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THE FEDERAL CIRCUIT RULES THAT TRIBAL SOVEREIGN IMMUNITY CANNOT BE ASSERTED IN IPRs

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On July 20, 2018, in an opinion penned by Circuit Judge Moore, the United States Court of Appeals for the Federal Circuit affirmed the Patent Trial and Appeal Board's ("PTAB") denial of both the Saint Regis Mohawk Tribe's motion to terminate on the basis of sovereign immunity, and Allergan's motion to withdraw from the proceedings. Saint Regis Mohawk Tribe v. Mylan Pharm., No. 18-1638, slip op. (Fed. Cir. July 20, 2018).

https://www.arelaw.com/images/file/Amicus%20Brief%20-%20Askeladden%20-%20Saint%20Regis%20Mohawk%20Tribe%20v_%20Mylan%20Pharmaceuticals%20Inc_.pdf
)) Askeladden also submitted an amicus brief in opposition to the Tribe's motion to dismiss at the PTAB. (See Brief for Amicus Curiae Askeladden LLC in Opposition to St. Regis Mohawk Tribe's Motion to Dismiss, Mylan Pharmaceuticals, Inc. v. St. Regis Mohawk Tribe, No. IPR2016-01127 (P.T.A.B. Dec. 1, 2017) (https://www.arelaw.com/images/file/Askeladden%20Amicus%20Brief.pdf)).

In its appeal, the Tribe argued that tribal sovereign immunity applied in IPR, in a similar manner as the Supreme Court had decided in Fed. Maritime Comm'n v. S.C. State Ports Auth., 535 U.S. 743 (2002), ("FMC") that state sovereign immunity applied in FMC

proceedings, given their similarity to civil litigation in federal courts. Slip op. at 6. The Federal Circuit disagreed and concluded that sovereign immunity cannot be asserted in inter partes review. Id. at 12. The Federal Circuit pointed out that, in FMC, the Supreme Court had also recognized "a distinction between adjudicatory proceedings brought against a state by a private party and agency-initiated enforcement proceedings." Id.

While the Federal Circuit explained that IPR is "neither clearly a judicial proceeding instituted by a private party nor clearly an enforcement action brought by the federal government," it ultimately relied upon several factors to determine that IPR is more like an agency enforcement action. Id. at 7-8.

First, in IPR, the Director has complete discretion to decide whether or not to institute review. Id. at 8. Therefore, "IPR is more like cases in which an agency chooses whether to institute a proceeding on information supplied by a private party." Id. Whereas in FMC, the Commission lacked discretion as to whether to refuse to adjudicate complaints brought by private parties, similar to federal civil litigation where a private party can compel a defendant's appearance in court and the court has no discretion to refuse to hear the suit. Id. at 9.

Second, the Federal Circuit recognized that IPR is an act by the USPTO in reconsidering its own grant of a public franchise, because, once IPR is initiated, the Board may continue review even without the participation of the petitioner or patent owner. Askeladden similarly argued in its amicus brief that the America Invents Act (AIA) does not require participate by a patent owner, as IPR is focused on the patent, and not the patent owner. Brief at 16.

Third, the Federal Circuit noted that, unlike the procedure in FMC, procedures in IPR do not mirror the Federal Rules of Civil Procedure. Slip op. at 10. Parallel to arguments made in Askeladden's amicus brief, and distinguishing the agency procedures in FMC, the Federal Circuit found that IPR are functionally and procedurally different from district court litigation. Id.; see also Brief at 11. In this regard, discovery is significantly limited, and an "IPR hearing is nothing like a district court patent trial," as "the hearings are short, and live testimony is rarely allowed." Id.

In conclusion, the Federal Circuit recognized the Director's role as a gatekeeper and the PTAB's authority to proceed in IPR without the parties. This recognition convinced the Federal Circuit "that the USPTO acts as the United States in its role as a superior sovereign to

reconsider a prior administrative grant and protect the public interest in keeping patent monopolies within their legitimate scope," something Askeladden argued will only be enforced by allowing the PTO to continue with proceedings it commenced. Id. at 11; see also Brief at 21. Thus, the Tribe may not rely on its immunity to bar the United States, through the Director, from exercising the responsibility to proceed with IPR. Id.

Circuit Judge Dyk's Concurrence

Circuit Judge Dyk concurred in the panel opinion, but separately wrote to discuss the history of IPR, confirming that IPRs are not adjudications between private parties. Saint Regis Mohawk Tribe v. Mylan Pharm., No. 18-1638, slip op. (Fed. Cir. July 20, 2018) (Dyk, C.J., concurring). He reasoned that sovereign immunity does not apply to IPR as they "are fundamentally agency reconsiderations of the original patent grant, proceedings as to which sovereign immunity does not apply." Id. at 1-2.

With the enactment of the AIA, IPR was one of the new post-grant review procedures that replaced inter partes reexamination, and was created to "improve patent quality and restore confidence in the presumption of validity." Id. at 9. Judge Dyk explained that, while IPR has some features similar to civil litigation, "it retains the purpose and many of the procedures of its reexamination ancestors, to which everybody agrees sovereign immunity does not apply." Id. at 11. In conclusion, Judge Dyk agreed that the features explained in the panel opinion distinguish IPR from the proceeding in FMC, which bolsters the view that sovereign immunity does not apply in an IPR proceeding. Id. at 13.

We will continue to monitor developments on the law on tribal sovereign immunity in PTAB proceedings. In the meantime, please feel free to contact one of our attorneys regarding issues raised by this case.

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