

# **Tribal Sovereign Immunity in the Patent Context**

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# What, Who, When, How of Patents

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**What can be patented?**



**Who can own or apply for a patent?**



**What can you do with a patent?**

- Patents can be used to protect products from other entities using them;
- Patents can be bought and sold; and
- Patents can be licensed.



# Evolution of Patent Market

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**2000 - 2011**

- **Recognition patents can be valuable assets**
- **NPEs start to disrupt patent market**
- **Tech companies lobby Congress**

**2011**

- **America Invents Act (AIA)**
- **Unintended Consequences**



# The America Invents Act (AIA)

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## AIA Passed in 2011

- AIA made changes that endanger patent rights

## Patent Trial and Appeal Board (PTAB)

- Post-grant proceedings
- Inter Partes Review (IPR)
- Post-Grant Review (PGR)
- Covered Business Method Review (CBM)



# Challenging Patents

## Federal Court

- Patents given presumption of Validity
- Federal rules apply
- Impartial Article III Judges/Jury Trials
- Standing requirement
- High bar for proof

## Inter Partes Review

- No presumption of validity
- Federal rules don't apply
- Anyone can request an IPR
- Administrative judges
- Lower standard of evidence
- No estoppel - Unlimited "bites at the apple"

# U.S. Chamber of Commerce Recognizes Issue

**Weakened patent system causes  
U.S. to slip as a global leader of IP  
protection**

## Key Areas of Weakness

X Patent opposition system adds substantial costs and uncertainty

Recently, the U.S. Chamber of Commerce demoted the U.S. Patent System to 12<sup>th</sup> in the World, based in part “on the substantial costs and uncertainty” introduced by Inter Partes Review:

# Sovereign Immunity and IPRs

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Paper 21  
Entered: January 25, 2017

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

COVIDIEN LP,  
Petitioner,

v.

UNIVERSITY OF FLORIDA RESEARCH FOUNDATION  
INCORPORATED,  
Patent Owner.

Cases

IPR2016-01274 (Patent 7,062,251 B2)  
IPR2016-01275 (Patent 7,062,251 B2)  
IPR2016-01276 (Patent 7,062,251 B2)

Before KRISTEN L. DROESCH, BRYAN F. MOORE, and  
FRANCES L. IPPOLITO, *Administrative Patent Judges*.

IPPOLITO, *Administrative Patent Judge*.

ORDER

Dismissing Petitions for *Inter Partes* Review Based on Sovereign Immunity  
37 C.F.R. §§ 42.5, 42.72

Of particular relevance to our inquiry is the Supreme Court's decision in *FMC*. In *FMC*, South Carolina Maritime Services, Inc., a cruise ship company, filed a complaint against the South Carolina State Ports Authority (SCSPA) with the Federal Maritime Commission (Commission) seeking damages and injunctive relief from the SCSPA's repeated denials of Maritime Services' requests for permission to berth a cruise ship in the port facilities in Charleston, South Carolina. *FMC*, 535 U.S. at 747-749.

## IV. CONCLUSION

For the foregoing reasons, we conclude that Eleventh Amendment immunity applies to *inter partes* review proceedings, and that UFRF, having shown it is an arm of the State of Florida, is entitled to assert its sovereign immunity as a defense to the institution of an *inter partes* review of the '251 patent. Accordingly, the Petitions in IPR2016-01274, -01275, and -01276 are dismissed.

## V. ORDER

Accordingly, it is  
ORDERED that the Petitions in IPR2016-01274, IPR2016-01275, and IPR2016-01276 are dismissed.

# Sovereign Immunity and IPRs

Trials@uspto.gov  
571-272-7822

Paper 14  
Entered: December 19, 2017

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

ERICSSON INC. and TELFONAKTIEBOLAGET LM ERICSSON,  
Petitioner,

v.

REGENTS OF THE UNIVERSITY OF MINNESOTA,  
Patent Owner.

Cases IPR2017-01186 (Patent 8,774,309 B2)  
IPR2017-01197 (Patent 7,251,768 B2)  
IPR2017-01200 (Patent 8,718,185 B2)  
IPR2017-01213 (Patent 8,588,317 B2)  
IPR2017-01214 (Patent RE45,230 E)  
IPR2017-01219 (Patent RE45,230 E)

Before DAVID P. RUSCHKE, *Chief Administrative Patent Judge*,  
SCOTT R. BOALICK, *Deputy Chief Administrative Patent Judge*,  
JACQUELINE WRIGHT BONILLA, SCOTT C. WEIDENFELLER,  
*Vice Chief Administrative Patent Judges*, JENNIFER S. BISK,  
ROBERT J. WEINSCHENK, and CHARLES J. BOUDREAU,  
*Administrative Patent Judges*.

Opinion for the Board filed by *Chief Administrative Patent Judge*  
RUSCHKE.

Opinion Concurring filed by *Administrative Patent Judge* BISK.

ORDER  
Denying Patent Owner's Motion to Dismiss  
37 C.F.R. §§ 42.5, 42.71

## Key Findings

*inter partes* review. Mot. 2–8; Opp. 13–15. We agree with Patent Owner that an “IPR is an adjudicatory proceeding of a federal agency from which state entities are immune.” Mot. 7–8 (citing *Covidien LP v. Univ. of Fla.*

In contrast, here, Petitioner cannot seek an *inter partes* review in the district court where Patent Owner filed its patent infringement action. We

not the same. See *Cuozzo*, 136 S. Ct. at 2143–44. Therefore, allowing Patent Owner to assert its Eleventh Amendment immunity in this proceeding selectively so as to bar Petitioner from obtaining the benefits of an *inter partes* review of the asserted patent would result in substantial unfairness and inconsistency.<sup>5</sup> See *Lapides*, 535 U.S. at 620.



# The SRMT/Allergan Project

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- **Allergan Sued Mylan and Teva in the E.D. Texas**
- **Mylan filed for IPR**
- **Restasis Patents Transferred to SRMT on September 8, 2017**
- **Motion to Dismiss filed in IPR process on September 22, 2017**



# The SRMT/Allergan Project

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- **E.D. Tx. issued decision invalidating patents on October 16, 2017**
- **Federal Circuit upheld without opinion (Rule 36), November 13, 2018.**
  - **Tribe/Allergan have petitioned for en banc review – which is currently pending.**



# PTAB DECISION – Tribal Immunity

- PTAB Issued its decision on February 23rd, 2018, denying Tribe's motion to terminate proceedings.
- Panel acknowledged that Tribe exercises "inherent sovereign authority."
- Panel also conceded that "[a]s a matter of federal law, an Indian tribe is subject to suit only where Congress has authorized the suit or the tribe has waived its immunity."
- Distinguished Tribal Immunity from State immunity – not "co-extensive".
- Immunity "not an available defense" under the applicable statutes.
- Noted that patent laws are laws of general applicability
- IPR Process is similar to federal review/investigation (like NIGC or NLRB)
- Regardless, Panel can proceed as against Allergan as "effective patent owner"
- Tribe is not a necessary party.



# Oil States v. Greene's Energy Group

- **U.S. Supreme Court Case – April 24<sup>th</sup>, 2018**
- **Issue was constitutionality of the PTAB and IPR process.**
- **Court ruled IPR process is constitutional.**
- **Patents are a “public right” similar to a “public franchise.”**
- **IPR process is PTO reviewing its initial decision.**
- **Court did not rule on due process concerns.**



# SAS Institute v. Iancu

- U.S. Supreme Court Case – Issued same day as *Oil States*
- Issue was related to process PTAB used to hear cases.
- Court ruled PTAB must decide patentability of all claims that are challenged – It can't pick and choose.
- Congress did not create another “agency led inquisitorial process”
- IPR Process is “party-directed adversarial process” – “mimics civil litigation”

# Federal Circuit Appeal – July 2018

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- **At issue was whether IPR is party directed adversarial proceeding, or action by U.S. Government (via the PTO) to which immunity does not apply.**
- **Court acknowledged that Tribe possesses inherent sovereign immunity, which includes immunity from suit absent a clear waiver or abrogation.**
- **Court Ruled that IPR is not clearly a judicial proceeding instituted by private party, nor clearly an enforcement action by federal government.**
- **Instead, it is a “hybrid proceeding” that has characteristics of both.**
- **Ultimately IPR is more like an agency enforcement action.**
  - **Immunity does not apply.**
- **Mandate has issued, and matter is currently back pending before PTAB**

# Petition For Cert. – December 2018

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- **Similar issue as Fed. Cir. appeal:**
  - **Is an IPR a private adjudicatory action or action on behalf of U.S. Government?**
- **Inherent conflict between *Oil States* and *SAS Institute* decisions**

# Best Practices

- Imperative to establish best practices in the patent arena
- Trusted legal partners
- Many patents in the market
  - **Very few high quality patent portfolios**
- Beware of bad actors and ill-advised strategies
- Invention story, pedigree of inventor(s) and licensing strategy are paramount considerations
- The history of the AIA teaches that **failure to follow best practices can lead to swift action by legislators**





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