

6-4-2019

Sovereign Immunity: A “Get Out of Jail Free” Card for State Patent Owners at the PTAB

Anthony Zucchero

Warren Thomas

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



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

Recommended Citation

Anthony Zucchero, Warren Thomas, Sovereign Immunity: A “Get Out of Jail Free” Card for State Patent Owners at the PTAB, 18 Chi.-Kent J. Intell. Prop. | PTAB Bar Assoc. L.J. 76 (2019).

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, ebarney@kentlaw.iit.edu.

SOVEREIGN IMMUNITY: A “GET OUT OF JAIL FREE” CARD FOR STATE PATENT OWNERS AT THE PTAB?

ANTHONY J. ZUCCHERO & WARREN THOMAS*

The America Invents Acts (“AIA”) introduced new post-grant proceedings, including the *inter partes* review (“IPR”), designed to stem the tide of rising patent litigation costs and address perceived deficiencies in patent quality.¹ IPRs allow third parties to challenge the validity of claims in an issued patent in view of printed publications and patents.² Importantly, the structure of IPRs—including limitations on motion and discovery practice as well as the statutory mandate that proceedings be conducted within 12-18 months—dictate that the proceedings are generally shorter and less expensive than district court proceedings.³ Further, many administrative patent judges (“APJs”) have technical backgrounds that equip them to address complicated arguments related to novelty and non-obviousness.⁴ Given these advantages, IPRs have become a powerful tool, particularly for defendants in patent infringement suits.⁵

Recently, patent owners have invoked state sovereign immunity as a defense to IPRs before the Patent Trial and Appeal Board (“PTAB”). The

* Anthony J. (“A.J.”) Zuccherò, Ph.D., is a student at Georgia State University College of Law and a patent agent at Meunier Carlin & Curfman LLC in Atlanta, Georgia. Warren Thomas is a principal at Meunier Carlin & Curfman specializing in *inter partes* review proceedings and related intellectual property litigation.

1. *See, e.g.*, H.R. Rep. No. 112-98, pt. 1, at 40 (2011) (stating that Congress crafted the AIA post-grant proceedings to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs”).

2. *Id.* at 12.

3. *Id.*

4. Matias Ferrario, Jennifer Giordano-Coltart & Leslie Grab, *The Use of Inter Partes Review Petitions in ANDA Litigation*, AMERICAN BAR ASSOCIATION (Aug. 4, 2014), <http://apps.americanbar.org/litigation/committees/intellectual/articles/summer2014-0814-use-inter-partes-review-petitions-anda-litigation.html>.

5. Matthew Rizzolo, Samuel Brenner, Andrew Sutton & Michael Gershoni, *Shielded by Sovereignty: The Implications for Patentees of Covidien v. University of Florida Research Foundation & Its Progeny*, 45 AIPLA Q.J. 593, 600 (2017).

PTAB has generally been receptive to states invoking sovereign immunity to avoid IPRs. However, availability of this defense at the PTAB raises public policy concerns, particularly in view of recent efforts by private companies to enter into agreements with Native American tribes to shield patents from challenge at the PTAB using the related doctrine of tribal sovereign immunity. With the Federal Circuit poised to address the issue of state sovereign immunity defenses at the PTAB for the first time, the availability of this defense going forward is uncertain. Accordingly, practitioners need to be aware of the existing sovereign immunity landscape and understand how decisions at the appellate level may affect practice before the PTAB.

SOVEREIGN IMMUNITY

Sovereign immunity is a longstanding doctrine under common law that bars suits against sovereign entities without consent.⁶ This principle is referenced explicitly in the Eleventh Amendment of the United States Constitution,⁷ although courts have noted that a state's sovereign immunity "neither derives from, nor is limited by, the terms of the Eleventh Amendment."⁸ Rather, the states' immunity is a "fundamental aspect" of the sovereignty they enjoyed before the ratification of the Constitution.⁹ As such, a state is generally immune from suit unless (1) the state has waived its immunity¹⁰ or (2) Congress has properly abrogated the state's immunity.¹¹

6. *Alden v. Maine*, 527 U.S. 706, 712–13 (1999).

7. U.S. CONST. amend. XI ("The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.").

8. *Alden*, 527 U.S. at 713.

9. *Id.*

10. *See, e.g., Clark v. Barnard*, 108 U.S. 436, 447–48 (1883) ("The immunity from suit belonging to a state, which is respected and protected by the constitution within the limits of the judicial power of the United States, is a personal privilege which it may waive at pleasure; so that in a suit, otherwise well brought, in which a state had sufficient interest to entitle it to become a party defendant, its appearance in a court of the United States would be a voluntary submission to its jurisdiction, while, of course, those courts are always open to it as a suitor in controversies between it and citizens of other states.").

11. *See, e.g., Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) ("Congress may, in determining what is 'appropriate legislation' for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts.").

Federal Maritime Commission v. South Carolina State Ports Authority

Drawing on the broad principles of sovereign immunity reflected in the Eleventh Amendment, courts have extended the doctrine to many classes of disputes not enumerated in the Eleventh Amendment.¹² Recently, the Supreme Court extended sovereign immunity beyond courts to a proceeding before a federal administrative agency.¹³ In *Federal Maritime Commission v. South Carolina State Ports Authority*, South Carolina Maritime Services (“SCMS”), a private cruise ship company) filed a complaint with the Federal Maritime Commission (“FMC”) against the South Carolina State Ports Authority (“SCSPA”), alleging that the SCSPA’s refusal to provide berthing space for its ship violated the Shipping Act of 1984.¹⁴

SCMS’s complaint was referred to an Administrative Law Judge (“ALJ”) at the FMC to assess whether the SCSPA’s actions violated the Shipping Act.¹⁵ In response, the SCSPA filed a motion to dismiss, asserting that they are an arm of the State of South Carolina and therefore immune from proceedings before the ALJ.¹⁶ The ALJ agreed with the SCSPA and dismissed SCMS’s complaint.¹⁷ However, the FMC, *sua sponte*, elected to review the ALJ’s ruling and reversed the ALJ.¹⁸

The SCSPA appealed the Commission’s ruling to the U.S. Court of Appeals for the Fourth Circuit. After reviewing the structure of proceedings before the ALJ, the Fourth Circuit concluded that the FMC proceeding “walks, talks, and squawks very much like a lawsuit” and therefore “is truly an adjudication.”¹⁹ Consequently, the court dismissed SCMS’s complaint,

12. Jason Kornmehl, *Ericsson, Inc. v. Regents of the University of Minnesota and a New Frontier for the Waiver by Litigation Conduct Doctrine*, 2018 PEPP. L. REV. 1, 7 (2018) (explaining that sovereign immunity has been extended to protect states from suits brought by classes of plaintiffs not enumerated in the Eleventh Amendment (e.g., the foreign nations, native American tribes, and the state’s own citizens) as well as suits in admiralty (as opposed to suits in “law and equity”) and to claims in state courts).

13. Rizzolo et al., *supra* note 5, at 607.

14. Fed. Mar. Comm’n v. S.C. State Ports Auth., 535 U.S. 743, 747–48 (2002).

15. *Id.* at 749.

16. *Id.*

17. *Id.* at 749–50 (“If federal courts that are established under Article III of the Constitution must respect States’ 11th Amendment immunity and Congress is powerless to override the States’ immunity under Article I of the Constitution, it is irrational to argue that an agency like the [Federal Maritime] Commission, created under an Article I statute, is free to disregard the 11th Amendment or its related doctrine of State immunity from *private* suits.”).

18. *Id.* at 750 (recounting the FMC’s holding that “state sovereign immunity . . . is meant to cover proceedings before judicial tribunals, whether Federal or state, not executive branch administrative agencies like the Commission.” (omission in original)).

19. S.C. State Ports Auth. v. Fed. Mar. Comm’n, 243 F.3d 165, 174 (4th Cir. 2001), *aff’d*, 535 U.S. 743 (2002).

reasoning that sovereign immunity prevents a state from being compelled to participate in such an adjudicatory proceeding.²⁰

The Supreme Court subsequently affirmed the Fourth Circuit's decision. To reach its decision, the Court grounded its analysis in the so-called "*Hans* presumption"²¹ and evaluated the structure of proceedings before the FMC to "determine whether they are the type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union."²² The Court identified a number of similarities between Article III proceedings and proceedings before the FMC.²³ Given these "overwhelming" similarities, the Supreme Court held that "state sovereign immunity bars the FMC from adjudicating complaints filed by a private party against a nonconsenting State."²⁴

Vas-Cath v. Curators of University of Missouri

Courts have subsequently applied the Supreme Court's reasoning in *Federal Maritime Commission* to proceedings before other administrative agencies, including the United States Patent and Trademark Office ("USPTO"). For example, in *Vas-Cath v. Curators of University of Missouri*, the Federal Circuit's reasoning suggested that interference proceedings at the USPTO are adjudicatory proceedings in which a state may assert sovereign immunity.²⁵

Vas-Cath stemmed from an interference between Vas-Cath and the Curators of University of Missouri ("Mizzou"). In this case, the USPTO granted a patent to Vas-Cath while Mizzou's earlier filed application directed to similar technology was undergoing examination.²⁶ Mizzou amended its

20. *Id.*

21. *Fed. Mar. Comm'n*, 535 U.S. at 755 (stating that the "*Hans* presumption" means that "the Constitution was not intended to 'rais[e] up' any proceedings against the States that were 'anomalous and unheard of when the Constitution was adopted'" (quoting *Hans v. Louisiana*, 134 U.S. 1, 18 (1890))).

22. *Fed. Mar. Comm'n*, 535 U.S. at 756.

23. *Id.* at 756–59. Similarities noted by the Court included (1) Article III judges and ALJs both possess absolute immunity from suits; (2) Article III judges and ALJs perform similar duties within the context of the proceedings before them; (3) Article III judges and ALJs both function as "trier[s] of fact insulated from political influence;" (4) adjudicative proceedings before the FMC employ similar rules governing pleadings to those found in the Federal Rules of Civil Procedure; and (5) Article III proceedings and proceeding before the FMC employ similar discovery and evidentiary rules. *Id.*

24. *Id.* at 760.

25. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1385 (Fed. Cir. 2007).

26. *Id.* at 1379.

application to provoke an interference, and the USPTO ultimately awarded the disputed claims to Mizzou.²⁷

Vas-Cath appealed the USPTO's decision to the district court,²⁸ and Mizzou then moved to dismiss arguing Eleventh Amendment immunity.²⁹ The district court agreed with Mizzou and dismissed Vas-Cath's appeal.

On appeal to the Federal Circuit, the court analogized the case to *Federal Maritime Commission* and found that "contested interference proceedings in the PTO bear 'strong similarities' to civil litigation" such that "the administrative proceeding can indeed be characterized as a lawsuit."³⁰ The Federal Circuit next noted that "a state's voluntary entry into federal court serves to waive state immunity from federal adjudication of that claim."³¹ Since Mizzou had "invoked and participated in [the] proceedings with no claim of immunity," Mizzou thus waived any potential immunity as to the interference (including subsequent review in federal court).³² Implicit in this rationale is the Federal Circuit's determination that an arm of the state, such as Mizzou, could also assert sovereign immunity as a *defense* to an interference at the USPTO.

STATE SOVEREIGN IMMUNITY BEFORE THE PTAB

Recently, patent owners have asserted sovereign immunity as a defense to IPR proceedings before the PTAB. As detailed below, the PTAB has been willing to extend sovereign immunity to state patent owners in at least some circumstances.

Covidien LP v. University of Florida Research Foundation, Inc.

Sovereign immunity was first raised before the PTAB in *Covidien LP v. University of Florida Research Foundation, Inc.*³³ The underlying dispute relates to a license agreement between Covidien and the University of Florida Research Foundation ("UFRF") for rights under U.S. Patent No.

27. *Id.* at 1379–80.

28. *See* 35 U.S.C. § 146.

29. *Vas-Cath*, 473 F.3d at 1379–80.

30. *Id.* at 1382.

31. *Id.* at 1383.

32. *Id.* at 1382, 1385.

33. *Covidien LP v. Univ. of Fla. Res. Found., Inc.*, No. IPR2016-01274, -01275, and -01276 (P.T.A.B. filed June 28, 2016).

7,062,251 (“the ‘251 patent”).³⁴ After a dispute regarding the payment of royalties, UFRF sued Covidien for breach of contract in Florida state court seeking specific performance of an audit provision in the license agreement.³⁵ Covidien counterclaimed for a declaratory judgment that it did not infringe the ‘251 patent and removed the suit to the United State District Court for the Northern District of Florida.³⁶ Subsequently, the district court found that UFRF was entitled to sovereign immunity with respect to the counterclaim and remanded the suit back to state court for consideration of UFRF’s contract claim.³⁷

Covidien filed three petitions seeking IPR of the ‘251 patent. UFRF responded by filing a motion to dismiss the IPRs on the grounds of sovereign immunity. In its motion, UFRF cited *Federal Maritime Commission* and argued that IPR proceedings are adjudicatory proceedings similar in structure to Article III court proceedings.³⁸ Further, UFRF argued that it had not waived sovereign immunity because Covidien initiated all proceedings related to the ‘251 patent, both in federal district court and before the PTAB.³⁹

In response, Covidien argued that sovereign immunity does not bar IPR proceedings.⁴⁰ First, Covidien argued that patents are “a public right subject to any and all statutory conditions,” including post-grant proceedings such as IPRs.⁴¹ As such, Covidien argued that a post-grant proceeding can be conducted against any patent, regardless of the identity of the patent owner.

Next, Covidien argued that sovereign immunity only applies to “suits or adjudications ‘commenced or prosecuted against’ [a] state.”⁴² Conversely, Covidien contended that IPRs are *in rem* proceedings directed against a patent itself.⁴³ To support this position, Covidien cited the language of 35

34. Covidien LP v. Univ. of Fla. Res. Found., Inc., No. IPR2016-01274, Paper 12 at 1. (P.T.A.B. Sept. 14, 2016).

35. *Id.*

36. Univ. of Fla. Res. Found., Inc. v. Medtronic PLC, No. 1:16CV183-MW/GRJ, 2016 WL 3869877 (N.D. Fla. July 15, 2016) (granting plaintiff’s motion to remand after removal).

37. *Univ. of Fla.*, 2016 WL 3869877, at *6.

38. Covidien LP v. Univ. of Fla. Res. Found., Inc., IPR2016-01274, Paper 12 at 4–11 (P.T.A.B. Sept. 14, 2016).

39. *Id.* at 18–20 (arguing that the Florida state court breach of contract action did not implicate waiver before any federal tribunal).

40. Covidien LP v. Univ. of Fla. Res. Found., Inc., IPR2016-01274, Paper 15 at 2 (P.T.A.B. Sept. 28, 2016).

41. *Id.* at 3.

42. *Id.* at 5 (emphasis omitted).

43. *Id.*

U.S.C. § 311, which refers to an IPR as a review of “a patent” rather than a proceeding against a patent owner.⁴⁴ Covidien disputed the characterization of an IPR as a dispute between *parties* based on the USPTO’s ability to continue an IPR without any third-party petitioner.⁴⁵ Thus, because an IPR is not a suit “commenced or prosecuted against” a patent owner by a petitioner, Covidien contended that sovereign immunity could not apply.

Third, Covidien argued that significant differences between IPR proceedings and Article III judicial proceedings render sovereign immunity inapplicable.⁴⁶ Covidien noted that in *Cuozzo Speed Technologies, LLC v. Lee*,⁴⁷ the Supreme Court determined that IPRs are “*not* quasi-judicial proceedings” but instead “specialized agency proceedings” that differ from Article III civil suits.⁴⁸ Covidien then cited numerous differences between IPR proceedings and Article III suits to argue that these differences should be sufficient to distinguish from the Supreme Court’s reasoning in *Federal Maritime Commission*.⁴⁹

Finally, Covidien argued that sovereign immunity should not be available before the PTAB for public policy reasons. It contended that shielding patents from post-grant proceedings would erode patent quality by preserving patents “that should not have issued in the first place.”⁵⁰ Further, Covidien argued that permitting sovereign immunity could undermine a stated goal of IPRs: to curb the activity of non-practicing entities (“NPEs”). If sovereign immunity is an available defense in AIA post-grant proceedings, Covidien argued, then NPEs could enter into arrangements with state universities to shield their patents from challenge. This would leave parties targeted by NPEs in the same position they were in before passage of the AIA.

In January 2017, the PTAB granted UFRF’s motion to dismiss. Grounding its analysis in *Federal Maritime Commission*, the PTAB reviewed the structure of IPRs in detail and noted numerous similarities

44. *Id.* at 6.

45. *Id.*

46. *Id.* at 10–11.

47. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

48. *Covidien LP v. Univ. of Fla. Res. Found., Inc.*, No. IPR2016-01274, Paper 15 at 11 (P.T.A.B. Sept. 28, 2016).

49. *Id.* at 11–15. Differences cited by Covidien included (1) available remedies; (2) requirements regarding personal jurisdiction; (3) requirements regarding standing; (4) the ability to amend patent claims during the proceeding; (5) the breadth of discovery; and (6) applicable standards of proof. *Id.*

50. *Id.* at 16.

between IPR proceedings and Article III judicial proceedings.⁵¹ The PTAB explained that while some differences do exist, these differences are generally a matter of degree and reflect Congress's desire to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."⁵² Therefore, the PTAB concluded that IPRs are sufficiently similar to Article III proceedings to implicate sovereign immunity.⁵³

The PTAB also rejected the additional arguments raised by Covidien. Regarding Covidien's argument that a patent is a public right taken subject to statutory conditions, the PTAB concluded that there is no public rights exception to a state's immunity under the Eleventh Amendment.⁵⁴ The PTAB also dismissed Covidien's argument that IPRs are *in rem* proceedings. At the outset, the PTAB noted that the very name of the proceeding (i.e., an *inter partes* review) implicates a proceeding between two parties over which the PTAB has jurisdiction.⁵⁵ Likewise, other aspects of the IPR proceedings, such as the requirements for service of process and estoppel provisions designed to prevent patent owners from successive attacks, support the notion that an IPR is fundamentally an adjudication between two parties.⁵⁶

Finally, as to Covidien's public policy concerns, the PTAB conceded that sovereign immunity could be used to shield patents from post-grant challenges.⁵⁷ But it reasoned that any such conflict with the statutory purposes of the AIA might be remedied by Congress itself, which may act to abrogate state sovereign immunity.⁵⁸ The PTAB found nothing in the AIA, however, to suggest Congress had already done so. The PTAB also found no

51. Covidien LP v. Univ. of Fla. Res. Found., Inc., No. IPR2016-01274, Paper 21 at 17–24 (P.T.A.B. Jan. 25, 2017). The PTAB noted the (1) similar roles of district court judges and PTAB judges during proceedings; (2) similar rules and procedures governing IPR proceedings and Article III judicial proceedings; (3) the availability of at least some discovery; and (4) the availability and nature of protective orders. *Id.*

52. *Id.* at 20 (citing H.R. Rep. No. 112-98, pt. 1, at 39 (2011)).

53. *Id.* at 25 ("On the whole, considering the nature of *inter partes* review and civil litigation, we conclude that the considerable resemblance between the two is sufficient to implicate the immunity afforded to the States by the Eleventh Amendment. Although there are distinctions, such as in the scope of discovery, we observe that there is no requirement that the two types of proceedings be identical for sovereign immunity to apply to an administrative proceeding. Further, we note that there are several similarities between civil litigation and *inter partes* review that are not unlike those compared in *Vas-Cath* for interferences.").

54. *Id.* at 11 (noting, among other things, that Covidien failed to cite any authority to support the proposition that a state's immunity may be abrogated by a public rights exception).

55. *Id.* at 13.

56. *Id.* at 13–15.

57. *Id.* at 26.

58. *Id.* (citing *Seminole Tribe of Fla. v. Fla.*, 517 U.S. 44, 55 (1996)).

indication that NPEs (or others) would exploit sovereign immunity to harm the patent system, much less that such activity would rise to a level to warrant stripping states of their sovereign immunity.⁵⁹

Upon entry of the PTAB's order, Covidien's three IPRs were dismissed. Further, as 35 U.S.C. § 314(d) states that a decision to institute (or not institute) an IPR is "final and nonappealable," Covidien was (at least at first glance) unable to appeal the PTAB's decision.⁶⁰ While the PTAB's decision in *Covidien* was not designated as precedential and therefore is non-binding on other panels, the PTAB has adopted the rationale from *Covidien* in all subsequent cases related to state sovereign immunity.

NeoChord, Inc. v. University of Maryland, Baltimore

In the wake of the PTAB's decision in *Covidien*, University of Maryland, Baltimore ("UMB") sought to dismiss a pending IPR filed by NeoChord, Inc. on the grounds of sovereign immunity.⁶¹ This case presented two additional issues for the PTAB to consider relative to *Covidien*: (1) whether UMB's license of the patent at issue to a non-state entity affected UMB's claim of sovereign immunity; and (2) whether UMB's voluntary participation in the IPR waived sovereign immunity.

With respect to the first issue, UMB conceded that the challenged patent was exclusively licensed to a non-state entity (Harpoon Medical, Inc.).⁶² However, UMB argued that it retained substantial rights to the patent under

59. *Id.* at 27.

60. In *Cuozzo*, the Supreme Court addressed 35 U.S.C. § 314(d). In doing so, the Court noted that there is a strong presumption in favor of appellate review. Thus, while the Court in *Cuozzo* held that decisions regarding institution are generally not reviewable, the Court noted that circumstances might arise where an institution decision could be reviewed by an appellate court, such as where the decision implicates a Constitutional issue. *See CuozzoSpeed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016). Therefore, while the plain language of 35 U.S.C. § 314(d) would suggest that Covidien could not have appealed the PTAB's decision to dismiss Covidien's IPRs, Covidien arguably could have appealed the PTAB's decision to the Federal Circuit without running afoul of the Supreme Court's precedent in *Cuozzo*.

61. *NeoChord, Inc. v. Univ. of Md., Baltimore*, No. IPR2016-00208, Paper 24 at 1–2 (P.T.A.B. Feb. 23, 2017).

62. *Id.* at 4.

the license agreement.⁶³ Further, UMB noted that its license agreement with Harpoon expressly reserves UMB's right to assert sovereign immunity.⁶⁴

However, NeoChord argued that UMB expressly waived sovereign immunity with respect to USPTO proceedings in its license agreement by agreeing to use USPTO reexamination and reissue proceedings to resolve any "Patent Challenge"—disputes regarding the validity and enforceability of the patent at issue—first, before initiating any other type of proceeding (e.g., a declaratory judgment action).⁶⁵ NeoChord argued that this language consented to jurisdiction at the USPTO and that in analogous circumstances where a license agreement includes an agreement to federal district court jurisdiction, courts have considered this a waiver of sovereign immunity.⁶⁶

NeoChord also argued that UMB waived sovereign immunity through its voluntary participation in the IPR for more than one year.⁶⁷ Specifically, NeoChord argued that courts had rejected belated claims of sovereign immunity⁶⁸ and that UMB had failed to meet its burden to establish "why its belated attempt to raise [sovereign immunity] and introduce evidence that could have been introduced earlier should be excused."⁶⁹ NeoChord also noted that during its participation in the IPR, UMB repeatedly requested that the PTAB exercise authority of the IPR proceeding.⁷⁰

In May 2017, the PTAB granted UMB's motion to dismiss on the grounds of sovereign immunity.⁷¹ The panel undertook its own analysis of

63. *Id.* at 5–6. Rights retained by UMB under the license agreement include (1) the right to practice the '386 patent; (2) the right to license the '386 patent to government agencies, universities, educational institutions, and non-profits for non-commercial purposes; (3) the right to publish scientific findings related to the '386 patent; (4) the right to pass-through royalties on sub-licenses granted by Harpoon Medical; (5) the right to share in any recovery in an action for infringement of the '386 patent; (6) the right to pre-approve any settlement or action that materially limits the scope, validity, or enforceability of the '386 patent; (7) the right to enforce the '386 patent should Harpoon Medical decline to do so; and (8) the right to respond to legal actions related to the '386 patent should Harpoon fail to respond. *Id.*

64. *Id.* at 6. Section 14.6 of UMB's license agreement with Harpoon Medical states: "[n]o provision of this Agreement shall constitute or be construed as a limitation, abrogation, or waiver of any defense or limitation of liability available to the State of Maryland or its units . . . including without limitation the defense of sovereign immunity or any other governmental immunity." *Id.*

65. NeoChord, Inc. v. Univ. of Md., Baltimore, No. IPR2016-00208, Paper 25 at 6 (P.T.A.B. Mar. 2, 2017) (referencing Section 3.7 of the license agreement).

66. *Id.* at 17.

67. *Id.* at 1.

68. *See, e.g.,* Hill v. Blind Ind. & Servs. of Md., 179 F.3d 754, 757–58 (9th Cir. 1999).

69. NeoChord, Inc. v. Univ. of Md., Baltimore, No. IPR2016-00208, Paper 25 at 4–5 (P.T.A.B. Mar. 2, 2017).

70. *Id.* at 5 (citing the patent owner's "request[]that the Board issue a Final Decision confirming the patentability of challenged claims 1-23 of the '386 patent.").

71. NeoChord, Inc. v. Univ. of Md., Baltimore, No. IPR2016-00208, Paper 28 at 2 (P.T.A.B. May 23, 2017).

applicable caselaw, including *Federal Maritime Commission* and *Vas-Cath*, and again concluded that sovereign immunity is available as a defense to IPR proceedings.⁷²

Next, the PTAB disagreed that UMB waived its immunity through participation in the IPR. It found that no time limit exists for asserting sovereign immunity,⁷³ and it noted that courts have held that participation in a judicial proceeding does not constitute waiver absent a state's affirmative action to invoke the court's jurisdiction.⁷⁴

The PTAB also found that UMB's license agreement did not waive or otherwise vitiate its sovereign immunity defense. Specifically, the PTAB held that the license only operates as a waiver with respect to Harpoon.⁷⁵ Further, the PTAB found that UMB retained significant rights under the license with Harpoon so that UMB was an indispensable party. Thus, the IPR could not proceed without UMB's participation and must be terminated.⁷⁶

While again not designated precedential, the *NeoChord* decision reinforced the PTAB's reasoning in *Covidien* and effectively extended sovereign immunity to non-state licensees of state-owned patents, provided that the state retains at least some rights under the license agreement.

Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.

The PTAB next addressed sovereign immunity in *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*⁷⁷ The underlying dispute relates to an IPR filed by Reactive Surfaces Ltd. requesting review of a patent that is co-owned by Toyota and the Regents of the University of Minnesota ("Minnesota").⁷⁸ Toyota and Minnesota filed a joint motion to dismiss that reiterated the PTAB's rationale from *Covidien*.⁷⁹ Toyota and Minnesota then addressed whether the proceeding could continue without Minnesota's participation.

72. *Id.* at 4–7.

73. *Id.* at 14 (citing Fla. Dep't of St. v. Treasure Salvors, Inc., 458 U.S. 670, 683 (1982)).

74. *Id.* at 14–15.

75. *Id.* at 17–18.

76. *Id.* at 19.

77. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 36 (P.T.A.B. July 13, 2017).

78. *Id.* at 2.

79. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 23 at 2–11 (P.T.A.B. Mar. 3, 2017).

Toyota and Minnesota stated that if Minnesota solely owned the patent, it would be undisputed that the IPR should be dismissed.⁸⁰ Toyota and Minnesota argued that the situation should be no different in the case of a co-owned patent because “[a]djudging the merits of [the IPR] in [Minnesota’s] absence would violate the State of Minnesota’s immunity no less than requiring the University to become a party would.”⁸¹

However, Reactive Surfaces argued that in all cases where federal courts have dismissed an action against a non-state patent owner based on the sovereign immunity of a state co-owner, this dismissal was based on Federal Rule of Civil Procedure 19(b).⁸² Reactive Surfaces argued that absent Rule 19(b)—which does not have a counterpart in the AIA trial rules—there is simply no mechanism to dismiss the IPR.⁸³

Applying the rationale set forth in *Covidien* and *NeoChord*, the PTAB held that Minnesota possessed sovereign immunity and dismissed Minnesota from the IPR proceeding.⁸⁴ As the PTAB reasoned, co-owners Toyota and Minnesota share an identical interest in the patent such that Toyota can adequately represent Minnesota’s interests. Thus, the PTAB concluded that the IPR could still proceed without Minnesota’s participation.⁸⁵

Ericsson v. Regents of University of Minnesota

Ericsson represents the latest proceeding to implicate state sovereign immunity before the PTAB. The underlying dispute began when Minnesota sued several telecommunications providers who allegedly purchased infringing network components from Ericsson.⁸⁶ Ericsson intervened in the

80. *Id.* at 11. Reactive Surfaces, like *Covidien* and *NeoChord*, argued that IPRs are not suits against a state (but rather are *in rem* proceedings) and that IPR proceedings are dissimilar enough from civil suits such that sovereign immunity should not apply. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 25 at 8–17 (P.T.A.B. Mar. 17, 2017). However, this argument was found unpersuasive by the PTAB. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 36 at 4 (P.T.A.B. July 13, 2017).

81. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 23 at 11 (P.T.A.B. Mar. 3, 2017).

82. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 25 at 19 (P.T.A.B. Mar. 17, 2017).

83. *Id.* at 19–20.

84. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 36 at 11 (P.T.A.B. July 13, 2017).

85. *Id.* at 15–17.

86. Kornmehl, *supra* note 12, at 10.

suit and thereafter filed a series of petitions requesting IPR of Minnesota's patents.⁸⁷

Ericsson proactively raised the issue of sovereign immunity in its petitions and argued that Minnesota waived any sovereign immunity it might possess by asserting the patents in district court.⁸⁸ Specifically, Ericsson compared IPRs to a federal court's compulsory counterclaim and argued that Minnesota had effectively "consented to jurisdiction in the PTAB" where it "could 'surely anticipate' . . . invalidity claims before the PTAB."⁸⁹

As expected, Minnesota filed a motion to dismiss on the grounds of sovereign immunity. Minnesota argued that a waiver of sovereign immunity resulting from an infringement suit extends only to compulsory counterclaims in the *same* action and forum.⁹⁰ Further, Minnesota argued that Ericsson's contention that filing suit in one forum should constitute waiver in a separate forum is contrary to established precedent.⁹¹ Finally, Minnesota attacked Ericsson's effort to analogize the IPRs to counterclaims, noting that counterclaims by definition must be presented in district court pleadings and must be able to be resolved within the same suit as the original claim.⁹²

The PTAB denied Minnesota's motion to dismiss. In its decision, the PTAB adopted the rationale of the *Covidien* panel, but it held that Minnesota waived its immunity by filing suit for patent infringement in district court.⁹³ The PTAB acknowledged that a waiver of sovereign immunity does not *necessarily* extend to a separate action, but the PTAB argued that no "bright-line rule" prohibits such a waiver from applying.⁹⁴ Rather, the PTAB explained that the extent of a state's waiver is a judgment based on the desire to avoid "unfairness and inconsistency."⁹⁵ Because a suit in federal court triggers the one-year bar for a defendant to petition for IPR, the PTAB

87. *Ericsson, Inc. v. Regents of Univ. of Minn.*, No. IPR2017-01186, -01197, -01200, -01213, -01214, and -01219 (P.T.A.B. filed Mar. 28, 2017).

88. Kornmehl, *supra* note 12, at 10.

89. Rizzolo, *supra* note 5, at 630.

90. *Ericsson, Inc. v. Regents of Univ. of Minn.*, No. IPR2017-01186, Paper 8 at 12 (P.T.A.B. June 21, 2017) (citing *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1126 (Fed. Cir. 2003)).

91. *Id.* (citing *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335 (Fed. Cir. 2006), in which the Federal Circuit held that Texas's filing of an infringement suit in Texas did not waive sovereign immunity with respect to a defendant's supplier's declaratory judgment action for invalidity in Washington).

92. *Id.* at 15.

93. *Ericsson, Inc. v. Regents of Univ. of Minn.*, No. IPR2017-01186, Paper 14 at 4 (P.T.A.B. Dec. 19, 2017).

94. *Id.* at 7.

95. *Id.*

reasoned that a patent owner would reasonably expect the defendant to file an IPR petition in response to such a suit.⁹⁶ The PTAB concluded that “[i]t would be unfair and inconsistent to allow a State to avail itself of the federal government’s authority by filing a patent infringement action in federal court, but then selectively invoke its sovereign immunity to ensure that a defendant is barred from requesting an *inter partes* review of the asserted patent from a different branch of that same federal government.”⁹⁷

On this basis, the PTAB denied Minnesota’s motion to dismiss on the grounds of sovereign immunity. Minnesota has appealed the PTAB’s decision to the Federal Circuit, and oral arguments were held on March 19, 2019.⁹⁸ Therefore, the Federal Circuit will soon have its first opportunity to directly address state sovereign immunity before the PTAB.

LANDSCAPE AT THE PTAB IN THE WAKE OF THESE CASES

Absent a decision from either the Federal Circuit or Supreme Court, state patent owners will likely continue to enjoy sovereign immunity from post-grant proceedings in the wake of the PTAB’s decisions discussed above, provided that (1) the patent at issue is not co-owned by a non-state entity and (2) the state has not previously asserted the patent at issue against the petitioner in district court.

Since the passage of the Bayh-Dole Act in 1980,⁹⁹ universities have increasingly amassed large patent portfolios.¹⁰⁰ Many of these universities (as well as their associated research foundations) are public universities that qualify as arms of their respective state governments.¹⁰¹ As such, these state universities’ patent portfolios enjoy immunity from challenges before the PTAB and before district courts in declaratory judgment actions.¹⁰² Consequently, third parties—including licensees, potential licensees, and potential infringers—currently have limited options to challenge the validity

96. *Id.* at 8.

97. *Id.* at 8–9.

98. *Regents of Univ. of Minn. v. LSI Corp.*, No. 2018-1559 (Fed. Cir. filed Feb. 18, 2018).

99. 35 U.S.C. §§ 200–212 (2012).

100. Rizzolo, *supra* note 5, at 632–34.

101. *See, e.g., Univ. of Fla. Res. Found., Inc. v. Medtronic PLC*, No. 1:16CV183-MW/GRJ, 2016 WL 3869877, at *6 (N.D. Fla. July 15, 2016) (holding that the University of Florida Research Foundation is an arm of the State of Florida and therefore entitled to Eleventh Amendment immunity from a declaratory judgment suit in federal court).

102. *See, e.g., id.; Covidien LP v. Univ. of Fla. Res. Found., Inc.*, IPR2016-01274, Paper 21 at 3 (P.T.A.B. Jan. 25, 2017) (holding that “UFRF, as an arm of the State of Florida, is entitled to a sovereign immunity defense to the institution of an *inter partes* review”).

of state university-owned patents preemptively. Should this continue to be the case, state universities may gain added leverage in negotiations with licensees, potential licensees, and infringers. Likewise, licensees of state-owned patents may be free to adopt a more aggressive posture towards competitors. However, this safe harbor may be short-lived.

Recently, the Federal Circuit held that the related doctrine of tribal sovereign immunity could not be asserted as a defense to an IPR.¹⁰³ While acknowledging that tribal sovereign immunity differs in certain respects from state sovereign immunity, the court suggested that the framework in *Federal Maritime Commission* is illustrative for purposes of assessing tribal sovereign immunity.¹⁰⁴ Noting distinctions between IPRs and civil suits in federal district court, the Federal Circuit determined that IPRs are “agency proceedings” that are both “functionally and procedurally different” than district court litigation.¹⁰⁵ On this basis, the Federal Circuit held that tribal sovereign immunity could not be asserted as a defense to an IPR. Saint Regis Mohawk Tribe petitioned the Supreme Court for certiorari review, but the Supreme Court denied the petition.¹⁰⁶

Now that the Supreme Court has let the ruling in *Saint Regis* stand, the Federal Circuit’s analysis of IPR’s under the *Federal Maritime Commission* framework could lead the PTAB to reevaluate its view of state sovereign immunity going forward. In addition, assuming the Federal Circuit applies the reasoning from *Saint Regis* to Minnesota’s pending appeal of *Ericsson*, the Federal Circuit appears likely to strike down state sovereign immunity as a defense to IPR proceedings later this year. However, practitioners may ultimately have to wait for clarity from the Supreme Court.

103. *Saint Regis Mohawk Tribe v. Mylan Pharms., Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018).

104. *Id.* at 1326.

105. *Id.* at 1329. The Federal Circuit further noted that the Supreme Court has likewise characterized as “specialized agency proceedings” as opposed to quasi-judicial proceedings. *Id.* at 1326 (citing *Cuozzo*, 136 S. Ct. at 2143–44).

106. Order Denying Certiorari, *Saint Regis Mohawk Tribe v. Mylan Pharms., Inc.*, No. 18-899, 2019 WL 1590253 (U.S. Apr. 15, 2019).