

Federal Circuit Rejects State Sovereign Immunity Defense to Inter Partes Review

Written by DeAnn F. Smith, Peter A. Sullivan, Philip C. Swain

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Last year, in *St. Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, the Federal Circuit rejected the use of tribal sovereign immunity as a defense to the institution of an IPR.¹ We questioned in a previous alert whether the broad reasoning employed by the Federal Circuit would apply equally to state sovereign immunity. The *St. Regis* court stated that it was leaving for another day whether state sovereign immunity should be treated similarly. That day has come in *Regents of the University of Minnesota v. LSI Corporation*,² and the Federal Circuit has answered that question “yes.”

Complaints, Petitions and Motions to Dismiss

University of Minnesota is the owner of patents directed to semiconductor chip technology and other technology used in 4G LTE networks. It filed separate suits for infringement, suing LSI Corp. with respect to its chip technology patents, and suing customers of Ericsson Inc. with respect to the 4G LTE technology. LSI and Ericsson each filed petitions for IPR on the asserted patents. Before the Board acted on the petitions, University of Minnesota moved to dismiss each of the petitions on the basis of state sovereign immunity.

An Expanded Board Denies the Motion to Dismiss on the Basis of Waiver

To decide the motions, the PTO convened an expanded panel of seven judges. The expanded panel found that sovereign immunity applied to IPRs, but concluded that University of Minnesota waived sovereign immunity by filing an action in federal court. A concurrence stated that sovereign immunity should not apply to IPRs because this type of action is an *in rem* proceeding in which the PTO exercises jurisdiction over the patent, rather than an *in personam* proceeding over the parties named.

University of Minnesota appealed the determination of the Board. Gilead Sciences, Inc., a petitioner for several IPRs in which sovereign immunity was raised, successfully sought leave to intervene on appeal.

The Federal Circuit Affirms on Different, Broader Grounds

On appeal, the Federal Circuit affirmed the decision, but not on the basis of waiver. Instead, the court applied the reasoning of the *St. Regis* court, holding that IPRs are not the type of agency proceeding in which sovereigns enjoy immunity and applying the factors that it used in that case. These factors came from *Federal Maritime Comm'n v. S.C. Ports Auth.*,³ wherein the Supreme Court held that state sovereign immunity precluded the Federal Maritime Commission from adjudicating administratively a claim raised by a private party against the state. The *FMC* Court held that sovereigns can be immune not only from judicial acts but also from administrative adjudicative acts, and that the administrative scheme of the Federal Maritime Commission is sufficiently adjudicative to apply sovereign immunity to it.

Applying the *FMC* framework, the Federal Circuit came to an opposite conclusion with respect to IPRs. The court found that IPRs are ultimately instituted by the Director of the PTO rather than a private party, and that IPRs may be maintained even if the petitioner drops out or the patent owner chooses not to participate. The court also found that, unlike the administrative scheme at issue in *FMC*, IPRs are not sufficiently similar to civil litigation, but are more like an agency enforcement action. On this point, the court relied on the “public rights” discussion found in *Oil States Energy Servs., LLC v. Green's Energy Grp., LLC*,⁴ concluding from that discussion that an IPR is a matter that “arises between the Government and persons subject to its authority.”⁵

The Federal Circuit then addressed whether tribal sovereign immunity and state sovereign immunity are sufficiently different so as to

treat one differently than the other in connection with IPRs. University of Minnesota argued that state sovereigns, unlike tribal sovereigns, enjoy a presumption of immunity for proceedings that were “anomalous or unheard of when the Constitution was adopted.”⁶ The Federal Circuit concluded that this presumption would not counsel a different result because, as the majority found in *Oil States*, actions to cancel patents were known at common law in England at the time of founding.⁷

In “additional views,” the panel also agreed with the Board concurrence that IPRs do not implicate sovereign immunity because IPR proceedings are *in rem* proceedings.

Next Stop, Supreme Court?

This decision may not be the last word on the matter. While the Supreme Court denied *certiorari* in the *St. Regis* case, the *University of Minnesota* case may be more attractive to the Court because it would apply to a broader constituency. As we noted in our prior alert, the views of the individual justices in recent cases involving sovereign immunity appear to break down along ideological grounds. The most recent example of this is *Franchise Tax Bd. v. Hyatt*,⁸ in which a five-justice majority overruled *Nevada v. Hall*,⁹ and held that states maintain their sovereign immunity over private suits brought in courts of other states. Stay tuned.

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1. 896 F.3d 1322 (Fed. Cir. 2018), *cert. denied*, 139 S.Ct. 1547 (2019).
 2. No. 2018-1559 (Fed. Cir. June 14, 2019).
 3. 535 U.S. 743 (2002).
 4. 138 S.Ct. 1365 (2018).
 5. Op. at 23.
 6. *FMC*, 535 U.S. at 755-56 (quoting *Hans v. Louisiana*, 134 U.S. 1, 18 (1890)).
 7. Op. at 25 (citing *Oil States*, 138 S.Ct. at 1376-78).
 8. 139 S.Ct. 1485 (2019).
 9. 440 U.S. 410 (1979).

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