

## Federal Circuit Nixes PTAB Sovereign Immunity for Saint Regis Mohawk Tribe

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### Does it Open the Door to Challenge Patents Held by State Entities?

In *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, the Federal Circuit affirmed the PTAB's decision denying Saint Regis from using sovereign immunity to avoid *inter partes* review (IPR) with respect to patents in its name.<sup>1</sup> This decision will have consequences not only for others considering whether to partner with Native American tribes to take advantage of sovereign immunity, but also for other actors such as state universities, who up to now have been considered immune to IPR challenges. Parties who are entangled in patent disputes with state entities may wish to recalibrate their assumptions as to the feasibility of challenging state-owned patents in the PTAB.

### Allergan Partners with Tribe to Avoid IPR, but Board Denies Attempt

The IPRs in *Saint Regis* arose from litigation Allergan brought against several generic manufacturers seeking to market generic versions of Restasis, a treatment for chronic dry eyes. After the Board instituted IPRs for several Restasis patents and consolidated the IPRs for hearing, Allergan and Saint Regis entered into an assignment agreement transferring the Restasis patents to Saint Regis. Saint Regis then moved to terminate the proceedings based on sovereign immunity, hoping to take advantage of the PTAB's recent decisions immunizing the Universities of Florida and Minnesota under the 11th Amendment.<sup>2</sup>

In this case, the Board denied the motion to terminate based on tribal sovereign immunity. It cited several grounds, including that tribal sovereign immunity is not available in an IPR.<sup>3</sup> On appeal, Saint Regis challenged the Board's decision, arguing that tribal sovereign immunity should apply in IPRs because they are contested, adjudicative proceedings. Mylan argued the opposite, and in addition argued that renting tribal immunity is an impermissible attempt to circumvent the law, the Saint Regis assignment transaction was a sham, and thus sovereign immunity should not attach, and also that Saint Regis waived its immunity by engaging in the district court litigation.<sup>4</sup>

### The Federal Circuit Affirms, Relying on State Sovereign Immunity Authority to Reject Tribal Immunity

On appeal, the Federal Circuit was presented with several arguments that potentially could have sustained the Board's decision; instead, the court ruled on the broadest ground, holding that tribal sovereign immunity does not apply to IPRs.

To do so, the court had to negotiate U.S. Supreme Court precedent in *Federal Maritime Comm'n v. S.C. Ports Auth.*, 535 U.S. 743 (2002). In *Federal Maritime Comm'n*, the Court held that state sovereign immunity precluded the Federal Maritime Commission from adjudicating administratively a claim raised by a private party against the South Carolina Ports Authority. In this 5-4 decision, the 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. The dissent would have held the actions to be typical agency actions of the executive branch that do not implicate sovereign immunity.

The Federal Circuit first acknowledged that the Supreme Court has referred to IPRs as a "hybrid proceeding" with "adjudicatory characteristics."<sup>5</sup> The court then used the procedural framework employed by the *Federal Maritime Comm'n* court to distinguish IPRs as less adjudicatory than in that case, highlighting these factors: the Director possesses broad discretion in the decision to institute; the Board may continue review even if the petitioner chooses not to participate; unlike the procedural rules discussed in *Federal Maritime Comm'n*, the procedural rules in IPRs are not identical to the Federal Rules of Civil Procedure, and the differences are substantial; and IPRs are not necessarily proceedings in which Congress contemplated tribal immunity to apply.

## Has the Federal Circuit Re-opened the Door to Challenge Patents Held by State Entities?

This decision has significant consequences for parties who have sought to partner with Native American tribes to circumvent IPRs, but it may have even broader ramifications for entities like state universities, who have been acting on the understanding that state universities enjoy sovereign immunity absent waiver. In the wake of this decision, their sovereign immunity may be in jeopardy. To be sure, the court was explicit in circumscribing the limits of the decision, stating that “we leave for another day the question of whether there is any reason to treat state sovereign immunity differently.”<sup>6</sup> The Federal Circuit expressly noted, however, the “many parallels” between tribal sovereign immunity and state sovereign immunity.<sup>7</sup> It would not be surprising to see petitioners citing the reasoning underlying the *Saint Regis* decision to push back against patent owners seeking to terminate an IPR by claiming state sovereign immunity.

Looking further into the future, it is unclear what sort of reception this view will find at the Supreme Court. The justices’ votes in the most recent cases involving sovereign immunity had appeared to break down along ideological grounds, with the more conservative justices finding immunity in administrative proceedings (thus limiting the reach of the federal government in proceedings against the states), and the more liberal justices allowing states to be haled into such proceedings, however adjudicatory they may seem. Thus, the current Supreme Court may view the holding in *Federal Maritime Comm’n* as more analogous to IPRs than did this panel of the Federal Circuit. So the last word on sovereign immunity in IPRs may remain to be written.

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1. Nos. 2018-1638-1643 (Fed. Cir. July 20, 2018).

2. See *Covidien LP v. Univ. of Florida Research Found. Inc.*, IPR2016-01274, IPR2016-01275, IPR2016-01276 (Paper 21); *Reactive Surfaces LTD., LLP, v. Toyota Motor Corp.*, IPR2016-01914, IPR2017-00572 (Paper 36).

3. *Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe*, IPR2016-01127-01132 (Feb. 23, 2018) (Paper 129).

4. Op. at 6.

5. See Op. at 7 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143-44 (2016)).

6. Op at 12.

7. *Id.*

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