

Sovereign Immunity

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Sovereign Immunity

- U.S. Sovereign Immunity:
 - Federal
 - State
 - Tribal

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**FEDERAL
SOVEREIGN IMMUNITY**

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Federal Sovereign Immunity

- Not in U.S. Constitution
- Inherited from English common law
- Logical inference
 - The government cannot be compelled by the courts because government created the courts



Federal Sovereign Immunity

- Congress waived sovereign immunity for patent infringement claims under 28 USC § 1498(a).
 - Remedies are limited.
 - Government may not be enjoined from infringing (monetary damages only).
 - Persons performing work for the government are immune both from liability and from injunction.



STATE SOVEREIGN IMMUNITY



State Sovereign Immunity

- 11th Amendment:
 - The **Judicial power** of the United States **shall not** be construed to extend to **any suit** in law or equity, commenced or prosecuted **against one of the United States** by Citizens of another State, or by Citizens or Subjects of any Foreign State.
 - Direct response to 1793 Supreme Court decision of *Chisholm v. Georgia*.



State Sovereign Immunity

- *Hans v. Louisiana* (1890)
 - Expanded the Eleventh Amendment beyond its literal scope by extending protection to States sued by in-state citizens.



State Sovereign Immunity

- Only **States** and **arms of the State** possess immunity from suits under federal law - not counties (some exceptions), cities, or municipalities, etc.
 - *N. Ins. Co. of New York v. Chatham Cty.* (2006); *Alden v. Maine* (1999); *Principality of Monaco v. Mississippi* (1934); *Mt. Healthy City Bd. of Ed. v. Doyle* (1977); *Lake Country Estates, Inc. v. Tahoe Regional Planning Agency* (1979); *Workman v. New York City* (1900); *Lincoln County v. Luning* (1890).



State Sovereign Immunity

- *Atascadero State Hospital v. Scanlon* (1985)
 - Employment discrimination case dismissed
 - Rehabilitation Act of 1973 did not contain “unequivocal statutory language” to abrogate state sovereign immunity.
 - General language such as “anyone,” or “whoever,” is not enough.



State Sovereign Immunity

- From 1790 to 1962:
 - 11th Amendment sovereign immunity was **never** successfully invoked by a State in an intellectual property infringement suit.
- *Wihtol v. Crow* (8th Cir. 1962)
 - **Copyright** infringement action against Iowa school district
 - Dismissed by 8th Circuit for **lack of jurisdiction** under **11th Amendment**.



State Sovereign Immunity

- *BV Engineering v. Univ. of Cal.* (9th Cir. 1988)
 - **Copyright** infringement case
 - Held: Congress must abrogate state immunity with clear “unequivocal” language
 - Until then “states [may] violate the federal copyright laws with virtual impunity.”
 - In response, Congress passed **Copyright Remedy Clarification Act (“CRCA”)**.



State Sovereign Immunity

- Two years later – Congress passed:
 - Trademark Remedy Clarification Act (“TRCA”)
 - Patent and Plant Variety Protection Remedy Clarification Act (“PRCA”)
- Attempt by Congress to clarify that States and State Instrumentalities can be subject to suit in Federal court for patent, trademark, or copyright infringement.



State Sovereign Immunity

- *Seminole Tribe of Florida v. Florida* (1996)
 - Issue: Indian Commerce Clause
 - Held (5-4): Congress has **no power** to abrogate State sovereign immunity under Article I of the U.S. Constitution.
 - Congress gets power to legislate copyrights and patents in Article I, section 8, clause 8.
 - Congress gets power to legislate trademarks by way of Article I, section 8, clause 3 (the Commerce Clause).



State Sovereign Immunity

- *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank* (1999) (“Florida Prepaid I”)
 - Agreed congressional *intent* to abrogate sovereign immunity in PRCA was unmistakably clear.
 - Regardless: Neither the Commerce Clause nor the Patent Clause provided Congress with the valid authority to abrogate 11th Amendment.



State Sovereign Immunity

- Florida Prepaid I (cont.):
 - Effect of 14th Amendment?
 - Authorizes Congress to protect against “deprivation[s] of property without due process”
 - Court: “Congress identified no pattern of infringement by the States, let alone a pattern of constitutional violations . . . identified only eight patent-infringement suits . . . against the States in the 110 years between 1880 and 1990.”



State Sovereign Immunity

- Florida Prepaid I (cont.):
 - Stevens Dissent:
 - The Constitution vests Congress with plenary authority over patents and copyrights.
 - Given the absence of effective state remedies for patent infringement . . . [the Patent Remedy Act] was an appropriate exercise of Congress’ power under § 5 of the Fourteenth Amendment to prevent state deprivations of property without due process of law.



State Sovereign Immunity

- Florida Prepaid II
 - False advertising claim under the **Lanham Act**.
 - Held: Congress has **no power** to abrogate sovereign immunity under Article I.
 - Also: Overruled *Parden v. Terminal Railway of Alabama Docks Department* - eliminating defense of implicit waiver of sovereign immunity by participating in federally regulated activities.



State Sovereign Immunity

- *Chavez v. Arte Publico Press* (5th Cir. 2000)
 - **Copyright** action involving a state university and one of its employees.
 - Held: CRCA is an invalid exercise of Congressional power under Article I (following *Florida Prepaid*).
 - 14th Amendment? No evidence of **massive constitutional violations** to support need for remedial legislation.



State Sovereign Immunity

- **Intellectual Property Protection Restoration Act ("IPRA")** – proposed legislation 2003
 - Would have prevented a State from recovering for copyright, patent, and trademark infringements unless it waived its Eleventh Amendment immunity.
 - Would have enabled suit against State official for violations of federal intellectual property law.
 - **Never made it out of committee.**



State Sovereign Immunity

- State Sovereign Immunity remains a strong legal principle, despite repeated efforts of Congress
- Upshot: State must consent to litigation or waive its 11th Amendment protection



State Sovereign Immunity

- If the University is considered a State Instrumentality, it can invoke 11th Amendment protection against being brought in “federal court” without its consent (or waiver).
- Applies to enforcement (or defense...) of intellectual property claims.



State Sovereign Immunity

- Factors – “State Instrumentality”:
 - Characterization of the university under State law
 - State’s degree of control over the university
 - Sources of funding for the university (can still receive private donations and commercial operation revenue)
 - State’s responsibility for judgments against the university



State Sovereign Immunity

- Waiver:
 - Express or Implied
 - Instituting suit generally waives counterclaims:
 - Infringement: Waiver of counterclaims on invalidity and non-infringement.
 - DJ action of ownership: Waiver of damages issue related to the claimed assignment.
 - Interference proceeding: Waiver of district court review of the USPTO’s decision under 35 U.S.C. § 146.
 - Generally: Limited to the dispute in which the waiver is made (even if separate dispute involves same parties and same patent)



State Sovereign Immunity

- Intersection of Con Law & IP Enforcement
– State Universities

A Venn diagram with three overlapping circles. The top circle is green and labeled 'Sovereign Immunity'. The bottom-left circle is purple and labeled 'State Universities'. The bottom-right circle is blue and labeled 'Intellectual Property Enforcement'. The circles overlap in the center and at the intersections between two circles.

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State Sovereign Immunity

- *Inter Partes* Review
- *Covidien v. U. of Florida Research Foundation*
(Jan. 25, 2017)
 - PTAB held that **sovereign immunity prevents an IPR from being brought against a state-owned patent**
 - State sovereign immunity applies in administrative proceedings that exhibit “strong similarities” to adversarial litigation in federal courts (*Federal Maritime Commission v. South Carolina State Ports Authority*)

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State Sovereign Immunity

- *Covidien v. University of Florida Research Foundation* (“UFRF”)
- Interesting points:
 - Patent was owned by a Research Foundation.
 - Factors still weighed towards considering UFRF a State Instrumentality
 - UFRF had sued Covidien in **state court** for breach of licensing agreement (related to audit provisions)
 - Didn’t waive 11th A. in the IRP proceeding
 - Patent infringement or validity claims not compulsory

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State Sovereign Immunity

- *NeoChord Inc. v. U. of Md., Baltimore* (May 23, 2017)
 - PTAB: Sovereign Immunity applies
 - University did not waive immunity, even though:
 - No previous objections to IPR proceeding.
 - Obtained patent in the first place
 - Participated in licensing of patent
 - Although licensed to third party, University was indispensable party, thus IPR dismissed.



State Sovereign Immunity

- *NeoChord Inc. v. U. of Md., Baltimore*
- PTAB notable comments:
 - 11th A. defense "is in the nature of a jurisdictional bar that **may be raised at any time**"
 - Immunity may be waived if:
 - Affirmative acts to invoke federal jurisdiction (e.g., seeking removal to federal court, or filing infringement suit)
 - License to Harpoon Medical expressly reserved the defense of sovereign immunity



State Sovereign Immunity

- *Reactive Surface Ltd. v. Toyota Motor Corp.* (July 13, 2017)
 - Patent Jointly owned: Toyota and U. of Minnesota
 - PTAB: Sovereign Immunity applies to University
 - University dismissed, but IPR continued with Toyota (on claims 22-23):
 - Toyota and University are co-owners of patent
 - Both are represented by same legal counsel
 - Both hold identical interests in patent
 - **Toyota's participation would adequately represent the University's interests in the IPR**



State Sovereign Immunity

- *Reactive Surface Ltd. v. Toyota Motor Corp.*
 - Update: Jan. 23, 2018, Toyota requested adverse judgement on claims 22 and 23 – PTAB granted
 - Proceedings dismissed
 - Commentary: Potential discrepancy between permitting IPR against co-owner (*Toyota*), but not licensee (*NeoChord*) – unresolved
 - Cf. General differences between licensees vs. owners



State Sovereign Immunity

- *Ericsson Inc. v. U. of Minnesota* (Dec. 19, 2017)
 - Expanded PTAB panel: University “waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement.”
 - IPR compared to compulsory counterclaims (FRCP 13(a)):
 - “Similarly, a party served with a patent infringement complaint in federal court **must** request an *inter partes* review of the asserted patent within one year of service of that complaint or be forever barred from doing so.”



State Sovereign Immunity

- Take Home Points and Issue Spotting:
 - Is the University entity a State Instrumentality?
 - Is the University entity an indispensable party?
 - Exclusive vs. non-exclusive license
 - Co-ownership
 - Has the University entity waived 11th A protection?
 - Federal jurisdiction invoked?
 - Forum specific (*A123 Sys. v. Hydro-Quebec* (Fed. Cir. Nov. 20, 2010))
 - Express waiver in license?
 - Compulsory vs. optional counterclaims



State Sovereign Immunity

- Is the University entity a State Instrumentality?
 - Research Foundations often try to distance themselves from "the State" for more flexibility in conducting business
 - E.g., Restrictive choice of law requirements, use of funds, cooperative research, IRS tax-exempt restrictions on use of funds
 - Take home: May be worth effort to preserve association with State



State Sovereign Immunity

- Is the University entity an indispensable party?
 - **Exclusive** licenses:
 - Exclusive licensee can bring an infringement action without joining the University (no implied waiver)
 - Accused infringer cannot bring IPR against the patent at USPTO without University (owner) waiving its 11th Amendment protection
 - **Non-exclusive** licenses:
 - Infringement action would (likely) require joining University, may waive IPR
 - Can rely on C&D letters without fear of IPR?



State Sovereign Immunity

- Has the University entity waived 11th A protection?
 - Federal jurisdiction invoked?
 - Bringing **state** action does not waive federal immunity
 - Forum specific (*A123 Sys. v. Hydro-Quebec* (Fed. Cir. Nov. 20, 2010))
 - Express waiver in license? Express reservation?
 - Compulsory vs. optional counterclaims



State Sovereign Immunity

- University licensing considerations
- *A123 Sys. v. Hydro-Quebec* (Fed. Cir. Nov. 20, 2010)
 - U. of Texas licensed patents to Hydro-Quebec (exclusive *field of use* only)
 - A123 Sys. filed DJ action in Massachusetts
 - UT considered necessary party to DJ – dismissed 11th A.
 - UT and licensee brought action in Texas – “Waiver of immunity in one action does not extend to an entirely separate lawsuit, even one involving the same subject matter and the same parties”



State Sovereign Immunity

- Final Thoughts:
 - Congressional override?
 - Double-standard related to IPR and series of cases may be adequate “pattern” of abuse by States for Congress to invoke 14th Amendment.
 - Supreme Court – “Anti-patent” Court may be ready to reign in use of 11th A in IP enforcement proceedings



TRIBAL SOVEREIGN IMMUNITY



Tribal Sovereign Immunity

- Tribal Sovereign Immunity
 - "Tribal sovereign immunity is a common law doctrine providing that tribes are immune from lawsuits or quasi-judicial proceedings without their consent or Congressional waiver." – *Aroostook v. Ryan* (1st Cir. 2005)
 - Supreme Court recognizes tribal immunity, unless:
 - Waived by a Tribe
 - Congress abrogates by clear and unequivocal legislation



Tribal Sovereign Immunity

- Limits of Tribal Immunity:
 - Federal common law, not derived from Constitution.
 - Immunity applies to suit in federal or state court brought by any party other than the United States.
 - Immunity applies without regard to the relief sought.
 - Immunity applies without regard to nature of suit.
 - Immunity applies without regard to where the dispute arises.



Tribal Sovereign Immunity

- Limits of Tribal Immunity (cont.):
 - Immunity applies without regard to whether activity is subject to regulation under valid law.
 - Immunity does not preclude relief against tribal officers when their actions violate federal law.
 - Immunity does not extend to actions taken by tribal members in their individual capacities.
 - The immunity may be waived by the affected tribe or abrogated by Congress.



Tribal Sovereign Immunity

- Intellectual Property
 - Courts have been unwilling to extend CRCA, TRCA, and PRCA legislation as abrogation of *tribal* immunity, since only explicitly aimed at abrogation *state* immunity.
 - No Congressional abrogation of immunity in IP.
 - Similar waiver considerations as the states.
 - “Arms of the tribe” analysis similar to “arms of the state.”



Tribal Sovereign Immunity

- *Mylan Pharmaceuticals v. Allergan* (Background)
 - Allergan had asserted patents relating to its successful RESTASIS® drug against several generic pharmaceutical companies, including Mylan.
 - The generic companies filed IPR petitions.
 - Allergan transferred ownership of its patents to the Saint Regis Mohawk Tribe, paying the tribe \$13.75M and up to \$15M in annual royalties in exchange for exclusive license.



Tribal Sovereign Immunity

- *Mylan Pharmaceuticals v. Allergan* (Proceedings)
 - The license agreement required the tribe to assert its sovereign immunity against IPR proceedings at the PTO, but also to waive immunity and join as party in district court litigation.
 - Thus, the tribe (patent owner) moved to have the IPR proceedings dismissed on basis of tribal immunity.
 - In unprecedented action, PTAB invited *amicus* briefing on whether to dismiss IPR proceedings due to tribal immunity.



Tribal Sovereign Immunity

- *Mylan Pharmaceuticals v. Allergan* (Aftermath)
 - Briefing on the issue split, with one even arguing that the PTAB has no authority to order *amicus* briefing.
 - IPR decision still pending at PTAB.
 - Patents found invalid as obvious in district court.
 - Legislation introduced by Senator McCaskill, entitled "A bill to abrogate the sovereign immunity of Indian tribes as a defense in *inter partes* review of patents."



Any Questions?

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Thank You!

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