

State Universities' Sovereign Immunity in PTAB Trials

June 7, 2017

Top 100 Worldwide Universities Granted U.S. Utility Patents in 2016

1	UNIVERSITY OF CALIFORNIA, THE REGENTS OF	505
2	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	278
3	STANFORD UNIVERSITY	244
4	CALIFORNIA INSTITUTE OF TECHNOLOGY	201
5	TSINGHUA UNIVERSITY / GRADUATE SCHOOL AT SHENZHEN, TSINGHUA UNIVERSITY	181
6	WISCONSIN ALUMNI RESEARCH FOUNDATION	168
7	JOHNS HOPKINS UNIVERSITY	167
8	UNIVERSITY OF TEXAS	162
9	UNIVERSITY OF MICHIGAN	142
10	COLUMBIA UNIVERSITY	118
11	UNIVERSITY OF SOUTH FLORIDA	114
12	PURDUE RESEARCH FOUNDATION	105
12	CORNELL UNIVERSITY / CORNELL RESEARCH FOUNDATION, INC	105
14	HARVARD COLLEGE, PRESIDENT AND FELLOWS	104
15	KOREA INSTITUTE OF SCIENCE AND TECHNOLOGY	100
16	NEW YORK UNIVERSITY / POLYTECHNIC INSTITUTE OF NEW YORK UNIVERSITY	93
17	UNIVERSITY OF PENNSYLVANIA	92
18	UNIVERSITY OF ILLINOIS	91
18	UNIVERSITY OF FLORIDA RESEARCH FOUNDATION, INCORPORATED / UNIVERSITY OF FLORIDA	91
20	KING FAHD UNIVERSITY OF PETROLEUM AND MINERALS	90
21	RUTGERS UNIVERSITY	84
22	UNIVERSITY OF WASHINGTON	83
23	NORTHWESTERN UNIVERSITY	81
23	UNIVERSITY OF CHICAGO / UCHICAGO ARGONNE LLC	81
25	NATIONAL TSING HUA UNIVERSITY	80
26	KOREA ADVANCED INSTITUTE OF SCIENCE AND TECHNOLOGY	77
27	UNIVERSITY OF MARYLAND	72
27	UNIVERSITY OF PITTSBURGH	72
29	NATIONAL TAIWAN UNIVERSITY / NATIONAL TAIWAN UNIVERSITY HOSPITAL	65
30	ARIZONA STATE UNIVERSITY	64
30	UNIVERSITY OF UTAH RESEARCH FOUNDATION / UNIVERSITY OF UTAH	64
32	GEORGIA TECH RESEARCH CORP.	63
33	DUKE UNIVERSITY	60
33	SCIENCE & TECHNOLOGY CORPORATION AT UNIVERSITY OF NEW MEXICO	60
33	UNIVERSITY OF NORTH CAROLINA	60
36	KING SAUD UNIVERSITY	58
36	UNIVERSITY OF MASSACHUSETTS	58
38	INDUSTRY-ACADEMIC COOPERATION AT YONSEI UNIVERSITY	57
38	RESEARCH FOUNDATION OF STATE UNIVERSITY OF NEW YORK	57
38	UNIVERSITY OF MINNESOTA, THE REGENTS OF	57
41	SNU R&DB FOUNDATION	56
41	UNIVERSITY OF CENTRAL FLORIDA	56
43	RAMOT AT TEL AVIV UNIVERSITY LTD.	54
44	INDIANA UNIVERSITY RESEARCH AND TECHNOLOGY CORPORATION	53
44	NATIONAL CHIAO TUNG UNIVERSITY	53
46	CASE WESTERN RESERVE UNIVERSITY	52
47	UNIVERSITY OF SOUTHERN CALIFORNIA	51
48	KOREA UNIVERSITY RESEARCH AND BUSINESS FOUNDATION	49
49	FLORIDA STATE UNIVERSITY	48
49	UNIVERSITY OF COLORADO, THE REGENTS OF	48
49	WASHINGTON UNIVERSITY	48

11th Amendment of U.S. Constitution

- First constitutional amendment adopted after the Bill of Rights.
- Adopted to overturn the Supreme Court's decision in *Chisholm v. Georgia*, 2 U.S. 419 (1793) (allowing private citizens of another state to bring lawsuits against a state).
- Text:

"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."

Patent Suits involving a State Actor

- **Patent Infringement Suits in Federal Court**
 - State cannot be sued in federal court for patent infringement without the state's consent.
Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank, 527 U.S. 627 (1999).
- **Correction of Inventorship in Federal Court**
 - State cannot be sued in federal court to correct inventorship under 35 U.S.C. § 256 without the state's consent.
Xechem Int'l., Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr., 382 F.3d 1324 (Fed. Cir. 2004).
- **Patent Interferences in PTO**
 - “[C]ontested interference proceedings in the PTO bear ‘strong similarities’ to civil litigation, . . . and the administrative proceeding can indeed be characterized as a lawsuit”.
Vas-Cath, Inc. v. Curators of the Univ. of Mo., 473 F.3d 1376, 1380 (Fed. Cir. Jan. 23, 2007)

What's New?

- PTAB trials (IPR, CBM, PGR) created in 2012.
- Over 80 IPRs have been filed against patents owned by universities since 2012.
- In 2017, two different PTAB panels have held that 11th Amendment Sovereign Immunity applies to IPRs:
 - *Covidien LP v. Univ. of Fla. Res. Found. Inc.*, IPR2016-01274 (PTAB Jan. 25, 2017) (Droesch, Moore, Ippolito, APJs)
 - *NeoChord, Inc. v. University of Maryland, Baltimore*, IPR2016-00208 (PTAB May 23, 2017) (Medley, Franklin, Worth, APJs).

Sovereign Immunity Analysis

1.	Does 11TH Amendment apply to IPR at the PTO ?	<u>Test:</u> Does the Administrative Proceeding “walk, talk, and squawk very much like a lawsuit” in District Court? <i>FMC</i> (US 2002).
2.	Is Patent Owner an Arm of a State ?	<u>Test:</u> (1) how state law defines the entity; (2) what degree of control the State maintains over the entity; (3) where the entity derives its funds; and (4) who is responsible for judgments against the entity. <i>Manders</i> (11th Cir. 2003).
3.	Has Immunity been Waived ?	<ul style="list-style-type: none">• State law waiving immunity?• Contract waiving immunity?• Did Patent Owner assert patent against an infringer in district court?

Does 11TH Amendment apply to IPR?

1. **Does 11TH Amendment apply to IPR at the PTO?**

Test: Does the Administrative Proceeding “walk, talk, and squawk very much like a lawsuit” in District Court? *FMC* (US 2002).

- PTAB in *Covidien* and *NeoChord* held:
 - IPR is adversarial litigation-like proceeding between parties (“*inter partes*” means between parties).
 - IPR is adjudicated by federal judicial officers (“APJs”).
 - IPR is governed by pleading standards, motions practice, and Federal Rules of Evidence.
 - IPR procedures are based largely on interference practice (which Federal Circuit has said is covered by 11th Amendment).

Is Patent Owner an Arm of a State?

2. Is Patent Owner an Arm of a State ?

Test: (1) how state law defines the entity; (2) what degree of control the State maintains over the entity; (3) where the entity derives its funds; and (4) who is responsible for judgments against the entity. *Manders* (11th Cir. 2003).

- PTAB in *NeoCord* held:
 - No real dispute that U. of Maryland is an arm of Maryland state.
- PTAB in *Covidien* held:
 - 1) UFRC's function is the licensing of patents on behalf of U of Florida.
 - 2) UFRC is a direct-support-organization ("DSO") of U of Florida.
 - 3) UFRC's budget and personnel are under U of Florida's control.
 - 4) UFRC's assets and liabilities are considered to be part of U of Florida's finances.

Has Immunity been Waived?

3.	Has Immunity been Waived ?	<ul style="list-style-type: none">• State law waiving immunity?• Contract waiving immunity?• Asserting patent in district court waiving immunity?
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- PTAB in *Covidien* held:
 - UFRF never initiated any federal court litigation involving the patent, so no waiver of immunity.
- PTAB in *NeoCord* held:
 - Maryland state law has not waived immunity.
 - U Maryland never initiated any federal court litigation involving the patent.
 - U Maryland's license agreement expressly reserved immunity:

"State Immunity and Limitations of Liability. No provision of this Agreement shall constitute or be construed as a limitation, abrogation, or waiver of any defense or limitation of liability available to the State of Maryland or its units (including without limitation USM and University), officials, or employees under Maryland or Federal law, including without limitation the defense of sovereign immunity or any other governmental immunity."

Does the PTAB Have the Last Word?

- Covidien did not appeal, so IPR2016-01274 is final.
- NeoCord still has time to appeal IPR2016-00208.
 - *BUT, there is a question whether an appeal is possible.*
 - **35 U.S.C. § 314(d)** says: “The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”
 - **35 U.S.C. § 319** says: “A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144.”
 - PTAB’s *NeoCord* decision is styled as a “**Termination**” – and not a “Final Written Decision”
 - Supreme Court’s *Cuozzo* decision says § 314(d) “may not bar a constitutional question”
 - Contours of § 314(d) appeal bar is at issue in pending *en banc* Federal Circuit case *Wi-Fi One v. Broadcom*.

What about WTO TRIPS Agreement?

Article 3

National Treatment

1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits.

Business Implications

- Joint inventorship – co-development
- Joint ownership – joint research agreement
- University Spin Outs – licensing vs. assignment
- Patent Aggregation