

**Keywords:** IPR, State Sovereign Immunity

**General:** State sovereign immunity, similar to tribal immunity, is not applicable to IPR proceedings before the PTAB.

*Regents of the University of Minnesota v. LSI Corporation*  
Court of Appeals for the Federal Circuit  
No. 2018-1559  
Decided June 14, 2019

## I. Background

In *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999), the Supreme Court held that Congress, in passing the Patent Remedy Act allowing for suit against States and instrumentalities of States for infringement of patents, did not have the authority to abrogate state sovereign immunity from patent infringement under various provisions in the Constitution, including the Patent Clause, Commerce Clause, and the Fourteenth Amendment. The Supreme Court extended the doctrine of sovereign immunity in the case of *Federal Maritime Commission v. South Carolina State Ports Authority*, 535 U.S. 743 (2002) (“*FMC*”), holding that the Constitution shielded states from having to answer private complaints before federal agencies. However, the Supreme Court has also held, in *Tennessee Student Assistance Corp. v. Hood*, 541 U.S. 440 (2004), that sovereign immunity is not a bar in all proceedings, including in rem bankruptcy proceedings involving discharge of a debt owed to the state.

## II. Facts

The University of Minnesota (UMN) is an arm of the state of Minnesota and owns U.S. Pat. Nos. 5,859,601 (‘601 patent), 7,251,768 (‘768 patent), 7,292,647 (RE 45,230 patent), 8,588,317 (‘317 patent), 8,718,185 (‘185 patent), and 8,774,309 (‘309 patent), by virtue of assignments to UMN at the outset of prosecution. UMN sued LSI Corp. for infringement of the ‘601 patent (directed to “read channel” chips) and separately sued customers of Ericsson Inc. for infringement of the ‘768 patent, RE 45,230 patent, ‘317 patent, 8,718,185 ‘185 patent, and ‘309 patent (generally directed to technologies used with 4G LTE networks). Ericsson intervened in the customer suits.

Thereafter, LSI and Ericsson separately petitioned for *inter partes* review (IPR) seeking a determination of unpatentability of the challenged claims on grounds of anticipation and obviousness. After the petitions for IPR were filed, and before the USPTO decided whether to institute IPR, UMN filed a motion to dismiss in each proceeding based on state sovereign immunity. Consistent with a previous line of its own decisions, the Patent Trial and Appeal Board (PTAB) concluded that state sovereign immunity applied to IPR proceedings, but found that that UMN waived its immunity by filing suit against petitioners in district court. Additionally, a concurrence to each of the PTAB decisions concluded that sovereign immunity was not implicated in part because at its core, IPR is a circumscribed *in rem* proceeding, in which the Patent Office exercises jurisdiction over the patent challenged, rather than the parties named.

UMN appealed the PTAB decisions, the cases were consolidated on appeal, and Gilead Sciences, Inc., facing the same issue for its own IPR petitions, sought leave to intervene, which was granted. While this appeal was pending, this court decided *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*,

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896 F.3d 1322 (Fed. Cir. 2018), holding that IPR proceedings were not barred by tribal sovereign immunity. A petition for certiorari was filed in that case, and the petition was denied, 139 S. Ct. 1547.

### III. Issue

Does State sovereign immunity preclude institution of *inter partes* review proceedings before the Patent Trial and Appeal Board (PTAB) of the U.S. Patent and Trademark Office?

### IV. Discussion

No. The panel first detailed the history of Congressional enactments relating to reconsideration of granted patents, including *ex parte* reexamination enacted in 1980, *inter partes* reexamination in 1999, and post-grant proceedings (post-grant review, *inter partes* review, and covered business methods review) enacted into law as part of the Leahy-Smith America Invents Act in 2011. The panel also set forth a detailed description of IPR procedures, including the fact that once instituted, the proceedings may continue without either the petitioner or the patent owner. Upon conclusion of this review of IPR procedures, the panel turned to the question of State sovereign immunity.

The panel noted that “the sovereign immunity of the States neither derives from nor is limited by, the terms of the Eleventh Amendment,” citing *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 54 (1996), whereby “[t]he preeminent purpose of state sovereign immunity is to accord States the dignity that is consistent with their status as sovereign entities,” while “serv[ing] the important function of shielding state treasuries,” citing *FMC*. The panel noted that while this immunity applies to proceedings brought by a private party in an Article III forum as well as agency adjudications brought by private parties that are similar to court adjudications, an exception to State sovereign immunity is for suits brought by the United States, which includes agency proceedings commenced by the United States. As support, the panel cited *FMC* as holding that sovereign immunity does not bar an agency from bringing an enforcement action against the state upon its own initiative or upon information supplied by a private party. UMN argued that IPR proceedings are not like suits brought by the United States, but are entirely a dispute between a private party and the state and share similarities with Article III proceedings. The panel referred to a recently addressed question of whether tribal sovereign immunity applies to IPR proceedings in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), cert. denied, 139 S. Ct. 1547 (2019), in which it was held that it does not.

The factors that were relied upon in *St. Regis* to hold that IPRs are agency proceedings (and not adjudications between individual petitioners and patent holders) were reapplied by the panel in deciding that State sovereign immunity did not bar subjecting patents owned by a State from IPRs. The factors included:

- A) The Director, acting as a politically appointed executive branch official (not the private party petitioner) is responsible for instituting an IPR and the Director's decision to institute discretionary and is not subject to judicial review.
- B) The PTAB can continue an IPR even if the petitioner or the patent owner elects not to participate during the IPR.
- C) IPRs are procedurally distinct from civil litigation and the patent owner may substantively amend its claims in an IPR.

The panel found that the operation of an IPR allows the PTO to harness third parties for the agency to evaluate whether a prior grant of a public franchise was wrong, which the panel characterized as a feature carried over from *inter partes* reexamination. Accordingly, the panel held that IPRs are akin to the administrative proceedings in *FMC* that were not barred by sovereign immunity (i.e., IPRs are similar to an agency enforcement action instituted by the USPTO upon information supplied by a private party rather than civil litigation, so state sovereign immunity is not implicated).

The panel suggested that another basis for its opinion is found in the Supreme Court's decision in *Oil States Energy Servs., LLC v. Green's Energy Grp., LLC*, 138 S. Ct. 1365 (2018). The panel interpreted the Court's language in *Oil States* as concluding that IPR is an adjudication of public rights, and therefore able to be resolved in a non-Article III forum, because it is in key respects a proceeding between the United States and the patent owner. Accordingly, the panel found, IPR proceedings are not barred by state sovereign immunity since sovereign immunity does not bar proceedings brought by the United States, again citing *FMC*.

The panel also concluded that differences between tribal and State sovereign immunity do not warrant a departure from the reasoning in *Saint Regis*. Likewise, the panel disagreed with the argument by UMN that State sovereign immunity applies to proceedings, such as IPR, that were anomalous and unheard of when the Constitution was adopted.

Having held that State sovereign immunity did not bar IPRs against State-owned patents, the panel provided additional views including additional grounds (mirroring the reasoning in the concurring opinions of the PTAB decisions) for its opinion not contained in the opinion itself. The basis for the additional views is that IPRs constitute *in rem* proceedings (legal action against property) of the type to which State sovereign immunity does not apply. The panel distinguished IPRs from *in rem* proceedings that the Supreme Court has determined are subject to State sovereign immunity (e.g., proceedings that implicate ownership of real property or a State's ability to regulate within its own domain borders). The panel argued that IPR proceedings are closely akin to *in rem* proceedings in bankruptcy, which have been held not to be subject to State sovereign immunity citing *Tennessee Student Assistance Corp. v. Hood*, 541 U.S. 440 (2004). Therefore, the panel concluded, it appears that IPR proceedings are the type of *in rem* proceedings to which state sovereign immunity does not apply.

## V. Conclusion

The Federal Circuit affirmed decisions of the PTAB that State sovereign immunity does not preclude institution of *inter partes* review proceedings before the PTAB of the U.S. Patent and Trademark Office.