has exercised—the power to add judges to panels in order to affect a review's outcome and thereby advance the Patent Office's policy preferences.<sup>98</sup> The presiding officers in inter partes review are thus designed to be experienced patent adjudicators, focusing on the patent claims under review, and serving, simultaneously, in both adjudicatory and policy roles.

\*\*\*

93. Fed. Mar. Comm'n v. S.C. State Ports Auth., 535 U.S. 743, 758 (2002).

94. See, e.g., *id.* at 759; United States v. Nat'l Lead Co., 332 U.S. 319, 334–35 (1947).

95. See 35 U.S.C. §§ 316(d), 318(a).

96. See 35 U.S.C. § 6(a) ("The administrative patent judges shall be persons of competent legal knowledge and scientific ability. . ."); see also Saurabh Vishnubhakat, *When Can the Patent Office Intervene in Its Own Cases?*, 73 N.Y.U. ANN. SURV. AM. L. 201, 211 (2018).

97. Compare Adam M. Samaha, *Randomization in Adjudication*, 51 WM. & MARY L. REV. 1, 47 (2009), with 35 U.S.C. § 6(c). But cf. Marin K. Levy, *Panel Assignment in the Federal Courts of Appeals*, 103 CORNELL L. REV. 65, 67 (2017) (explaining that there is "there is reason to doubt that appellate panels are, or could be, 'strictly random'")

98. Vishnubhakat, *supra* note 96, at 225–27.

In short, a state's immunity from agency adjudication hinges on the extent to which the agency's proceedings resemble litigation in the federal courts. In *FMC*, the Supreme Court concluded that South Carolina was immune from an agency adjudication that was "overwhelming[ly]" like litigation.<sup>99</sup> But any similarities between inter partes review and patent litigation fall far short of that standard: In "significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding."<sup>100</sup> This is by design. Congress designed inter partes review as a more effective substitute for inter partes reexamination (the then-existing specialized agency process), and as a leaner alternative to federal litigation.<sup>101</sup> And, as noted, the Patent Office has used inter partes review to advance, even if slowly, a patent policy agenda.

### *Of Sovereignty, Supremacy, and Public Rights*

These congressional motives for devising inter partes review further explain why the states are not immune from the PTAB's jurisdiction. Unlike patent litigation, the "basic purpos[e]" of inter partes review is to give the Patent Office a chance to take "a second look at an earlier administrative grant of a patent," one that ensures "that patent monopolies are kept within their legitimate scope."<sup>102</sup> This description of inter partes review reflects two features critical to the question of state immunity. First, the proceeding is initiated by the federal government: The Director of the Patent Office decides, in his own discretion, whether to revisit an earlier grant in view of some potential error.<sup>103</sup> Second, the federal government has an ongoing interest in ensuring that the challenged patent was properly granted.<sup>104</sup> These two characteristics have important implications for a state's claim to immunity from the PTAB's jurisdiction.

The federal government is generally empowered to sue a state in light of some federal interest or duty.<sup>105</sup> The states are not immune from such a

99. *Fed. Mar. Comm'n*, 535 U.S. at 759.

100. *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2143 (2016).

101. *See id.* (citing, e.g., H.R. REP. NO. 112-98, pt. 1 (2011), at 48; S. REP. NO. 110-259 (2008), at 20); *Saint Regis Mohawk Tribe v. Mylan Pharm.*, 896 F.3d 1322, 1331-35 (Fed. Cir. 2018) (Dyk, J., concurring).

102. *Cuozzo*, 136 S. Ct. at 2144.

103. 35 U.S.C. § 314(a).

104. *Oil States Energy Serv. v. Greene's Energy Grp.*, 138 S. Ct. 1365, 1374 (2018) (explaining that patents "are granted subject to the qualification that the [Patent Office] has 'the authority to reexamine—and perhaps cancel—a patent claim' in an inter partes review" (quoting *Cuozzo*, 136 S. Ct. at 2131)).

105. *See United States v. Tex.*, 143 U.S. 621, 645 (1892); *United States v. Minn.*, 270 U.S. 181, 195 (1926).

suit.<sup>106</sup> In *United States v. Minnesota*, for example, the Court explained that “the immunity of the state[s] is subject to the constitutional qualification that she may be sued. . .by the United States.”<sup>107</sup> And the Court further explained that the federal government’s power to sue was animated by its “duty” “to vacate [a wrongly-issued land] patent” that “prejudice[d] the interests or rights of the United States.”<sup>108</sup> The government could thus sue to correct aspects of the improper land grant notwithstanding the state patentee’s sovereign immunity from comparable private litigation—including suits by the landowners whose property rights were adversely affected by the erroneous grant.<sup>109</sup>

*FMC* confirms that this principle applies in administrative settings, too. There, as noted above, the Supreme Court explained that the Federal Maritime Commission, as an agent of the federal sovereign, may “institute its own administrative proceeding against a [state],” “either upon its own initiative or upon information supplied by a private party.”<sup>110</sup> This power, the Court explained, “ampl[y]” satisfied the federal government’s constitutional interest in “uniformity in the regulation of maritime commerce” and in “ensuring that state-run ports comply with the Shipping Act and other valid federal rules governing ocean-borne commerce.”<sup>111</sup>

This aspect of *FMC* dovetails with a line of decisions affirming the government’s power to check, via administrative process, the propriety of federal grants to states. In *Bell v. New Jersey*, for example, the Court explained that the government “does not intrude on [a state’s] sovereignty” when it rescinds misused grant funds by way of agency proceedings.<sup>112</sup> In *Oklahoma v. United States Civil Service Commission*, the Court likewise explained that the federal government does not violate a state’s sovereignty when it checks for the “lawful use of federal benefits to a state by the United States dependent upon cooperation by the state with federal plans, assumedly for the general welfare.”<sup>113</sup> In both *New Jersey* and *Oklahoma*, a state voluntarily accepted a federal grant subject to the obligations and conditions

106. *Tex.*, 143 U.S. at 621; *see also Minn.*, 270 U.S. at 195; *cf. Saint Regis Mohawk Tribe*, 896 F.3d at 1329 (“Indian tribes may not rely on tribal sovereign immunity to bar a suit by a superior sovereign.” (quoting *Miccosukee Tribe of Indians of Fla. v. United States*, 698 F.3d 1326, 1331 (11th Cir. 2012))).

107. *Minn.*, 270 U.S. at 195.

108. *Id.*; *cf. Green v. Mansour*, 474 U.S. 64, 68 (1985) (explaining that state immunity may give way “to vindicate the federal interest in assuring the supremacy of that [federal] law”).

109. *Minn.*, 270 U.S. at 195, 206.

110. *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 768 (2002).

111. *Id.* at 767; *see also U.S. CONST.*, Art III., § 2.

112. *Bell v. N.J.*, 461 U.S. 773, 790–91 (1983).

113. *Okla. v. United States Civ. Serv. Comm’n*, 330 U.S. 127, 143–44 (1947).

imposed by the federal government—including the possibility that the federal government would rescind the grant.<sup>114</sup> In both cases, the agency initiated administrative proceedings to review the states' grants.<sup>115</sup> In both cases, that decision was made in view of new information alerting it to the possible "prejudice to the interests or rights of the United States."<sup>116</sup> And, finally, in both cases, the government determined that it was appropriate to rescind part of the grant.<sup>117</sup>

This process closely mirrors the Patent Office's review of state-owned patents.

First, the states accept federal patents—themselves "administrative grant[s]"—subject to ongoing obligations, such as maintenance fees, as well as "the qualification that the [Patent Office] has the authority to reexamine—and perhaps cancel—a patent claim."<sup>118</sup> Indeed, it seems settled agency practice to exercise this authority against state-owned patents and trademarks.<sup>119</sup>

Second, it is the Patent Office that ultimately decides whether to institute inter partes review. As I described above, the Patent Office's discretion to institute review suggests that the proceeding is brought by the federal government: A private party may petition the agency for the review, supplying new information that casts doubt on a patent's validity—but the agency ultimately makes an independent and unreviewable decision whether to institute review.<sup>120</sup> And, as *Minnesota*, *New Jersey*, *Oklahoma*, and *FMC* all confirm, the federal government retains the power to so move against a state in view of a federal interest.<sup>121</sup>

Moreover, the Patent Office's decision to review a state-owned patent is indeed made in view of "the interests or rights of the United States," namely, "the public's paramount interest that patent monopolies are kept

114. *N.J.*, 461 U.S. at 790–91; *Okla.*, 330 U.S. at 136.

115. *N.J.*, 461 U.S. at 777; *Okla.*, 330 U.S. at 133.

116. *United States v. Minn.*, 270 U.S. 181, 195 (1926); *see N.J.*, 461 U.S. at 777; *Okla.*, 330 U.S. at 131–32.

117. *N.J.*, 461 U.S. at 790–91; *Okla.*, 330 U.S. at 133.

118. *Oil States Energy Serv. v. Greene's Energy Grp.*, 138 S. Ct. 1365, 1374, 1376 n.3 (2018).

119. For patents, *see, e.g.*, *USV Limited v. State of Or.*, No. 2009-005002, 2009 WL 2807855, at \*1 (B.P.A.I. Aug. 31, 2009). For trademarks, *see, e.g.*, *Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Int'l Software*, 653 F.3d 448, 451 (7th Cir. 2011) (appeal regarding *Phoenix Software Int'l v. Bd. of Regents of the Univ. of Wis. Sys.*, No. 92042881 (T.T.A.B. Sept. 26, 2007)).

120. *See supra* notes 74–76 and accompanying text.

121. *See, respectively, Minn.*, 270 U.S. at 195; *N.J.*, 461 U.S. at 777; *Okla.*, 330 U.S. at 131–32; *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 767–68 (2002).

within their legitimate scope.”<sup>122</sup> The Supreme Court’s decision in *Oil States* explains that patents are public rights—rights that “arise between the [federal] Government and persons” (or, it would seem, states) “subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments,” including the Constitution’s Intellectual Property Clause.<sup>123</sup> This public right character of a patent—a federal grant that takes “immense value” from the national public and, in the case of a state-owned patent, awards it to a single state—confirms the government’s ongoing interest in the lawfulness of the patent examiner’s initial decision.<sup>124</sup> Hence, because inter partes review is “designed to end [the] continuing violation of federal law” wrought by a wrongly-issued patent, the Patent Office may review a state-owned patent, state immunity notwithstanding, “to vindicate the federal interest in assuring the supremacy of that law.”<sup>125</sup> It is this underlying patent policy interest that animates the Director’s power to review a state-owned patent.

Finally, the PTAB may, in such a review, affirm the examiner’s decision, or it may decide to grant amended claims,<sup>126</sup> or it may cancel the improperly granted patent’s claims altogether.<sup>127</sup>

122. See, respectively, *Minn.*, 270 U.S. at 195 and *Oil States*, 138 S. Ct. at 1374 (quoting *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2144 (2016)). Moreover, that inter partes review vindicates the public interests of the United States is further confirmed by 35 U.S.C. § 317(a) (which authorizes the Patent Office to carry a review to a final decision even when no petitioner remains in the process), and by the Patent Office’s own rules (which allow it to continue review even absent the patent owner’s participation). See also *Cuozzo*, 136 S. Ct. at 2144; *Saint Regis Mohawk Tribe v. Mylan Pharm.*, 896 F.3d 1322, 1328 (“IPR is an act by the agency in reconsidering its own grant of a public franchise.”).

123. *Oil States*, 138 S. Ct. at 1373 (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)).

To be sure, the states’ immunity “is not so ephemeral as to dissipate when [a matter] is an area . . . that is under the exclusive control of the Federal Government.” *Seminole Tribe of Fla. v. Fla.*, 517 U.S. 44, 74 (1996). And so Congress may not rely on its constitutional authority over intellectual property law to abrogate the states’ immunity from certain private claims. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 635–36 (1999). But the Supreme Court’s other sovereign immunity decisions suggest that states are not immune from private actions seeking prospective relief, such as a declaration of invalidity. *Green v. Mansour*, 474 U.S. 64, 68 (1985) (“Both prospective and retrospective relief implicate Eleventh Amendment concerns, but the availability of prospective relief . . . gives life to the Supremacy Clause. Remedies designed to end a continuing violation of federal law are necessary to vindicate the federal interest in assuring the supremacy of that law.”); *Ex Parte Young*, 209 U.S. 123, 155–56, 59–60 (1908). But see *supra* note 35 and accompanying text (citing *Tegic Commc’ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys.*, 458 F.3d 1335, 1340 (Fed. Cir. 2006)). This is doubly so for invalidity actions—administrative or judicial—brought by the federal government. See *supra* note 121 and accompanying text.

124. See *Oil States*, 138 S. Ct. at 1373–74, 1376 n.3 (noting the Patent Office’s “continuing authority to review and potentially cancel patents after they are issued”).

125. See *Green*, 474 U.S. at 69.

126. See 35 U.S.C. §§ 316(d)(1), 316(d)(3), 318(a).

127. See *Oil States*, 138 S. Ct. at 1374. Any decision to cancel a patent claim must be made under specified, existing statutory criteria, namely, 35 U.S.C. §§ 102, 103. See 35 U.S.C. § 311(b).

In sum, the federal government has, in court and through agency processes, repeatedly exercised continuing jurisdiction over public grants—including grants to the states—to ensure that they remain within lawful bounds. So too with inter partes review: Two features of inter partes review—the character of the proceeding as one instituted by the federal government, and the character of the patent as a public right—confirm the inapplicability of state immunity. The power of the federal government to review a state-owned patent inheres in the federal government’s status as the superior sovereign.<sup>128</sup> And the susceptibility of a state-owned patent to such federal agency scrutiny inheres in the patent’s status as a public right.<sup>129</sup> The PTAB may thus exercise its discretion to institute review of a state-owned patent where it believes that the patent may have been incorrectly granted—that is, where the patent unlawfully takes substantial value from the national public and reallocates it to a single state. This power accords with the Supreme Court’s jurisprudence regarding the scope of the states’ sovereignty vis-à-vis the power of the federal government: Agencies may initiate administrative processes to review federal grants to the states in order to ensure they remain within lawful bounds.

#### A POLICY BALANCE BETWEEN PUBLIC AND PRIVATE PATENTEES

Such review helps the Patent Office take care that patentees—states and private parties alike—receive only valid patent claims.<sup>130</sup> Indeed, several notable commentators have emphasized the importance of preserving “fair relationships” among the states and their private counterparts in light of the apparent advantages that sovereign immunity confers.<sup>131</sup>

In litigation settings, for example, states have been accused of “stopping private entities from bringing declaratory judgment actions to challenge the validity of [a state-owned] patent” in fundamentally unfair ways, and thereby

128. See *supra* note 121 and accompanying text; see also *United States ex rel. Milam v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 961 F.2d 46, 48 (4th Cir. 1992); *McVey Trucking, Inc. v. Sec’y of State (In re McVey Trucking, Inc.)*, 812 F.2d 311, 322 (7th Cir. 1987).

129. See *Oil States*, 138 S. Ct. at 1373–74, 1376 n.3 (noting the Patent Office’s “continuing authority to review and potentially cancel patents after they are issued”); *Green*, 474 U.S. at 69 (“Remedies designed to end a continuing violation of federal law are necessary to vindicate the federal interest in assuring the supremacy of that law.”). *But cf. supra* note 123.

130. See *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2139–40 (2016).

131. See *Xechem Int’l v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324, 1335 (Fed. Cir. 2004) (Newman, J., additional views); see also *Biomedical Patent Mgmt. v. Cal. Department of Health Serv.*, No. C 06-00737 MHP, 2006 WL 1530177, at \*6 (N.D. Cal. June 5, 2006); *Xechem Int’l v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, No. Civ. A. H-02-1013, 2003 WL 24232747, at \*9 (S.D. Tex. Mar. 19, 2003).

“threaten[ing] the ability of others from advancing needed research, technology and medical innovation.”<sup>132</sup> Indeed, some evidence suggests that the states, secure from the threat of such validity challenges in federal court, have been able to “become more aggressive licensors of their patents.”<sup>133</sup>

But this security from judicial process, “based primarily on present-day assumptions about the status of the doctrine of sovereign immunity in the 18th century,” does not account for the states’ many modern roles.<sup>134</sup> These “[s]overeigns did not then play the kind of role in the commercial marketplace that they do today.”<sup>135</sup> And so these ancient conceptions of sovereign immunity do not consider the consequences of modern sovereign market participation.

But other, more recent incarnations of analogous immunity do. Congress, in passing and amending the Foreign Sovereign Immunities Act, has excepted certain sovereign commercial activity from the scope of foreign sovereign immunity.<sup>136</sup> Moreover, in the context of federal sovereign immunity, the Supreme Court unanimously explained that private “suit[s] challenging a commercial act will not gravely—or, indeed, at all—interfere with the governmental functions” that immunity is meant to protect.<sup>137</sup>

These fairness and competition concerns apply with equal force to state sovereign immunity.<sup>138</sup> As judges, scholars, and commentators have all remarked, there is little reason that, say, the University of California or the University of Wisconsin should enjoy advantages vis-à-vis similarly situated private universities. And there is likewise little reason to grant protections to state-owned enterprises that are not extended to their private competitors.<sup>139</sup> Indeed, state immunity distorts patent and patent-related markets, conferring important advantages on select parties for reasons that have nothing to with innovation policy.

132. Makan Delrahim, *Patently Unfair*, NATIONAL REVIEW ONLINE (Apr. 25, 2008), [http://bit.ly/MD\\_NatRev](http://bit.ly/MD_NatRev).

133. See Narechania, *supra* note 4, at 1602.

134. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 692 (1999) (Stevens, J., dissenting).

135. *Id.*

136. 28 U.S.C. § 1605(a)(2); see also *Coll. Sav. Bank*, 527 U.S. at 691–92, 692 n.1 (Stevens, J., dissenting) (describing the FSIA’s commercial activity exception); *id.* at 699 (Breyer, J., dissenting) (similar).

137. *Cf. Thacker v. Tenn. Valley Auth.*, 139 S. Ct. 1435, 1442–43 (2019).

138. *Bd. of Regents of the Univ. of Wis. Sys. v. Phoenix Int’l Software*, 653 F.3d 448, 477 (7th Cir. 2011); see Narechania, *supra* note 4, at 1575 n.3–5.

139. See, e.g., Narechania, *supra* note 4, at 1575 n.3–5; *Biomedical Patent Mgmt. v. Cal. Dep’t of Health Serv.*, No. C 06-00737 MHP, 2006 WL 1530177, at \*6 (N.D. Cal. June 5, 2006).

Of course, the Supreme Court has, to date, rejected any analogous market participation exception for state sovereign immunity,<sup>140</sup> explaining that the “preeminent purpose” of state immunity is to protect the states’ dignitary interests rather than their fiscal ones.<sup>141</sup> But when a state engages in commercial activity, there are fewer—if any—sovereign dignitary concerns at stake.<sup>142</sup> And any such dignitary interests cannot prevent the federal sovereign from bringing its own action against a state to protect federal concerns.<sup>143</sup> Inter partes review thus helps to restore some balance between state and private patentees. State and private patentees both may rely on their patents to generate revenue—and, likewise, state and private patentees both may have their patents double-checked by the Patent Office to ensure that those patents conform to statutory limits. In accord with the government’s authority to revoke or amend an administrative grant through agency process,<sup>144</sup> Congress has designed a limited and unique agency proceeding that advances the public’s interest in balance between incentives for original inventions and access to, say, obvious improvements to existing technologies. That interest does not vary across state and private patentees.

#### CONCLUSION

In a series of recent decisions, different members of the PTAB have advanced at least four different theories of states immunity. In some cases, the PTAB has suggested that the states are absolutely immune. In others, the PTAB has held the state immune from the Board’s jurisdiction—but nevertheless kept the state’s patent under review. Other cases suggest that a state’s immunity is contingent on its conduct in other fora. And other opinions suggest that immunity should never apply. So which view is correct?

As a matter of doctrine and policy, state sovereign immunity does not apply at the PTAB. For one, any immunity from the “judicial power” of the United States does not apply in Article II courts. And to the extent that this immunity extends to agency proceedings that look like litigation, inter partes review is, in “significant respects, . . . less like a judicial proceeding and more like a specialized agency proceeding.”<sup>145</sup> And finally, and perhaps most importantly, the states’ sovereign immunity does not apply in proceedings

140. See *Coll. Sav. Bank*, 527 U.S. at 685–86, 686 n.4.

141. *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760, 765 (2002).

142. *Coll. Sav. Bank*, 527 U.S. at 699 (Breyer, J., dissenting).

143. *Id.* at 768.

144. *Oil States Energy Serv. v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1375 (2018).

145. *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131, 2143 (2016).

instituted by the federal government to protect an important federal interest. Moreover, the federal government's power to check the scope of state-owned patents helps to assure an ongoing balance between public and private patentees.