

***Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327 (Fed. Cir. 2019)**

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LSI and Ericsson petitioned for *inter partes* review (IPR) of several patents owned by the University of Minnesota (UMN). UMN moved to dismiss each IPR based on state sovereign immunity. The Patent Trial and Appeal Board (PTAB) concluded that state sovereign immunity applied in IPR proceedings, but found that UMN had waived its immunity when it sued LSI and Ericsson in district court for infringement of the challenged patents. UMN appealed. The Federal Circuit held that the IPR could go forward, concluding that state sovereign immunity does not apply in IPR proceedings.

The court began its opinion by describing the history and purpose of post-grant proceedings like IPRs. Generally speaking, the court explained, Congress established these procedures because it wished “to enlist the assistance of third parties to identify relevant prior art so as to address the lack of public trust and confidence in the patent system’s ability to weed out bad patents in initial ex parte examination.” The court also emphasized the resource constraints facing the U.S. Patent and Trademark Office when it conducts the initial examination process.

On the merits, the Federal Circuit rejected UMN’s sovereign-immunity argument, relying on its holding in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals* that tribal sovereign immunity does not apply in IPRs. The *Saint Regis* court based this holding on three factors that indicate that IPRs are more like agency enforcement actions (in which sovereign immunity does not apply) than Article III court proceedings (in which sovereign immunity does apply). First, the Director, a politically accountable executive actor, decides whether to institute review. Second, the PTAB can continue to a final written decision even if the petitioner or patent owner elects not to participate in the IPR. Third, IPR procedures are different from those employed in civil litigation; instead, they are more akin to those used in agency enforcement proceedings. These three factors discussed in the *Saint Regis* case, the court concluded, “are equally applicable to state sovereign immunity” as they are to tribal sovereign immunity.

The Federal Circuit also “read the Supreme Court’s holding in *Oil States [Energy Services, LLC v. Greene’s Energy Group, LLC]*, 138 S. Ct. 1365 (2018), that IPR evaluation of patent validity concerns ‘public rights,’ as supporting the conclusion that IPR is in key respects a proceeding between the government and the patent owner.” That conclusion, in turn, suggested that state sovereign immunity does not apply in IPRs because “sovereign immunity does not bar proceedings brought by the United States.”

The Federal Circuit concluded its analysis by rejecting two arguments that UMN offered to distinguish tribal sovereign immunity from state sovereign immunity. First, UMN had argued that Congress has plenary authority to abrogate tribal sovereign immunity, whereas Congress cannot abrogate state sovereign immunity pursuant to its Article I powers. The court rejected this argument because *Saint Regis*’s analysis did not “rest[] on the authority of Congress to abrogate tribal sovereign immunity.” Second, UMN argued that, in the state-sovereign-immunity context, there is a presumption that immunity applies in proceedings “anomalous and unheard of when the Constitution was adopted.” The court rejected this argument because “it was well understood at the founding . . . that the executive could provide a forum for resolving questions of patent validity.”

Finally, all three members of the panel (Judges Dyk, Wallach, and Hughes) joined a statement of “additional views,” which concluded that IPR proceedings “are in substance the type of *in rem* proceedings to which state sovereign immunity does not apply.” The court analogized IPRs to *in rem* bankruptcy proceedings involving discharge of a debt owed to the state, reasoning that, in both types of proceedings, (i) the court’s jurisdiction premised on the *res*, not the state or its officers; (ii) the petitioner does not seek monetary damages from the state; (iii) the tribunal does not make any binding determination regarding the liability of one party to another; and (iv) the state is not required to participate in the proceedings.

UMN petitioned for certiorari, but the Supreme Court denied the petition in January 2020.

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