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# Patent Litigators Playing Cowboys and Indians at the PTAB

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# PATENT LITIGATORS PLAYING COWBOYS AND INDIANS AT THE PTAB

*Michael E. Benson\**

## INTRODUCTION

The high-stakes nature of patent litigation emboldens patent litigators to implement unusual litigation strategies. This Essay explores a novel application of tribal-sovereign-immunity protections to patent validity challenges in inter partes review (IPR) proceedings before the United States Patent and Trademark Office (USPTO). This Essay argues that the transfer of ownership of a patent to a federally recognized Native American tribe allows for the Native American tribe to assert its tribal sovereign immunity as a basis for avoiding IPR of the patent. Further, the Patent Trial and Appeal Board (PTAB), in declaring otherwise, overstepped its authority as an administrative agency and misconstrued relevant, binding precedent.

Passage of the Leahy-Smith America Invents Act<sup>1</sup> (AIA) in 2011 introduced new avenues for parties to challenge the validity of patents granted by the USPTO.<sup>2</sup> One of the newly introduced means for challenging patent validity is IPR.<sup>3</sup> Through the IPR process, a party is able to bring a formal challenge as to the validity of a previously granted patent only on the bases of anticipation<sup>4</sup> or obviousness<sup>5</sup> before the PTAB.<sup>6</sup> Statistically, infringement defendants (and other third parties) challenging patents through IPR have a much higher chance of succeeding on their invalidity challenge than defendants who assert invalidity as a defense before a judge or jury.<sup>7</sup> From September 2012 to May 2017, only sixteen percent of the petitions that reached the final decision stage of the postinstitution

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1 Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections of 35 U.S.C.).

2 *See generally id.*

3 *See generally* 35 U.S.C. §§ 311–19 (2012).

4 *See generally* 35 U.S.C. § 102.

5 *See generally* 35 U.S.C. § 103.

6 *See* 35 U.S.C. § 311(b).

7 *See generally* BRIAN C. HOWARD, LEX MACHINA: PATENT TRIAL AND APPEAL BOARD (PTAB) 2017 REPORT (2017).

trials before the PTAB resulted in all of the petitioned claims being upheld, while sixty-nine percent of the petitions that reached the final decision stage resulted in all of the petitioned claims being invalidated.<sup>8</sup>

Given the incredibly patent-unfriendly environment at the PTAB, it should come as no surprise that patent litigators fending off invalidity challenges sought ways to keep their contested patent claims from reaching the PTAB. This Essay concerns a new frontier of crafty strategy to keep patents from review by the PTAB—the invocation of tribal sovereign immunity to prevent the PTAB from obtaining (subject-matter) jurisdiction over the patent invalidity dispute.

Part I of this Essay provides background information about a current case in which the litigant has attempted to use tribal sovereign immunity in order to avoid an IPR proceeding before the PTAB. Part II provides a brief summary of the current relevant law (tribal, patent, administrative, etc.) pertaining to tribal sovereign immunity in the context of patent invalidity disputes before the PTAB and applies that law to the general issue of using tribal sovereign immunity in order to avoid IPR proceedings. Part III takes the pertinent law outlined in the previous section and addresses its specific application to the PTAB's decision in *Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe*.<sup>9</sup> The Essay ends with a brief conclusion.

## I. BACKGROUND

The litigation strategy uses a Native American tribe's inherent tribal sovereign immunity in order to assert immunity from suit as a defense to the tribunal's claim of jurisdiction over the case or adjudicative proceeding. A patent owner transfers the title and all rights in the patent to a Native American tribe. The Native American tribe then turns around and licenses the patent back to the previous patent owner. Thus, the Native American tribe becomes the rightful owner of the patent while the previous patent owner is allowed to continue to exploit the patent under the license agreement. Since the Native American tribe owns the patent, the tribe can assert its tribal sovereign immunity in order to avoid courtroom battles and administrative proceedings involving the patent. In order for a suit to be brought against a sovereign party, the sovereign party must consent to be sued.<sup>10</sup> If the sovereign party does not consent to the suit, a court (or administrative body) will lack jurisdiction over the proceeding and thus cannot permit the proceeding to advance.<sup>11</sup>

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<sup>8</sup> *Id.* at 3–4 (calculating percentages of outcomes from the data provided in the report concerning PTAB trials that reach the final decision stage).

<sup>9</sup> See *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, Nos. IPR2016-01127 to -01132 (P.T.A.B. Feb. 23, 2018).

<sup>10</sup> See *Kawananakoa v. Polyblank*, 205 U.S. 349, 353 (1907).

<sup>11</sup> See *FDIC v. Meyer*, 510 U.S. 471, 475 (1994) (“Sovereign immunity is jurisdictional in nature.”).

### A. Sovereign Immunity

Sovereign immunity exists in at least four contexts: (1) state sovereign immunity, (2) federal sovereign immunity, (3) foreign sovereign immunity, and (4) tribal sovereign immunity.

Tribal sovereign immunity is the sovereign immunity retained by the federally recognized Native American tribes in the United States. Tribal sovereign immunity blends many of the aspects of the other forms of sovereign immunity, but tribal sovereign immunity also has some distinctive features. Unlike state sovereign immunity, tribal sovereign immunity can be restricted by treaty or through federal statute.<sup>12</sup> Congress has plenary power over the Native American tribes and can alter tribal sovereign immunity simply by passing a bill.<sup>13</sup> There is no commercial-activity exception to tribal sovereign immunity.<sup>14</sup> Thus, in that respect, tribal sovereign immunity is stronger than foreign sovereign immunity. However, since Congress can unilaterally alter tribal sovereign immunity, tribal sovereign immunity is necessarily weaker than state sovereign immunity. Though weaker, tribal sovereign immunity is more closely related and thus better analogized to state sovereign immunity as opposed to federal or foreign sovereign immunity.

Despite the differences between the four above-enumerated types of sovereign immunity, the courts often analogize between the different types of sovereign immunity and generally keep the “rules” regarding the different sovereign immunities the same or similar.

### B. Facts of the Instant Case

The tribal-sovereign-immunity patent litigation strategy was first used in a case involving Allergan, maker of the popular dry eye medication Restasis, and generic pharmaceutical manufacturers Mylan Pharmaceuticals, Teva Pharmaceuticals, and Akorn.<sup>15</sup>

Allergan sued various generic-drug manufacturers for patent infringement.<sup>16</sup> Allergan asserted that the generic-drug manufacturers had infringed on the patent Allergan held on a popular dry-eye medication, Restasis.<sup>17</sup> Once the generic-drug manufacturers had been sued, they responded by challenging the validity of Allergan’s Restasis patent through the IPR process before the PTAB (at the same

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<sup>12</sup> See *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 56 (1978).

<sup>13</sup> *Id.* at 56.

<sup>14</sup> See *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 789–90 (2014).

<sup>15</sup> See Andrew Westney, *Allergan Deal May Set Stage for More Tribal Patent Pacts*, LAW360 (Sept. 14, 2017), <https://advance.lexis.com/api/permalink/4869c38a-391e-4d2b-a9ae-069eeb7f1389/?context=1000516>.

<sup>16</sup> See Rachel Graf, *Allergan Transfers Restasis Patents to IPR-Immune Tribe*, LAW360 (Sept. 8, 2017), <https://advance.lexis.com/api/permalink/d7ad5193-369d-4940-8906-48b9beccb48c/?context=1000516>.

<sup>17</sup> *Id.*

time litigation was occurring in the Eastern District of Texas).<sup>18</sup> The crafty lawyers at Allergan were looking for a way to avoid IPR proceedings at all costs; they settled on a novel approach—using tribal sovereign immunity to take away the PTAB’s jurisdiction in the case.<sup>19</sup>

Thus, Allergan crafted a deal with the Saint Regis Mohawk Tribe, a federally recognized Native American tribe.<sup>20</sup> Under the deal, “the patent titles were assigned to the St. Regis Mohawk tribe, with Allergan as the exclusive licensee. The tribe was paid \$13.75 million . . . and was eligible to receive \$15 million in annual royalties. In exchange, [the tribe] promised not to waive sovereign immunity before the PTAB.”<sup>21</sup> Based on the transfer and license back deal, Allergan asserted that the Saint Regis Mohawk Tribe’s tribal sovereign immunity gave the tribe immunity from suit, thus protecting the Restasis patents from IPR by the PTAB.<sup>22</sup> The tribe agreed to waive their tribal sovereign immunity specifically for the federal district court so that the district court litigation could continue, thereby accomplishing Allergan’s goal of keeping their invalidity battle in the courtroom.<sup>23</sup>

## II. CURRENT STATE OF THE LAW AS APPLIED TO THE ALLERGAN CASE

This Part provides a brief overview of relevant caselaw from various fields of law implicated by the tribal-sovereign-immunity patent litigation strategy. The Sections are organized in such a way that each Section builds upon the last, culminating in a setup for the question this Essay addresses: Is tribal sovereign immunity a defense available in PTAB proceedings?

### A. Tribal Sovereign Immunity

The portions of the long and storied history of tribal-sovereign-immunity jurisprudence that are relevant to the assertion of tribal sovereign immunity as a defense to suit can be concisely summed up by reference to two landmark Supreme Court cases.

First, in *Santa Clara Pueblo v. Martinez*,<sup>24</sup> the Court held that the members of the tribe had no cause of action to request declaratory and injunctive relief in federal court under the provisions of a particular act due to Congress not creating such causes of action under the act.<sup>25</sup> In so holding, the Court stated, “Indian tribes have long been recognized as possessing the common-law immunity from suit

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18 *Id.*

19 See Jenna Greene, *Psst . . . Want to Buy Some Sovereign Immunity?*, AM. LAW. (Oct. 18, 2017), <https://advance.lexis.com/api/permalink/1ca69025-a72a-4e69-8b80-738850780882/?context=1000516>.

20 *Id.*

21 *Id.*

22 *Id.*

23 *Id.*

24 436 U.S. 49 (1978).

25 *Id.* at 61–62.

traditionally enjoyed by sovereign powers.”<sup>26</sup> Thus, the Court has repeatedly recognized the doctrine of tribal sovereign immunity as providing Native American tribes immunity from suit—just as those with other forms of sovereign immunity (foreign, state, etc.) are immune from suit.

Second, in *Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc.* the tribe asserted that the court lacked jurisdiction over the case on the basis of the tribe’s sovereign immunity from suit.<sup>27</sup> The Supreme Court agreed with the tribe and held, “[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.”<sup>28</sup> Here, the Court reaffirmed the doctrine of tribal sovereign immunity and provided only two scenarios under which a tribe loses its sovereign immunity—(1) where Congress has limited the tribe’s sovereign immunity and allowed for a party to sue the tribe and (2) where the tribe itself has waived its sovereign immunity and consented to suit.

Importantly, the Supreme Court recognizes the doctrine of tribal sovereign immunity and, further, relates tribal sovereign immunity to other forms of sovereign immunity. Additionally, the Supreme Court has only recognized two scenarios under which a tribe may not assert its tribal sovereign immunity, namely, when Congress waives the tribe’s sovereign immunity and when the tribe itself waives its own sovereign immunity.

#### B. Waiver of Tribal Immunity

The Supreme Court has introduced additional restrictions on the scenarios under which a tribe may not assert tribal sovereign immunity, further narrowing the circumstances under which tribal sovereign immunity is waived.

In *United States v. United States Fidelity & Guaranty Co.*, the Court held, “without congressional authorization” the “Indian Nations are exempt from suit.”<sup>29</sup> Thus, the Court took the position that, unless Congress has “authorized” the waiving of the tribal sovereign immunity, the tribe is immune from suit. In other words, the default position is that the tribe is immune from suit unless Congress takes an affirmative step to waive the tribe’s sovereign immunity.

In *United States v. King*, the Court addressed a question of the sovereign immunity of the United States.<sup>30</sup> Though not directly a tribal-sovereign-immunity case, the principle of *King* should be informative since, under *Santa Clara Pueblo v. Martinez*, tribal sovereign immunity is just like any other kind of sovereign

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26 *Id.* at 58; *see also* *Puyallup Tribe, Inc. v. Dept. of Game*, 433 U.S. 165, 172 (1977); *United States v. U.S. Fid. & Guar. Co.*, 309 U.S. 506, 512 (1940); *Turner v. United States*, 248 U.S. 354, 358 (1919).

27 523 U.S. 751, 754 (1998).

28 *Id.* at 754; *see also* *Three Affiliated Tribes of the Fort Berthold Reservation v. Wold Eng’g, P.C.*, 476 U.S. 877, 891 (1986); *Martinez*, 436 U.S. at 58; *U.S. Fid. & Guar. Co.*, 309 U.S. at 512.

29 *U.S. Fid. & Guar. Co.*, 309 U.S. at 512.

30 *United States v. King*, 395 U.S. 1, 4 (1969).

immunity.<sup>31</sup> In *King*, the Court held that the waiver of sovereign immunity “cannot be implied but must be unequivocally expressed.”<sup>32</sup> Combining the holding of *United States Fidelity & Guaranty Co.* and *King* provides the principle that tribal sovereign immunity must be expressly and unequivocally waived; a tribe’s sovereign immunity cannot be impliedly waived.

Congress affirmed and further elaborated upon this principle in *United States v. Wheeler*.<sup>33</sup> In *Wheeler*, the Court held that, “until Congress acts, the tribes retain their existing sovereign powers” and, accordingly, the court lacks subject-matter jurisdiction over the tribe.<sup>34</sup> Thus, for Congress to waive or abrogate tribal sovereign immunity, Congress must perform some kind of affirmative action expressly and unequivocally waiving the tribe’s sovereign immunity—such as passing a bill containing language to that effect. If Congress does not follow the previously enumerated requirements for waiving tribal sovereign immunity, it is the default position that the doctrine of tribal sovereign immunity applies to the suit.

### C. *The Leahy-Smith America Invents Act Does Not Waive Tribal Immunity*

Given that the tribal-sovereign-immunity jurisprudence requires that Congress expressly and unequivocally waive tribal sovereign immunity in order to abrogate a tribe’s right to assert sovereign immunity, it is appropriate to examine the statute that creates the IPR process to see if Congress anywhere expressly and unequivocally waived tribal sovereign immunity. If Congress intended to waive a tribe’s right to assert its sovereign immunity in IPR proceedings, one would imagine that the express and unequivocal waiver would be found in the statutory language that created IPR. However, nowhere in the Leahy-Smith America Invents Act do the words “tribe,” “sovereign,” or “immunity” appear.<sup>35</sup> Congress has not expressly and unequivocally abrogated a tribe’s right to assert its sovereign immunity in an IPR proceeding.

### D. *No Constructive Waiver of Tribal Sovereign Immunity*

Despite the Court’s clear (and repeatedly asserted) stance that waivers of tribal sovereign immunity must be express and unequivocal, litigants have attempted to erode the doctrine of tribal sovereign immunity by insisting that tribal sovereign immunity can be waived “constructively.”

*Bassett v. Mashantucket Pequot Tribe*<sup>36</sup> involved a copyright issue. Though the case is not directly on point, the various intellectual-property disciplines

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31 See *Martinez*, 436 U.S. at 58.

32 *King*, 395 U.S. at 4; see also *United States v. Testan*, 424 U.S. 392, 399 (1976).

33 435 U.S. 313 (1978).

34 *Id.* at 323–24; see also *FDIC v. Meyer*, 510 U.S. 471, 475 (1994); *Ferguson v. SMSC Gaming Enter.*, 475 F. Supp. 2d 929, 931 (D. Minn. 2007).

35 See Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified as amended in scattered sections scattered sections of 35 U.S.C.).

36 204 F.3d 343 (2d Cir. 2000).

borrow from each other often enough that it is relevant to analyze how copyright law handles the same or similar issues faced in patent law. There, the court held:

Applying *Santa Clara Pueblo* and *Kiowa Tribe* to this dispute convinces us that the Tribe is immune from suit on . . . copyright claims. Nothing on the face of the Copyright Act . . . subject[s] tribes to the jurisdiction of the federal courts in civil actions . . . and a congressional abrogation of tribal immunity cannot be implied . . . *Kiowa Tribe* makes clear that tribal immunity extends to these activities, and that a tribe does not waive its immunity merely by participating in them. . . . [T]he fact that a statute applies to Indian tribes does not mean that Congress abrogated tribal immunity in adopting it.<sup>37</sup>

Importantly, the court recognizes that Congress must expressly waive tribal sovereign immunity and that simply participating in some congressionally regulated activity does not somehow constructively or impliedly waive a tribe's right to assert sovereign immunity from suit. But the court goes even further and boldly states that a statute does not abrogate a tribe's sovereign immunity just because the statute applies to the tribe—there still exists the requirement that Congress expressly and unequivocally waive the tribal sovereign immunity.

Like *Bassett, Vas-Cath, Inc. v. Curators of the University of Missouri*<sup>38</sup> is not directly on point. *Vas-Cath* involves state sovereign immunity and discusses how state sovereign immunity interacts with the federal patent system.<sup>39</sup> The Federal Circuit held, “[i]t is established that a state’s participation in the federal patent system does not of itself waive immunity in federal court with respect to patent infringement by the state.”<sup>40</sup> It appears that the Federal Circuit in *Vas-Cath* applied the same principle expressed in *Bassett*—namely that mere participation in a congressionally regulated system (e.g., patent system) is not enough to find a waiver of sovereign immunity.<sup>41</sup>

Further, the court in *Vas-Cath* foreshadowed potential problems with agency proceedings. Citing to *Federal Maritime Commission v. South Carolina State Ports Authority*,<sup>42</sup> the court discussed an “analogy between some agency proceedings and civil litigation . . . to preserve the immunity of the non-consenting state in the agency proceeding.”<sup>43</sup> The Federal Circuit’s decision in *Xechem International, Inc. v. University of Texas M.D. Anderson Cancer Center* stands for

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37 *Id.* at 357 (citations omitted) (internal quotation marks omitted); *see also* Fla. Paraplegic, Ass’n v. Miccosukee Tribe, 166 F.3d 1126, 1129–33 (11th Cir. 1999); Meyer v. Accredited Collection Agency Inc., No. 1:13CV444, 2016 WL 379742, at \*4 (S.D. Miss. Jan. 29, 2016); J.L. Ward Assocs., Inc. v. Great Plains Tribal Chairmen’s Health Bd., 842 F. Supp. 2d 1163, 1178 (D.S.D. 2012).

38 473 F.3d 1376 (Fed. Cir. 2007).

39 *Id.* at 1378–80.

40 *Id.* at 1381; *see also* Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627 (1999) (holding that Congress did not do away with the states’ sovereign immunity with respect to patent infringement suits).

41 *See also* Biomedical Patent Mgmt. Corp. v. Cal., Dep’t of Health Servs., 505 F.3d 1328, 1343 (Fed. Cir. 2007).

42 535 U.S. 743 (2002).

43 *Vas-Cath*, 473 F.3d at 1382.

largely the same proposition, again for state sovereign immunity.<sup>44</sup> There, the court held, “the argument must be rejected that a state’s entry into the patent system is a constructive waiver of immunity for actions in federal court against the state under the patent law.”<sup>45</sup>

Just as for federal and state sovereign immunity, there is no constructive (or implied) waiver of tribal sovereign immunity. Tribal sovereign immunity must be expressly and unequivocally waived. Further, participation in a statutorily regulated system does not constitute an express, unequivocal waiver. Some kind of affirmative action must be taken for the tribe’s sovereign immunity to be waived.

#### *E. No Commercial-Activity Exception to Tribal Immunity*

Though this Essay compares tribal sovereign immunity with the other forms of sovereign immunity, it is important to note that tribal sovereign immunity differs from foreign sovereign immunity in at least one noteworthy way—namely, there is no commercial-activity exception that applies to tribal sovereign immunity.

In *Intel Corp. v. Commonwealth Scientific & Industrial Research Organisation*, the Federal Circuit held that Commonwealth Scientific & Industrial Research Organisation “is not entitled to claim immunity under the Foreign Sovereign Immunities Act (‘FSIA’), 28 U.S.C. §§ 1602–1611, because the ‘commercial activity’ exception applies.”<sup>46</sup> As explained by the Federal Circuit, there is a statute (the FSIA) that expressly waives foreign sovereign immunity when foreign sovereigns participate in “commercial activity.”<sup>47</sup> That statute is an example of Congress expressly and unequivocally waiving sovereign immunity for a particular group.

No such commercial-activity exception exists for tribal sovereign immunity. This principle was unambiguously announced in *Home Bingo Network v. Multimedia Games, Inc.*<sup>48</sup> In *Home Bingo*, the court held that “absent waiver, the [tribe] is entitled to immunity. This is true regardless of whether the [tribe] may have been engaging in activity off the reservation or whether the activity is commercial in nature.”<sup>49</sup> The court explained that, unlike for foreign sovereign immunity, there is no commercial-activity exception that waives tribal sovereign immunity.

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44 382 F.3d 1324 (Fed. Cir. 2004).

45 *Id.* at 1331; *see also* *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 682 (1999).

46 455 F.3d 1364, 1366 (Fed. Cir. 2006).

47 *Id.* at 1369 (quoting 28 U.S.C. § 1605(a)(2) (2006)).

48 *Home Bingo Network v. Multimedia Games, Inc.*, No. 1:05-CV-0608, 2005 WL 2098056, at \*1 (N.D.N.Y. Aug. 30, 2005).

49 *Id.* at \*1; *see also* *Okla. Tax Comm’n v. Citizen Band Potawatomi Indian Tribe of Okla.*, 498 U.S. 505, 509 (1991); *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 357 (2d Cir. 2000).

Since there is no commercial-activity exception for tribal sovereign immunity, tribal sovereign immunity should be understood to be “stronger” than foreign sovereign immunity—at least in the commercial aspect of the immunity.

*F. Sovereign Immunity Is Available in Patent Infringement Actions*

It is clear that tribal sovereign immunity cannot be waived simply by participating in a statutorily regulated system. However, sovereign-immunity jurisprudence further specifies that sovereign immunity is available (and has successfully been used) in patent infringement actions.

In *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, the Court was dealing with the Patent and Plant Variety Protection Remedy Clarification Act (“Patent Remedy Act”).<sup>50</sup> Through the Patent Remedy Act, Congress amended the patent laws—expressly abrogating states’ sovereign immunity in patent infringement suits.<sup>51</sup> Specifically, the Court dealt with “state infringement of patents and the use of sovereign immunity to deny patent owners compensation for the invasion of their patent rights.”<sup>52</sup> Congress sought to remedy this violation of the Fourteenth Amendment by preventing the states from asserting sovereign immunity in patent infringement suits.<sup>53</sup> The Court held that although the language in the statute was clear (express and unambiguous), Congress does not have the power to give such a statute the force of law following the Court’s decision in *Seminole Tribe*.<sup>54</sup> Similarly, in other cases, the court has found that sovereign immunity applies to patent infringement actions.<sup>55</sup>

A key difference to be noted here: Native American tribes do not enjoy the same kinds of constitutional protections afforded to the states. Had the Patent Remedy Act been targeting tribal sovereign immunity and not state sovereign immunity, the statute would (very likely) not have run into the same kinds of problems. That being said, the above-noted cases are presented simply to clearly illustrate the point that sovereign immunity is available as a litigation technique and has been used successfully in patent infringement litigation in the past.

*G. Sovereign Immunity Is Available in Administrative Proceedings*

Decades of sovereign-immunity jurisprudence establishes that sovereign immunity can be asserted to provide immunity from a suit brought before a court (or some other judicial tribunal). However, can sovereign immunity be asserted for the same effect in cases involving adjudication before administrative agencies?

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50 See 527 U.S. 627, 630–31 (1999).

51 *Id.* at 630.

52 *Id.* at 640.

53 *See id.*

54 *See id.* at 647–48. *See generally* *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996).

55 *See* *Xechem Int’l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324 (Fed. Cir. 2004) (holding that immunity applies to 35 U.S.C. § 256 action); *see also* *Tegic Commc’ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335 (Fed. Cir. 2006) (holding that immunity applies to diversity-jurisdiction action raising Title 35 challenges).

The Supreme Court decision in *Federal Maritime Commission v. South Carolina State Ports Authority* answered that question in the affirmative.<sup>56</sup>

In *Federal Maritime Commission*, Maritime Services filed a complaint with an administrative agency, the Federal Maritime Commission, asserting that South Carolina State Ports Authority, an arm of the State of South Carolina, had violated a statute that the Federal Maritime Commission was charged with enforcing.<sup>57</sup> Through adjudicatory proceedings, the Federal Maritime Commission held that South Carolina State Ports Authority's state sovereign immunity applied only to proceedings before judicial tribunals (i.e., courts) and did not apply to adjudicatory proceedings before executive agencies.<sup>58</sup> Both the Fourth Circuit and the Supreme Court disagreed.<sup>59</sup>

The Supreme Court noted that neither the United States nor the Federal Maritime Commission disputed the Fourth Circuit's assertion that administrative adjudication "walks, talks, and squawks like a lawsuit" and thus held that the adjudication should be treated as such when deciding if state sovereign immunity immunizes the South Carolina State Ports Authority from suit.<sup>60</sup> Further, the Court held that "[g]iven . . . the strong similarities between [administrative] proceedings and civil litigation, . . . state sovereign immunity bars [an agency] from adjudicating complaints filed by a private party against a nonconsenting State."<sup>61</sup> Thus, so long as the administrative agency's adjudicatory proceedings are similar enough to suits heard in actual judicial tribunals—state sovereign immunity applies.

The case provides no direct guidance on two important questions: (1) Can state sovereign immunity apply specifically to adjudicative proceedings before the PTAB? And, (2) if state sovereign immunity applies to adjudicative proceedings before the PTAB, does tribal sovereign immunity apply to adjudicative proceedings before the PTAB? Though unanswered by *Federal Maritime Commission*, the Supreme Court's holding in the case certainly provides highly persuasive precedent pointing to affirmative answers to both questions.

#### H. Sovereign Immunity Is Available in PTAB Proceedings

Following the Supreme Court's clear guidance in *Federal Maritime Commission*, it appears that the PTAB (reluctantly) agrees that state sovereign immunity (under the Eleventh Amendment) is applicable to IPR cases before the PTAB. However, the PTAB introduces one (huge) caveat—waiver.

In *Ericsson Inc. v. Regents of the University of Minnesota*, the PTAB reiterated that state sovereign immunity (under the Eleventh Amendment) is

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56 535 U.S. 743, 750–51 (2002).

57 *See id.* at 747–48.

58 *Id.* at 747.

59 *Id.* at 747–48.

60 *Id.* at 751, 757, 760.

61 *Id.* at 760.

available as a defense in IPR cases.<sup>62</sup> Specifically the Board stated, “[t]he Board has previously determined that Eleventh Amendment immunity is available to States as a defense in an *inter partes* review proceeding.”<sup>63</sup> Thus it is clear that the PTAB, in general, recognizes (and has recognized in the past) that a patent owner may assert state sovereign immunity as a defense in IPR proceedings. If the PTAB has in the past recognized that state sovereign immunity is applicable in IPR cases, then how can the PTAB claim that tribal sovereign immunity is inapplicable in IPR proceedings? It is inconsistent to allow state sovereign immunity as a defense in IPR proceedings but not allow tribal sovereign immunity as a defense.

Further, in *Ericsson*, the Board stated, “[i]n keeping with *Vas-Cath*, we determine that *inter partes* reviews, like interferences, are similar to court proceedings . . . . [The] Patent Owner, therefore, is entitled to rely on its Eleventh Amendment immunity in *inter partes* reviews.”<sup>64</sup> Not only did the Board agree that state sovereign immunity is an applicable defense in IPR proceedings, but the Board stated that the reason state sovereign immunity is an applicable defense in IPR proceedings is because IPR proceedings are similar to civil litigation—echoing the sentiment stated in *Federal Maritime Commission*.

Despite finding that state sovereign immunity is a generally applicable defense in IPR cases before the PTAB, the Board in *Ericsson* found that the University of Minnesota had waived its state-sovereign-immunity defense by filing an infringement action in federal court.<sup>65</sup> The Board stated, “it is reasonable to view a State that files a patent infringement action as having consented to an *inter partes* review of the asserted patent.”<sup>66</sup> There, the Board was either acting in spite of or in willful blindness to Supreme Court precedent.<sup>67</sup> Participation in the federal patent system does not amount to a waiver of sovereign immunity.<sup>68</sup>

The PTAB has established that sovereign immunity is a defense that is available in PTAB proceedings, but (incorrectly) subject to waiver. However, the PTAB has not squarely addressed the question of whether tribal sovereign immunity, specifically, is a defense available in PTAB proceedings.

### III. DECONSTRUCTING THE PTAB’S DECISION IN THE ALLERGAN CASE

Despite the overwhelming precedent detailed above, the PTAB disagrees that tribal sovereign immunity is an available defense in IPR proceedings. Specifically, in *Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe*,<sup>69</sup> the PTAB held,

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<sup>62</sup> See *Ericsson Inc. v. Regents of Univ. of Minn.*, Nos. IPR2017-01186, -01197, -01200, -01213, -01214, -01219, 2017 WL 6517563, at \*2 (P.T.A.B. Dec. 19, 2017).

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> *Id.* at \*3.

<sup>66</sup> *Id.*

<sup>67</sup> See *supra* Sections II.B, II.D.

<sup>68</sup> See *Xechem Int’l., Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324, 1331 (Fed. Cir. 2004); see also *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 682 (1999).

<sup>69</sup> Nos. IPR2016-01127 to -01132 (P.T.A.B. Feb. 23, 2018).

inter alia, that tribal sovereign immunity did not apply as a defense in the case and thus denied the Saint Regis Mohawk Tribe's motion to terminate the adjudication.<sup>70</sup> The decision the PTAB reached cannot be correct. Below, each of the theories that the PTAB set forth supporting their decision to find in favor of Mylan Pharmaceuticals are addressed and countered.

In *Mylan Pharmaceuticals*, the PTAB rested their decision on arguments that can broadly be sorted into two categories. First, the PTAB found that the Saint Regis Mohawk Tribe did not establish that tribal sovereign immunity should apply to the PTAB proceedings.<sup>71</sup> This line of argumentation will be referred to as the "no precedent" argument. Second, the PTAB found, independent and regardless of their no precedent argument, that the case before the PTAB could continue (i.e., the Saint Regis Mohawk Tribe's motion to terminate should be denied) because Allergan "retained ownership" of the patents in dispute.<sup>72</sup> This line of argumentation will be referred to as the "not an indispensable party" argument. Though the PTAB presents two different arguments for why the Saint Regis Mohawk Tribe's motion to terminate was denied,<sup>73</sup> neither of the justifications hold up under scrutiny. Additionally, the PTAB's decision creates a fundamental separation of powers issue.

#### A. Addressing the PTAB's "No Precedent" Argument

The PTAB denied the Saint Regis Mohawk Tribe's motion to terminate utilizing a "no precedent" argument.<sup>74</sup> The PTAB criticized the Saint Regis Mohawk Tribe's reliance on *Federal Maritime Commission*.<sup>75</sup> The PTAB stated, "[t]he Tribe and its supporting amici . . . have not pointed to any federal court or Board precedent suggesting that [*Federal Maritime Commission's*] holding with respect to state sovereign immunity can or should be extended to an assertion of tribal immunity in similar federal administrative proceedings."<sup>76</sup> In essence, the PTAB argued that *Federal Maritime Commission* was not applicable precedent here because that case specifically involved state sovereign immunity as a defense at an adjudicatory proceeding before an administrative agency, while the instant case involved tribal sovereign immunity and a different administrative agency. The PTAB is attempting to (very) narrowly interpret *Federal Maritime Commission* in order to avoid having to abide by the precedent the case set. The position taken by the PTAB is untenable.

First, time and time again the Supreme Court has looked to cases involving other types of sovereign immunity (e.g., state sovereign immunity) for guidance

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<sup>70</sup> *Id.* at 4.

<sup>71</sup> *Id.*

<sup>72</sup> *Id.*

<sup>73</sup> Perhaps this demonstrates that the Administrative Patent Judges (APJs) of the PTAB themselves are not sure which, if either, justification holds water.

<sup>74</sup> See *Mylan Pharm.*, Nos. IPR2016-01127 to-01132, at 4.

<sup>75</sup> See *id.* at 7; see also *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743 (2002); *supra* Part II.G.

<sup>76</sup> *Mylan Pharm.*, Nos. IPR2016-01127 to -01132, at 8.

when deciding cases involving tribal sovereign immunity.<sup>77</sup> Important precedent should not be summarily dismissed simply because the case involves a different type of sovereign-immunity defense. How the Court has previously dealt with a similar issue involving sovereign immunity should be given substantial weight, regardless of the type of sovereign immunity involved. The PTAB's strategic use of *Kiowa* fails to rebut this proposition.<sup>78</sup> While *Kiowa* does draw a distinction between tribal and state sovereign immunity,<sup>79</sup> the Board's focus on the immunities not being coextensive misses the mark completely.

The point is not that tribal sovereign immunity and state sovereign immunity are the same (or coextensive) and thus should be treated in exactly the same way. The point is that tribal sovereign immunity and state sovereign immunity are *similar* and should be treated in *similar* ways. Further, the portion of *Kiowa* cited by the PTAB is dicta taken completely out of context. The portion of the *Kiowa* decision the PTAB cites to answers the question of whether Native American tribes are subject to state laws for off-reservation activity and has almost nothing to do with the primacy of one form of sovereign immunity over another.<sup>80</sup>

Second, which particular administrative agency a tribe is before when asserting its tribal-sovereign-immunity defense matters only to the extent that a statute may have explicitly waived the use of tribal sovereign immunity as a defense. If a statute (e.g., an agency's organic statute) has not explicitly waived a tribe's sovereign-immunity defense for adjudicative proceedings before a particular agency, then the tribe is free to assert its sovereign immunity.<sup>81</sup> Additionally, in their explanation, the PTAB is approaching tribal sovereign immunity exactly backwards. The presumption is *not* that tribal sovereign immunity does not apply unless a party can present precedent showing that tribal sovereign immunity should apply. The presumption is that tribal sovereign immunity does apply unless Congress or the tribe explicitly and unambiguously waives the right to a tribal-sovereign-immunity defense.<sup>82</sup>

In asking the Saint Regis Mohawk Tribe or the amici to provide a case directly on point to the issue before the PTAB, the PTAB is (intentionally or unintentionally) making a request that is impossible to satisfy. The issue is one of first impression before the PTAB, so logically it follows that no case directly on point to the exact issue would exist. Since it is painfully clear from the Supreme Court precedent that a tribe's sovereign-immunity defense is applicable unless Congress or the tribe says that it is not,<sup>83</sup> the burden shifts to the plaintiff to show why such an immunity defense does not apply in this situation: Is there any

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77 See *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978); see also *Puyallup Tribe, Inc. v. Dep't of Game*, 433 U.S. 165, 172–73 (1977); *United States v. U.S. Fid. & Guar. Co.*, 309 U.S. 506, 512–13 (1940); *Turner v. United States*, 248 U.S. 354, 358 (1919).

78 *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751 (1998).

79 See *Mylan Pharm.*, Nos. IPR2016-01127 to -01132, at 9.

80 See *Kiowa*, 523 U.S. at 756.

81 See *supra* Sections II.B, II.D.

82 See *supra* Sections II.B, II.D; see also *United States v. Wheeler*, 435 U.S. 313, 322–23 (1978).

83 See *supra* Sections II.B, II.D; see also *Wheeler*, 435 U.S. at 322–23.

precedent that the plaintiffs or the PTAB can point to in support of the position that a tribal-sovereign-immunity defense is not a defense available to a Native American tribal defendant in federal agency adjudication when the tribe has not waived the defense?

Upon close scrutiny, the PTAB's "no precedent" argument does not hold water.

### B. Addressing the "Not an Indispensable Party" Argument

The PTAB also denied the Saint Regis Mohawk Tribe's motion to terminate utilizing a "not an indispensable party" argument.<sup>84</sup> This argument comes in two parts. First, the PTAB argued that the identity of the patent owner does not matter in IPR adjudications because the adjudication is simply about the validity of patent claims.<sup>85</sup> Second, the PTAB argued that Allergan still "owns" the patents in dispute and thus the Saint Regis Mohawk Tribe's assertion of their tribal sovereign immunity is immaterial.<sup>86</sup> Again, the positions taken by the PTAB are untenable.

First, the PTAB's conclusion that ownership of the patent does not matter in an IPR proceeding must be false.<sup>87</sup> How can the identity of the patent owner not matter in an IPR proceeding? The "inter partes" portion of "inter partes review" literally translates to "between parties."<sup>88</sup> If the proceeding is "between parties," how can the identity of one of the parties not matter? If the identity of the patent owner does not matter and the patent owner is not an important party in the proceeding, do we need the patent owner's interests to be represented at all in an inter partes review proceeding?

Could the PTAB just hold a postgrant reexamination of a patent without any input from the patent owner? With this decision, the PTAB is creating a dangerous precedent for letting one party "litigate" a dispute in an administrative agency adjudicatory proceeding without giving the party who may be deprived of their property right a chance to fight back. In other words, the PTAB is quickly descending into Fifth Amendment takings territory. Simply put, this "support" for the PTAB's denial of the Saint Regis Mohawk Tribe's motion to terminate is an exercise in shoddy reasoning.

Additionally, nowhere in Chapter 31 of Title 35 of the United States Code<sup>89</sup> does the statutory language, which lays the ground rules for IPR proceedings, allow for a proceeding to begin with only one of the two parties. Intriguingly, Chapter 31 is littered with references to the "patent owner." For example, see

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<sup>84</sup> See *Mylan Pharm.*, Nos. IPR2016-01127 to -01132, at 4.

<sup>85</sup> *Id.* at 18.

<sup>86</sup> *Id.* at 20, 35.

<sup>87</sup> *Id.* at 18 ("[R]econsideration of the patentability of issued claims via *inter partes* review is appropriate without regard to the identity of the patent owner. We, therefore, determine that the Tribe's assertion of its tribal immunity does not serve as a basis to terminate these proceedings.").

<sup>88</sup> *Inter Partes*, MERRIAM-WEBSTER, <https://www.merriam-webster.com/legal/inter%20partes> (last visited Feb. 21, 2019).

<sup>89</sup> See generally 35 U.S.C. §§ 311–19 (2012).

§ 312(a)(2).<sup>90</sup> More importantly, see § 312(a)(5), which reads, “provide[] copies of any of the documents required . . . to the patent owner.”<sup>91</sup> It would be very odd to assert that the patent owner is not a necessary party to an IPR proceeding when the portions of the Code concerning IPR proceedings include frequent reference to a “patent owner.” That kind of statutory interpretation would render § 312(a)(5) superfluous, which, of course, is to be avoided under the canons of statutory construction.<sup>92</sup> Furthermore, the PTAB’s assertion that the patent owner is not a necessary party to an IPR proceeding would render, *inter alia*, the following portions of Chapter 31 superfluous: §§ 313,<sup>93</sup> 316(a)(8),<sup>94</sup> 316(a)(10),<sup>95</sup> 316(d),<sup>96</sup> 317(a),<sup>97</sup> 317(b),<sup>98</sup> and 319.<sup>99</sup>

Second, the PTAB’s assertion that Allergan still “owns” the patents in dispute must be false. The Board wrote, “[b]ased on the terms of the License between Allergan and the [Saint Regis Mohawk] Tribe, we determine that the License transferred ‘all substantial rights’ in the challenged patents back to Allergan.”<sup>100</sup> The PTAB went even further and asserted that even if the tribe is an indispensable party, the Federal Rules of Civil Procedure, which guide the PTAB, do not require joinder of indispensable parties.<sup>101</sup> On this basis, the PTAB completely sidestepped the Saint Regis Mohawk Tribe’s assertion of tribal sovereign immunity, finding that Allergan is still the true owner of the patents and thus proceeds with the IPR as if the patents were never transferred to the Saint Regis Mohawk Tribe.<sup>102</sup>

Foremost, it is not the province of an administrative agency taxed with determining the validity of patent claims to inquire into whether a particular patent-licensing deal is up to snuff. That is simply outside the scope of the agency’s powers as delegated by Congress. In general, the USPTO has two responsibilities: (1) “granting and issuing of patents and the registration of

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90 *See id.* § 312(a)(2) (“[T]he petition identifies all *real parties* in interest.” (emphasis added)).

91 *Id.* § 312(a)(5).

92 *See, e.g.,* TRW Inc. v. Andrews, 534 U.S. 19, 31 (2001) (“It is ‘a cardinal principle of statutory construction’ that ‘a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant.’” (quoting *Duncan v. Walker*, 533 U.S. 167, 174 (2001))).

93 *See* 35 U.S.C. § 313 (“[T]he patent owner shall have the right to file a preliminary response.”).

94 *See id.* § 316(a)(8) (referring back to the § 313 response).

95 *See id.* § 316(a)(10) (“providing either party with the right to an oral hearing”).

96 *See id.* § 316(d).

97 *See id.* § 317(a) (settlement).

98 *See id.* § 317(b) (settlement).

99 *See id.* § 319 (“Any *party* to the inter partes review shall have the right to be a party to the appeal.” (emphasis added)). If the patent owner was not treated as a party to the IPR, would the patent owner have standing to appeal?

100 *See Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, Nos. IPR2016-01127 to -01132, at 20 (P.T.A.B. Feb. 23, 2018).

101 *Id.* at 36.

102 *Id.* at 39–40.

trademarks” and (2) “disseminating to the public information with respect to patents and trademarks.”<sup>103</sup> In acting as an arbiter to decide whether a “transfer and license back” deal is valid, the PTAB has encroached on the judiciary’s power. Here, the PTAB is exercising power that it does not have. If there are questions concerning the legitimacy of the deal between Allergan and the Saint Regis Mohawk Tribe, those questions should be addressed before an Article III judge.

Furthermore, the kind of bargain that the PTAB is challenging, transfer and license back, is not unusual. In fact, intellectual property holding companies that are subsidiaries of larger corporations make frequent use of transfer and license back deals. Without such deals, intellectual property holding companies would serve no useful purpose for the parent company. Additionally, these deals have been upheld in other areas of intellectual property law (e.g., trademark law).<sup>104</sup> Even if an Article III judge agreed with the PTAB’s holding that the license and transfer back deal between Allergan and the Saint Regis Mohawk Tribe was a “sham” because the Saint Regis Mohawk Tribe transferred all substantial rights back to Allergan, that does not change the fact that the PTAB incorrectly interpreted and applied tribal law to the question of whether tribal sovereign immunity is an available defense in IPR proceedings. If an Article III judge agrees that, because of the structure of the specific transaction, tribal sovereign immunity is not an applicable defense in this particular case, that ruling should not be interpreted to mean that tribal sovereign immunity is never an available defense in an IPR proceeding.

Upon close scrutiny, the PTAB’s “not an indispensable party” argument does not hold water.

### C. Unnecessary Separation of Powers Issue Created

The PTAB, in issuing its decision in *Mylan Pharmaceuticals*, has unintentionally created a separation of powers issue. In *Bay Mills*,<sup>105</sup> the Supreme Court found, “it is fundamentally Congress’s job, not [the Court’s], to determine whether or how to limit tribal immunity.”<sup>106</sup> As Professor Greg Ablavsky wrote, “[a]stonishingly, the PTAB’s decision never discusses the facts, holding, or reasoning of *Bay Mills*.”<sup>107</sup> If it is solely Congress’s job to decide how and where tribal sovereign immunity applies, and Congress has not delegated that authority to decide to the USPTO, then it follows that the USPTO cannot decide issues relating to tribal sovereign immunity. In deciding when to apply tribal sovereign immunity

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103 35 U.S.C. § 2(a)(1)–(2).

104 See, e.g., *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280 (9th Cir. 1992); see also *Raufast S.A. v. Kicker’s Pizzazz, Ltd.*, 208 U.S.P.Q. 699, 1980 WL 30295 (E.D.N.Y. Sept. 8, 1980); *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 315 F. Supp. 45, 55–56 (S.D.N.Y. 1970), *aff’d on other grounds*, 437 F.2d 566 (2d Cir. 1971).

105 *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782 (2014).

106 *Id.* at 800.

107 Greg Ablavsky, *Tribal Sovereign Immunity and Patent Law, Part II: Lessons in Shoddy Reasoning from the PTAB*, WRITTEN DESCRIPTION (Feb. 27, 2018), <https://writtendescription.blogspot.com/2018/02/tribal-sovereign-immunity-and-patent.html>.

in *Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe*, the USPTO has overreached and usurped Congress's power. The APJs, acting as an arm of the Executive, have adjudicated an issue that clearly falls outside of their "administrative jurisdiction." Here, it is necessary for the courts to step in and enforce this power boundary.

#### CONCLUSION

What started with an unusual (and brilliant) patent litigation strategy in a high-stakes patent infringement suit has quickly developed into a legal quagmire. Whether due to unfamiliarity in the field of tribal law or ignorance of Supreme Court precedent, it appears that the PTAB's decision in *Mylan Pharmaceuticals* is incorrect. The PTAB's broad conclusion that tribal sovereign immunity can never be used as a shield against IPR proceedings blatantly contradicts Supreme Court precedent.

This Essay has argued that the transfer of ownership of a patent to a federally recognized Native American tribe does allow for the Native American tribe to assert its tribal sovereign immunity as a basis for avoiding inter partes review of the patent. Further, this Essay took a strong stance that PTAB, in declaring that tribal sovereign immunity is not applicable to inter partes review proceedings in *Mylan Pharmaceuticals*, overstepped its limited authority as an administrative agency and misconstrued relevant precedent.