

## State Sovereign Immunity and IPRs: What State Universities Need to Know

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## What Is Sovereign Immunity

Sovereign immunity protects states from suits brought by private citizens

11th Amendment immunity, which limits the judicial power of federal courts, precludes such courts from hearing a dispute brought by a private citizen against a state

- This is but one aspect of sovereign immunity



## State Schools May Be Entitled To Sovereign Immunity

- Courts consider the following in making this determination:
  - Whether state law defines the entity as an instrumentality of the state;
  - Whether it is controlled by the state; and
  - Whether the funds to pay any award will be derived from the state treasury
- University patent holding entities, e.g., foundations, may (or may not be) entitled to sovereign immunity
  - University of Florida Research Foundation – yes (IPR2016-01274, Paper 21 (Jan. 25, 2017))
  - Rutgers, The State University – no (822 F.2d 1303 (3d Cir. 1987))
- Considerations in claiming sovereign immunity



## Sovereign Immunity Extends to IPRs

- Sovereign immunity extends to adjudicatory proceedings before agencies
  - *Fed. Mar. Comm'n v. S.C. State Ports Auth.* (“FMC”), 535 U.S. 743 (2002)
- The Patent Trial and Appeal Board (“PTAB”) has found that sovereign immunity extends to IPRs
  - *Covidien LP v. Univ. of Fla. Res. Found.*, IPR2016-1274, Paper 21 (Jan. 2017)
  - *Neochord, Inc., v. Univ. of Md., Baltimore*, IPR2016-0208, Paper 28 (May 2017)
  - *Reactive Surfaces Ltd. v. Toyota Motor Corp.*, IPR2017-0572, Paper 32 (July 2017)
- Recently, expanded PTAB panels reiterated that sovereign immunity extends to IPRs, but found that filing suit in district court asserting a patent waives immunity in an IPR of that patent
  - *LSI Corp. v. Univ. of Minn.*, IPR2017-01068, Paper 18 (Dec. 2017)
  - *Ericsson v. Univ. of Minn.*, IPR2017-1186 (and parallel IPRs), Paper 14 (Dec. 2017)
- Univ. of Minn. has appealed the denial of motions to dismiss the IPRs
- Federal Circuit just last week held that tribes are not immune from IPRs
  - *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals*, No. 2018-1638 (July 20, 2018)



## Sovereign Immunity – Mohawk Case

- The Mohawk case addresses whether patents held by Indian tribes are immune from IPR
  - *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, No. 2018-1638 (July 20, 2018)
- The Federal Circuit panel (Judges Dyk, Reyna, and Moore) held that the Mohawk’s tribal immunity did not prevent the IPRs from proceeding
- The decision expressly states “While we recognize there are many parallels, we leave for another day the question of whether there is any reason to treat state sovereign immunity differently.”



## Waiver of Immunity

- In recent decisions PTAB found that filing suit in district court asserting a patent waives immunity in an IPR of that patent
- PTAB based its finding of waiver on:
  - Analogy to compulsory counterclaims, which have been found waived in prior decisions
    - See e.g., *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335 (Fed. Cir. 2006)
  - On a finding that it would be unfair to defendants sued for infringement of a patent if they could not challenge that patent via IPR
- PTAB was wrong:
  - In every instance in which a court has found waiver of sovereign immunity it was (1) in the same action in which the State had voluntarily submitted to a federal tribunal and (2) waiver was necessary for the complete determination of that action
  - IPRs are neither the same action as a suit enforcing the patent, nor are IPRs necessary for a complete determination of the suit



## Watch for Waiver of Immunity

- States entities can expressly waive immunity, e.g., via statutes
- Waiver can also be found through participation, but unlikely in IPR context
  - See *Nepochord, Inc., v. Univ. of Md., Baltimore*, IPR2016-00208, Paper 28 (May 23, 2017)



## Joint Ownership of Patents

- In one case, PTAB found that it can proceed against a private co-owner of a patent even if the state university is dismissed
  - *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, IPR2017-00572, Paper 32 (July 13, 2017)



## Raising Sovereign Immunity Defense

- Raise early
- Request stay of preliminary patent owner response deadline



## Benefits of Immunity From IPR

- Ability to enter into licensing negotiations without DJ and without IPR
- Increase value of university patents

