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Federal Circuit Confirms that State Sovereign Immunity, Like Tribal Immunity, Cannot Shield Patents from AIA Patent Challenges

On June 14 the Federal Circuit further clarified that sovereign immunity cannot be used to shield a patent from having its validity challenged in *inter partes* review proceedings at the Patent Trial & Appeal Board (PTAB). In [Regents of the University of Minnesota vs. LSI Corporation](#), a panel consisting of Judges Dyk, Wallach, and Hughes built upon the court's prior decision in [Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals, Inc.](#) involving tribal sovereign immunity, and found that the University of Minnesota's sovereign immunity did not preclude *inter partes* review (IPR) of its patents.

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This appeal stemmed from petitions for IPR filed against six patents previously asserted by the University in federal court. Prior to any decisions to institute, the University filed motions to dismiss the proceedings based on state sovereign immunity. An expanded panel of administrative patent judges, including the Chief Judge, the Deputy Chief Judge, and two Vice Chief Judges determined that state sovereign immunity did apply in IPR proceedings, but that the University had waived this immunity by asserting the patents in federal court. (A concurring opinion would have found that sovereign immunity *did not* apply, because IPRs represent an agency's reconsideration of its initial decision to grant a patent, and that sovereign immunity was not applicable in these types of *in rem* proceedings.

The Federal Circuit, in an opinion by Judge Dyk, began its opinion by explaining the history of Patent Office post-grant validity review proceedings, noting that over time, Congress introduced *ex parte* reexamination, *inter partes* reexamination, and IPRs in an effort to reconsider issued patents. The court stated that Congress has found value in allowing for the participation of patent challengers to encourage and in some cases participate in post-grant reconsideration of the validity of issued patents, and created additional proceedings – including IPR – with this in mind.

While, during oral argument at the Federal Circuit, the University admitted that sovereign immunity would not preclude *ex parte* and *inter partes* reexamination, it argued that due to the adversarial nature of IPRs, IPRs were more similar to tradition litigation between a private party and the state, mandating the application of sovereign immunity. But the Federal Circuit found that IPRs are more akin to agency enforcement actions than a civil suit brought by a private party. In doing so, the court relied heavily on its prior decision in *Saint Regis Mohawk Tribe*.

First, the court noted that the Director of the U.S. Patent and Trademark Office, a political appointee confirmed by Congress, is the official empowered with the authority to determine if proceedings would proceed against entities, including sovereign entities, suggesting that the proceedings were not initiated by private parties but rather by a politically accountable government official. Second, the ability of the Board to continue to final written decision, even if the petitioner or patent owner declined to participate in the proceeding, suggested to the court the proceeding was a reconsideration of the agency's patent grant. Finally, the Federal Circuit found that many of the IPR procedures differ from those in ordinary civil litigation. IPRs, for example, allowed for substantive claim amendments, and the limitations on discovery and hearings were some of the factors the court found distinguishing.

All told, these factors suggested to the court that IPRs are effectively agency reconsiderations of public rights granted by the United States, a superior sovereign to the state, and that sovereign immunity could not be used to prevent IPR of the University's patents. The court also observed this outcome would prevent the "lending" of sovereign immunity to private parties. The panel believed "[s]uch manipulation would undo Congress' central quality control mechanism" post-grant administrative proceedings.

In addition to the main opinion, all three judges joined in a separate "additional views," stating that they believed post-grant administrative proceedings such as IPR are *in rem* proceedings where sovereign immunity would not be implicated

even if a state's patents were at issue. The judges described patents as creations of federal law and explained that empowering the U.S. Patent and Trademark Office to take a "second look at an earlier administrative grant of a public franchise does not constitute an affront to a state's sovereignty." For this additional reason, the judges believe that state sovereign immunity does not apply to IPRs.

What's Next?

The Federal Circuit's decision closes the door on the assertion of sovereign immunity at the PTAB – at least for now. While the Supreme Court recently denied the Saint Regis Mohawk Tribe's the petition for certiorari, it seems likely that the University will seek review from an *en banc* Federal Circuit and/or the Supreme Court. In light of the fact that many state research entities and universities hold large amounts of patents, and often rely on patent licensing activities for revenue, future proceedings may draw a significant amount of attention from interested parties. And given the Supreme Court's interest in both sovereign immunity issues and (more recently) issues involving the America Invents Act and the PTAB, there may be more to come for *Regents of the University of Minnesota vs. LSI Corporation*.