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MONETIZING TRIBAL AND STATE SOVEREIGN IMMUNITY IN PATENT LAW: AN ATTEMPT TO NEUTRALIZE THE PATENT DEATH SQUAD

Sean P. Belding

On September 8, 2017, Allergan announced the assignment of six of its patents to the St. Regis Mohawk Tribe. These six patents protected Allergan’s exclusivity over the blockbuster drug RESTASIS and were at risk of invalidity due to an inter partes review proceeding. In return for substantial monetary consideration, the Mohawk Tribe granted Allergan an exclusive license back and agreed to invoke its tribal sovereign immunity in an attempt to obtain a dismissal of the inter partes review proceedings against the RESTASIS patents. Allergan’s strategy is an attempt to monetize sovereign immunity that raises significant concerns in patent law and reveals an institutional issue stemming from the Supreme Court’s state sovereign immunity doctrine.

This article tracks and analyzes the rise of state sovereign immunity, its eventual dominance over patent law, and its inevitable undermining of inter partes review proceedings. Leveraging these state sovereign immunity principles in an attempt to avoid inter partes review proceedings, Allergan’s strategy has revealed an institutional issue that has plagued the passage and development of flexible patent laws necessary to address an increasingly complex world. This article argues that Allergan’s attempt to monetize sovereign immunity is a direct result of the Supreme Court’s doctrinal misstep in Seminole Tribe v. Florida. Taken to its extreme, it appears states have reached a level of Czarism that transcends Congress’ hope of passing and implementing uniform, fair, and flexible patent law to promote and foster innovation, private rights, and liberty. The article concludes that without substantial alteration in the Supreme Court’s state sovereign immunity doctrine, entities like Allergan will continue using the doctrine as a weapon in an attempt to circumvent patent law.

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I. INTRODUCTION

From 1990 to 2011, rapid growth in patent litigation resulted in "burdensome litigation and uncertainty costs, patent portfolio arms races among large technology companies, and the opportunistic enforcement of patent rights . . . ."1 Recognizing these concerns, Congress passed the Leahy-Smith America Invents Act ("AIA") and created inter partes review ("IPR").2 IPR proceedings allow third parties to challenge the validity of a patent.3 The Patent Trial and Appeals Board ("PTAB"), an entity established under the AIA, administers IPR proceedings.4 If the PTAB invalidates portions or all of the patent, the patent's commercially meaningful parts could be rendered dead and unenforceable against a patent infringer.5 Congress expected IPR proceedings to "establish a more efficient and streamlined patent system that [would] improve patent quality and limit unnecessary and counterproductive litigation costs."6

However, some scholars believe IPRs have "destabilized the U.S. patent system" and that the "PTAB is blatantly unfair to patent holders without the due

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1 Christopher Beauchamp, The First Patent Litigation Explosion, 125 YALI L.J. 848, 851 (2016); id. at 850 (noting that the number of patent litigation cases doubled in the 1990's and increased from 2,500 in 2000 to 3,500 in 2011). A patent grants an inventor, or his assignee, "the right to exclude others from making, using, offering for sale, or selling, [an] invention throughout the United States or importing the invention into the United States . . . ." 35 U.S.C. § 154(a)(1) (2012).


3 35 U.S.C. § 311(a) (2013) ("[A] person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent."). An IPR is a "trial proceeding conducted at the Board to review the patentability of one or more claims in a patent" based solely "under §§ 102 or 103, and only on the basis of prior art consisting of patents or printed publications." Inter Partes Review, UNITED STATES PATENT AND TRADEMARK OFFICE ("USPTO") (Jul. 17, 2014, 6:57 PM), https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review. Invalidity challenges and a quick description of the process of filing and instituting an IPR will be discussed in Part III, infra.


5 See 35 U.S.C. § 282 (b)(1)-(2) (2012) (establishing that invalid patents are unenforceable against patent infringers); 35 U.S.C. § 318(b) ("If the Patent Trial and Appeal Board issues a final written decision . . . the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable. . . .")

6 Covidien, (Paper 19 at 20).
process protections of the district courts. 7 Specifically, brand name pharmaceutical companies believe IPR proceedings subject pharmaceutical patents to double jeopardy because they “already have to face a Congressionally-mandated validity review process. . .”. 8 Recognizing these criticisms and fearing the invalidation of its patents, Allergan, Inc. (“Allergan”), a multi-billion dollar pharmaceutical company, created a plan to avoid IPR proceedings. 9

On September 8, 2017, Allergan announced the assignment of six of its patents to the St. Regis Mohawk Tribe (“Mohawk Tribe”). 10 These six patents protected Allergan’s exclusivity over the blockbuster drug RESTASIS and were the subject of an ongoing IPR proceeding. 11 In return for substantial monetary consideration, the Mohawk Tribe “granted back to Allergan ‘an irrevocable,

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9 Allergan, Forbes (June 6, 2018), https://www.forbes.com/companies/allergan/ (noting Allergan’s market cap is at $52.1 billion).


perpetual, transferable and exclusive license"\textsuperscript{12} and agreed to invoke its tribal sovereign immunity in an attempt to obtain a dismissal of the IPR proceedings against the RESTASIS patents.\textsuperscript{13}

Allergan’s strategy was motivated by recent PTAB decisions dismissing IPR proceedings against state entities based on the state sovereign immunity doctrine.\textsuperscript{14} Allergan and the Mohawk Tribe argue that, similar to state entities, the Mohawk Tribe is immune from IPR proceedings based on tribal sovereign immunity.\textsuperscript{15} Thus, they argue that the RESTASIS patents are immune from IPR proceedings because the Mohawk Tribe owns the RESTASIS patents.\textsuperscript{16} If Allergan’s attempt to monetize tribal sovereign immunity fails, it may turn to state sovereign immunity to protect its RESTASIS patents.

Although a unique, thought-provoking, and potentially viable strategy, Allergan is inviting the monetization of sovereign immunity at the cost of undermining and circumventing patent law.\textsuperscript{17} This strategy has significant implications for the IPR system and the general public. Without a concerted effort to regulate the states’ and tribes’ participation in the patent system, sovereign immunity will likely undermine IPRs.

This article documents the Supreme Court’s state sovereign immunity precedent that led to Allergan’s strategy and raises concerns about the


\textsuperscript{13} After accepting the agreement with Allergan, the Mohawk Tribe moved to dismiss the IPR based on its tribal sovereign immunity defense. See Mylan Pharm., Inc. v. Allergan, Inc., No. IPR2016-01127 (P.T.A.B. Sept. 8, 2017) (Paper 63 at 1). A discussion regarding the differences between tribal and state sovereign immunity appears in Part III, infra.

\textsuperscript{14} See Covidien LP v. Univ. of Fla. Research Found. Inc., No. IPR2016-1274 (P.T.A.B. Jan. 25, 2017) (Paper 19 at 39) (holding that a Florida entity was “entitled to assert its sovereign immunity as a defense to the institution of an \textit{inter partes} review.”); Neochord, Inc. v. Univ. of Md., Baltimore, No. IPR2016-208 (P.T.A.B. May 23, 2017) (Paper 28 at 20) (granting University of Maryland’s motion to dismiss because it was a necessary party to the IPR and was entitled to a sovereign immunity defense). A discussion of these cases appears in Part II, infra. But see Reactive Surfaces Ltd. v. Toyota Motor Corp., No. IPR2016-1914 (P.T.A.B. July 13, 2017) (Paper 36 at 15-18) (refusing dismissal of an IPR based on state sovereign immunity because the licensee adequately represented the state’s interests in the patent and the state was an unnecessary party) (internal quotations omitted).

\textsuperscript{15} Mylan Pharm., Inc. v. Allergan, Inc., No. IPR2016-01127 (P.T.A.B. Feb. 23, 2018) (Paper 130 at 2) (noting that the Mohawk Tribe is claiming tribal sovereign immunity from IPR proceedings).

\textsuperscript{16} Id.

\textsuperscript{17} See Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-CV-1455-WCB, 2017 WL 4619790, slip op. at *2 (E.D. Tex. Oct. 16, 2017) ("In reality [Allergan] has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to rent—the Tribe’s sovereign immunity in order to defeat the pending IPR proceedings in the PTO.").
monetization of tribal and state sovereign immunity in patent law. Part I details the historical development of state sovereign immunity and the Supreme Court’s ever-expanding application of the doctrine. Part II showcases state sovereign immunity’s progressive encroachment on patent law from the 1990’s to the present. Part III discusses Allergan’s monetization of tribal sovereign immunity, the PTAB’s and Congress’ reaction to Allergan’s strategy, and the potential implications should the strategy prove successful. Part III ends by raising concerns over the potential monetization of state sovereign immunity if Allergan’s partnership with the Mohawk Tribe fails. Part IV argues that Allergan’s strategy is an unwanted byproduct of the Supreme Court’s decision in Seminole Tribe v. Florida.18

II. A BRIEF HISTORY OF STATE SOVEREIGN IMMUNITY: “THE [STATE] CAN DO NO WRONG” BUT EVERYONE ELSE CAN

The very essence of civil liberty certainly consists in the right of every individual to claim the protection of the laws, whenever he receives an injury. . . . Where there is a legal right, there is also a legal remedy by suit or action at law, whenever that right is invaded.19

Since Chief Justice Marshall’s famous proclamation in Marbury v. Madison, private rights have been locked in a heated and losing battle with the doctrine of state sovereign immunity.20 At the forefront are concerns of federalism, yet the extension of state sovereign immunity beyond its constitutional bounds threatens the protection and administration of private federal rights.21

19 Marbury v. Madison, 5 U.S. (1 Cranch) 137, 163 (1803).
20 See Note, Reconciling State Sovereign Immunity with the Fourteenth Amendment, 129 HARv. L. REV. 1069 (2016) [hereinafter Reconciling State Sovereign Immunity] (“Over the last two hundred years, the seemingly unattainable balance between these federal and state interests has played out . . . ” in federal court). It is important to note that this type of federalism is different than the federalism discussed in Part IV, infra.
21 See Seminole Tribe, 517 U.S. at 77 (Stevens, J., dissenting) (noting the substantial encroachment of state sovereign immunity on patent, copyright, trademark, environmental, and other federal laws); see also, infra note 60; Akhil Reed Amar, Of Sovereignty and Federalism, 96 Yale L.J. 1425, 1426 (1987) (“A state government that orders or allows its officials to violate citizens’ federal constitutional rights can invoke ‘sovereign’ immunity from all liability . . . ”); Reconciling State Sovereign Immunity, supra note 20, at 1068 (“[T]he balance between state autonomy and federal rights turns in large part on a concept not designed with dual federalism in mind: state sovereign immunity.”); id. at 1073 (“[T]he [] Court was caught in the throes of a federalism revolution that emphasized the rights of states against the federal government . . . .”). Federalism is defined as “The legal relationship and distribution of power . . . between
history of state sovereign immunity exemplifies the Supreme Court’s gradual retreat from protecting and emphasizing private rights and showcases an ever expanding doctrine better defined as “the [state] can do no wrong,” but everyone else can. The Supreme Court’s broad interpretation of the doctrine is ultimately what allowed the doctrine to invade, subordinate, and undermine patent law. Thus, an overview of the doctrine’s origins is necessary to comprehend how the two areas of law eventually clashed.

22. See Reconciling State Sovereign Immunity, supra note 20, at 1069 (noting the states’ use of sovereign immunity as a defense and its “profound impact on the enforcement of federal rights.”).


24. The United States government has the right to use and manufacture inventions covered by United States patents without the owner’s permission. 28 U.S.C. § 1498 (a) (2012). However, the United States government also provides patent owners the right to sue the United States government in the United States Court of Federal Claims to recover “his reasonable and entire compensation for such use and manufacture.” Id. Unlike the United States government, state governments have rarely, if ever, provided patent owners remedies for the states’ infringement of patents. Florida Prepaid, 527 U.S. at 655 (noting that patent remedies are insufficient, and likely non-existent).
A. THE BIRTH AND EXPANSION OF STATE SOVEREIGN IMMUNITY


A common misunderstanding is that state sovereign immunity stems directly and solely from the Eleventh Amendment. In actuality, that Amendment merely confirmed the continued viability of the immunity. The Supreme Court crafted and extrapolated the majority of the doctrine from English common law and the intent of the Framers of the Constitution. During the Constitutional Convention and ratification of the Constitution, several Framers assumed that absent a state’s consent, states were immune from private suits brought against them in federal court. Article III drastically changed the conversation. Article III states, “In all Cases ... in which a State shall be Party, the Supreme Court shall have original Jurisdiction.” The plain meaning of Article III appeared to eliminate state sovereign immunity in suits brought by private citizens in federal court. Adopting this plain meaning in Chisholm v. Georgia, the Supreme Court invoked federal jurisdiction over a breach of contract action brought by a South Carolina citizen against the State of Georgia.

25 Chisholm v. Georgia, 2 U.S. (2 Dall.) 419 (1793).
26 See Paik, supra note 23, at 903 (“[S] overeign immunity is commonly believed to be granted by the Eleventh Amendment... the reality is that the Supreme Court has crafted this doctrine over the last two hundred years.”).
27 Alexander Hamilton aptly articulated the origins of state sovereign immunity when he stated: “It is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent. This is ... the general practice of mankind; and the exemption, as one of the attributes of sovereignty, is now enjoyed by the government of every State ....” THE FEDERALIST No. 81, at 411 (Alexander Hamilton) (Ian Shapiro ed., 2009). See also, Paik, supra note 23, at 904 (“Citing history and its understanding of the Framers’ intent ... the Eleventh Amendment was spurred by an interest in the principle of sovereign immunity ... ”); Narechania, supra 23, at 1577 (“State sovereign immunity finds its roots in the preconstitutional era.”); see, e.g., Hans v. Louisiana, 134 U.S. 1, 13-14 (1890) (establishing state sovereign immunity based on the Framers’ intent); Seminole Tribe v. Florida, 517 U.S. 44, 58 (1996) (citing Puerto Rico Aqueduct and Sewer Authority, 506 U.S. 139, 146 (1993) (“[T]... serves to avoid 'the indignity of subjecting a State to the coercive process of judicial tribunals at the instance of private parties ...”)).
28 See Narechania, supra note 23, at 1577 n. 14 (noting that the “Founding contemporaries ... believed that the Constitution did not create a federal judiciary capable of adjudicating cases involving states.”).
29 U.S. const. art. III. § 2.
30 See Christina Bohannan, Beyond Abrogation of Sovereign Immunity: State Waivers, Private Contracts, And Federal Incentives, 77 N.Y.U. L. REV. 273, 279 (“During the debates over ratification ... Article III seemed to divest states of that immunity in federal courts ... ”).
31 See Chisholm v. Georgia, 2 U.S. (2 Dall.) 419, 452 (1793), superseded by constitutional amendment, U.S. const. amend. XI. In Chisholm, the Supreme Court stated “when a State, by
In direct response to *Chisholm* and fearing the impact of revolutionary debts on state treasuries, Congress unanimously passed the Eleventh Amendment. The Eleventh Amendment states, “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 . . . ” The Eleventh Amendment expressly prohibited an out-of-state citizen from bringing an action against a state. However, the Eleventh Amendment remained conspicuously silent regarding actions brought by in-state citizens against their own state. The Supreme Court addressed this discrepancy in *Hans v. Louisiana*.

2. *Hans v. Louisiana*: Expanding State Sovereign Immunity Based on the Framers’ Intent

In *Hans v. Louisiana*, a Louisiana citizen brought an action against Louisiana in federal court challenging amendments to the state constitution. Relying heavily on the Framers’ intent, the Supreme Court stated, “Any such power as that of authorizing the federal judiciary to entertain suits by individuals against the States, had been expressly disclaimed, and even resented, by the great defenders of the Constitution whilst it was on its trial before the American people.” The Supreme Court dismissed the Louisiana citizen’s action against adopting the Constitution, has agreed to be amenable to the judicial power of the United States, she has, in that respect, given up her right of sovereignty.”

32 See *Hans v. Louisiana*, 134 U.S. 1, 11 (1890) (noting that the Eleventh Amendment was “unanimously proposed, and . . . adopted . . . ” by the third Congress (1794) in response to *Chisholm*); see also, Bohannan, supra note 30, at 279 (“Because states were concerned with protecting their treasures from suits brought against them for the collection of Revolutionary War debts, Congress reacted swiftly to the Court’s decision in *Chisholm* by adopting the Eleventh Amendment.”). But see, Scott Dodson, *The Metes and Bounds of State Sovereign Immunity*, 29 HASTINGS CONST. L.Q. 721, 731 (2002) (“For Iredell, state sovereign immunity was alive and incorporated (or, at least, left unabridged) by the Judiciary Act, and therefore Georgia was not amenable to suit.”).

33 U.S. const. amend. XI.

34 *Hans*, 134 U.S. at 11.

35 See id. at 10. In *Hans*, the Supreme Court noted that “the plaintiff in error contends that . . . the Eleventh Amendment . . . only prohibits suits against a State which are brought by the citizens of another State . . . . It is true, the amendment does so read . . . .” *Id. See also*, Paik, supra note 23, at 903 (“The text does not say . . . that the Amendment bars the federal government from hearing cases between a citizen of a state against his own state.”).

36 See *Hans*, 134 U.S. at 9 (“The question is presented, whether a State can be sued in a Circuit Court of the United States by one of its own citizens . . . ”).

37 *Hans*, 134 U.S. 1 (1890).

38 *Id.* at 9.

39 *Id.* at 12.
Louisiana and held that federal courts lacked jurisdiction over suits brought by citizens against their own states. Thus, the Supreme Court bound state sovereign immunity to the Framers’ intent and stretched it beyond the Eleventh Amendment. Absent a state’s waiver or congressional abrogation of state sovereign immunity, *Hans* substantially limited private party suits against states in federal courts.

**B. WAIVER OF STATE SOVEREIGN IMMUNITY**

States can waive sovereign immunity by agreeing to specific statutes or by their conduct during litigation. However, the Supreme Court has narrowly tailored these two types of waiver. In *Edelman v. Jordan*, the Supreme Court held that statutory waiver exists “only where stated by the most express language or by such overwhelming implications from the text as [will] leave no room for any other reasonable construction.” Furthermore, a state’s participation in interstate commerce does not constitute voluntary waiver. Thus, states must expressly waive their right to sovereign immunity and do not impliedly or constructively waive it by simply participating in congressional programs or interstate commerce.

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40 *Id.* at 17 (“[N]either a State nor the United States can be sued as defendant in any court in this country without their consent . . .”).

41 In *Ex Parte Young*, the Supreme Court held that a plaintiff can seek prospective, injunctive relief against a state official. *Ex parte Young*, 209 U.S. 123, 154 (1908). However, as Michael Landau states, “such a remedy falls far short of making the intellectual property owner whole. Injunctions are prospective relief and can guard only against future infringements, thus they do nothing to remedy the past injury that initially justified the injunction.” Michael Landau, *State Sovereign Immunity and Intellectual Property Revisited*, 22 FORDHAM INTELL. PROP, MEDIA & ENT. L.J. 513, 543 (2012). Furthermore, the *Ex Parte Young* doctrine is ineffective in IPR proceedings because the petitioner is not seeking prospective, injunctive relief. Therefore, this article refrains from addressing the *Ex Parte Young* doctrine in substantial detail.

42 See Narechania, *infra* note 23, at 1580 (“The Court has recognized two forms of waiver: an explicit statutory waiver and waiver by litigation conduct.”). Other forms of waiver exist, but for the purposes of this article these are the two most pertinent types of waiver. See Bohannan, *infra* note 30 (detailing the implications of state waiver in patent law).


45 See *College Savings*, 527 U.S. at 678-82 (holding that a state’s participation in interstate commerce does not constructively waive sovereign immunity). In *Edelman v. Jordan*, the Supreme Court stated, “The mere fact that a State participates in a program through which the Federal Government provides assistance for the operation by the State of a system of
In *Gunter v. Atlantic Coast Line Railroad Company*, the Supreme Court held that a state waives its sovereign immunity in federal court when it "voluntarily becomes a party to a cause."46 However, the Supreme Court and other federal courts have narrowly interpreted what constitutes voluntary waiver, as will be discussed in multiple cases in Part II, infra. State waiver exists, but states rarely, if ever, surrender sovereign immunity unless they are apt to gain from the litigation.47 Congressional abrogation is the remaining mechanism used to quell state sovereign immunity.

C. DIGNIFYING STATE SOVEREIGN IMMUNITY AT THE EXPENSE OF CONGRESSIONAL ABROGATION

Congressional abrogation of state sovereign immunity provides, in certain circumstances, a private right of action for private damage suits against states that violate federal law.48 To abrogate state sovereign immunity, Congress must: (1) "unequivocally express[ ] its intent to abrogate the immunity;" and (2) "act[ ] pursuant to a valid exercise of power," typically under the Fourteenth Amendment.49 Initially, the Supreme Court held that Congress could abrogate state sovereign immunity under Article I of the Constitution or Section 5 of the Fourteenth Amendment.50 Article I grants Congress the power to regulate public aid is not sufficient to establish consent on the part of the State to be sued in the federal courts." *Edelman*, 415 U.S. at 673.


47 See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 658-59, (1999) (Stevens, J., dissenting) ("[i]t is well known that not all States have waived their sovereign immunity from suit, and among those States that have, the contours of this waiver vary widely."). In *Florida Prepaid v. College Savings*, Stevens disputed whether adequate remedies existed in state courts when states infringed a patent or whether states were even willing to waive their sovereign immunity defense in state or federal court. See id. at 657-60.


50 See *Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 14-15 (1989) ("[T]he power to regulate commerce includes the power to override States' immunity from suit . . ."); *Id.* at 7 ("Congress
interstate commerce. Congress presumed that Article I granted it the power to "override States' immunity when legislating pursuant to the Commerce Clause." Section 5 of the Fourteenth Amendment grants Congress the power to enforce the Due Process Clause of the Fourteenth Amendment against the states. The Due Process Clause prevents the states from "depriv[ing] a person of life, liberty, or property, without due process of law." Congress presumed that its power to abrogate state sovereign immunity under Section 5 of the Fourteenth Amendment was relatively expansive. However, in two cases during the 1990's, the Supreme Court expanded state sovereign immunity at the expense of minimizing and complicating Congressional abrogation power.

1. Seminole Tribe v. Florida: Abolition of Article I Congressional Abrogation

In Seminole Tribe, the Supreme Court eliminated Congress' power to abrogate state sovereign immunity under Article I because the "Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction." The Court reasoned that the doctrine was designed "to avoid the indignity of subjecting a State to the coercive process of judicial tribunals at the instance of private parties." Thus, the Court expanded state sovereign immunity far beyond the protection of a state’s treasury; the doctrine was now

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51 U.S. CONST. art. I, § 8, cl. 3 ("Congress shall have the power ... To regulate commerce with foreign nations, and among the several states, and with the Indian tribes.").
52 Union Gas, 491 U.S. at 19.
53 U.S. CONST. amend. XIV, § 5 ("The Congress shall have power to enforce, by appropriate legislation, the provisions of this article."); see also Due Process, BLACK'S LAW DICTIONARY (10th ed. 2014) ("The conduct of legal proceedings according to established rules and principles for the protection and enforcement of private rights, including notice and the right to a fair hearing before a tribunal with the power to decide the case.").
54 U.S. CONST. amend. XIV, § 1 ("No State shall ... deprive any person of life, liberty, or property, without due process of law.").
55 See City of Boerne v. Flores, 521 U.S. 507, 520 (1997) ("There must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end."); Florida Prepaid, 527 U.S. at 640 (requiring a pattern of states violating constitutional rights to abrogate state sovereign immunity under Section 5 of the Fourteenth Amendment).
57 Seminole Tribe, 517 U.S. at 72-73.
58 Id. at 58 (punctuation omitted).
indistinguishable from a state’s dignity and deeply rooted in common law. The elimination of Congress’ power to abrogate under Article I drastically diminished federal protections for private citizens seeking damages against states violating their federal rights. Realizing the far reaching implications of the Supreme Court’s vast expansion and strengthening of the doctrine, states began raising their sovereign rights to evade federal laws, including patent laws. Unfortunately, the Supreme Court’s elimination of Article I abrogation severely restricted Congress’ ability to pass progressive and flexible legislation needed to regulate an increasingly “interrelated and complex” national market. Congress’ remaining option to abrogate state sovereign immunity resides under Section 5 of the Fourteenth Amendment.

59 Justice Stevens’ dissent in Seminole Tribe v. Florida Prepaid questioned the majority’s unfettered submission to state sovereign immunity and questioned the common law justification of the doctrine. Id. Rebutting the majority’s basis for state sovereign immunity, Stevens wrote:

In sum, as far as its common-law ancestry is concerned, there is no better reason for the rule of sovereign immunity ‘than that so it was laid down in the time of Henry IV.’ Holmes, The Path of the Law, 10 HARV. L. REV. 457, 469 (1897). That ‘reason’ for the perpetuation of this ancient doctrine certainly cannot justify the majority’s expansion of it. Seminole Tribe, 517 U.S. at 98 (Stevens, J., dissenting). Stevens believed that “the sovereignty of the individual States [was] subordinate both to the citizenry of each State and to the supreme law of the federal sovereign.” Id.

60 In his dissent, Justice Stevens articulated the impact of eliminating Congress’ power to abrogate under Article I when he stated, “it prevents Congress from providing a federal forum for a broad range of actions against States, from those sounding in copyright and patent law, to those concerning bankruptcy, environmental law, and the regulation of our vast national economy.” Seminole Tribe, 517 U.S. at 77.

61 See Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 656 (Stevens, J., dissenting) (noting several cases where states infringed patents and highlighting Congress’ finding that “state infringement of patents was likely to increase.”); Xechem Int’l., Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr., 382 F.3d 1324, 1335 (Fed. Cir. 2004) (Newman, J., concurring) (“[T]here is an increasing urgency, as the states enter the private competitive arena governed by the laws of intellectual property, to establish fair relationships and just recourse.”); see also, Paik, supra note 23, at 913 (noting the increase in frequency of state patent infringement following Florida Prepaid v. College Savings); Landau, supra 41, at 552-553 (“There might not have been a pattern found at the time . . . but there most certainly is a pattern of abuse now. The actual number of controversies is far larger; most violations do not go to trial, they settle.”).


63 Florida Prepaid, 527 U.S. at 637 (“Congress retains the authority to abrogate state sovereign immunity pursuant to the Fourteenth Amendment.”).
2. *City of Boerne v. Flores: Complicating Section 5 of the Fourteenth Amendment*  

Just over a year after *Seminole Tribe*, the Supreme Court severely limited Congress’ power to abrogate state sovereign immunity under Section 5 of the Fourteenth Amendment. In *City of Boerne v. Flores*, the Supreme Court held that passing the Religious Freedom Restoration Act of 1993 (“RFRA”) was an invalid application of Congress’ enforcement powers under Section 5 of the Fourteenth Amendment. The Court stated that any abrogation under Section 5 required “congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.” RFRA was not a remedial or preventive law; instead, it sought to “interpret and elaborate on the meaning” of the Free Exercise Clause, creating substantive law in the process. Thus, to abrogate state sovereign immunity under Section 5, Congress must show an egregious pattern of states violating federal law, prove that the injured party lacks any remedies in federal court, state court, or agency proceedings, and fashion a law explicitly and narrowly that addresses the injury without impeding on the Supreme Court’s power to interpret the constitution. The Supreme Court’s overwhelmingly strict

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65 *See* Evan H. Caminker, *Private Remedies for Public Wrongs Under Section 5*, 33 LOY. L.A. L. REV. 1351 (2000) (arguing that the Supreme Court established a stringent test in *City of Boerne* to abrogate state sovereign immunity under Section 5); Evan H. Caminker, “Appropriate Means-Ends Constraints on Section 5 Powers”, 53 STAN. L. REV. 1127 (2001) (“[In *City of Boerne v. Flores* and subsequent cases, the Supreme Court has tightened the doctrinal test for prophylactic legislation based on Section Five.”).
66 *City of Boerne*, 521 U.S. at 511.
67 *Id.* at 520.
68 *Id.* at 524; *see* Paik, *supra* 23, at 911 (“[T]he Supreme Court held that RFRA granted far more rights than what the Establishment Clause of the First Amendment required the government to provide.”).
69 When Congress abrogates state sovereign immunity under Section 5, it is enforcing its powers under the Due Process Clause of the Fourteenth Amendment. *See* U.S. CONST. amend. XIV, § 1 (“No State shall ... deprive any person of life, liberty, or property, without due process of law.”); U.S. CONST. amend. XIV § 5 (“The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.”). The deprivation of a private party’s interest by the state is a violation of Section 5 and empowers Congress to abrogate state sovereign immunity to provide a congruent and proportional remedy. *See* Florida Prepaid, 527 U.S. at 642-43 (citing Zinermon v. Burch, 494 U.S. 113, 125 (1990)) (“In procedural due process claims, the deprivation by state action of a constitutionally protected interest . . . is not in itself unconstitutional; what is unconstitutional is the deprivation of such an interest without due process of law.”) (emphasis deleted) (internal quotation deleted). However, Congress’ enforcement must remain remedial and cannot “decrease the substance of the Fourteenth Amendment’s restrictions on the States.” *City of Boerne* 521 U.S. at 519.
and complex standard has drastically minimized Congress’ power to subject states to federal law.\textsuperscript{70}

D. THE SUPREME COURT’S SUBMISSION TO STATE SOVEREIGN IMMUNITY: A LOOPHOLE Ripe FOR ABUSE

The Supreme Court’s complete submission to state sovereign immunity, ignorance of implied and constructive waiver, and subordination of Congressional abrogation raises the question whether “the [states] can do no harm,” but everyone else can. Equipped with the power to enforce federal rights and shielded from non-consensual federal jurisdiction, the states have advantageously decided to circumvent and undermine patent law. Any Congressional attempt “to place States on the same footing as private parties” will likely be futile in the future.\textsuperscript{71} Overall, the Supreme Court’s broad state sovereign immunity doctrine professed in \textit{Seminole Tribe} and \textit{City of Boerne} created a loophole ripe for abuse in patent law.\textsuperscript{72} The next section explores this loophole, which has caused the progressive invasion and undermining of patent law.

III. EXTENDING STATE SOVEREIGN IMMUNITY TO PATENT LAW: BUILDING A LEGAL FOUNDATION THAT ENCOURAGES THE MONETIZATION OF SOVEREIGN IMMUNITY

From 1990 to 2018, Congress and the courts have jostled over the supremacy between state sovereign immunity and patent law. While Congress attempted to protect patent rights and promote the “Progress of . . . useful Arts,” the Supreme Court, the Federal Circuit, and the PTAB constantly upheld state sovereign immunity over patent law.\textsuperscript{73} Each case and administrative decision represents a

\textsuperscript{70} See \textit{supra} note 60. The Supreme Court itself attested to the stringent and complex standard in \textit{City of Boerne} when it stated, “While the line between measures that remedy or prevent unconstitutional actions and measures that make a substantive change in the governing law is not easy to discern . . . the distinction exists and must be observed.” \textit{City of Boerne}, 521 U.S. at 519-20. The Supreme Court’s inconsistent application and deeply divided opinions evidence the complexity and strictness of the congruence and proportionality test. Compare \textit{Nev. Dep’t of Human Res. v. Hibbs}, 538 U.S. 721, 740 (2003) (upholding Congress’ Section 5 abrogation in the family-care provision of The Family Medical Leave Act of 1993), \textit{with} \textit{Coleman v. Court of Appeals}, 566 U.S. 30, 37-38 (2012) (ruling Congress’ Section 5 abrogation in the self-care provision of the Family Medical Leave Act of 1993 violated the \textit{City of Boerne} Test). The Supreme Court used the congruence and proportionality test to evaluate abrogation under two provisions of the same act and came out with different results. \textit{Id}. The two cases exemplify the complexity and the randomness of the Supreme Court’s \textit{City of Boerne} test.

\textsuperscript{71} \textit{Florida Prepaid}, 527 U.S. at 647.


\textsuperscript{73} Under the Intellectual Property Clause (the “IP Clause”) of the U.S. Constitution, Congress has the power “[T]o promote the Progress of Science and useful Arts, by securing
different right in patent law granted to the states through state sovereign immunity. These rights include: (1) the right to infringe another’s patent without repercussions;\(^{74}\) (2) the right to reap the benefits of the patent system and enforce the state’s patents without constructively waiving state sovereign immunity;\(^{75}\) (3) the state’s right to protect its patent licensee from declaratory judgments;\(^{76}\) (4) the right to immunity from IPR proceedings;\(^{77}\) and (5) the state’s right to protect its patent licensee from TPR proceedings.\(^{78}\) Collectively, these cases make up the bundle of state sovereign immunity rights in patent law that Allergan used as its foundation in its attempt to manipulate and circumvent patent law.\(^{79}\)

Part II establishes the terminology necessary to understand the inner workings of Allergan’s strategy, discusses the decisions that led to each state sovereign
immunity right in patent law, and briefly recaps the foundation that led to Allergan's attempt to monetize sovereign immunity.

A. SETTING THE STAGE: DEFINING PATENT LAW TERMS AND THE "STATE"

1. Defining Patentability and Patent Infringement Defenses

Under the Intellectual Property Clause of the U.S. Constitution, Congress has the power "[t]o Promote the Progress of Science and the useful Arts by securing for limited times to Authors and Inventors the exclusive right to their respective writings and discoveries."\(^\text{80}\) Congress used its power to build a quid pro quo patent system.\(^\text{81}\) In exchange for disclosing the invention, the inventor is granted a patent that gives "the right to exclude others from making, using, offering for sale, [l] selling . . . or importing the invention . . ." for a limited period of time.\(^\text{82}\) To obtain a patent in modern patent law, the inventor must file for a patent with the United States Patent and Trademark Office ("USPTO") and meet the five elements of patentability: (1) patentable subject matter; (2) utility; (3) novelty; (4) nonobviousness; and (5) specification requirements.\(^\text{83}\) Once the patent is

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\(^{80}\) U.S. Const. art. I, § 8, cl. 8 (emphasis added). The "useful Arts" and "Discoveries" are thought to refer to technology, inventions, and patents. See NARD, supra note 73, at 18 (noting that Congress had the power to "grant[] exclusive rights for limited times to inventors for their discoveries.") (emphasis omitted).

\(^{81}\) See NARD, supra note 73, at 3 ("[P]atent law can be viewed as an incentive-based system of laws that offers a potential financial reward as an inducement to invent, to disclose technical information . . ."); id. ("[Q]uid pro quo—the right to exclude is bestowed upon one who discloses a useful invention to society . . ."); Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC, 138 S.Ct. 1365, 1373 (2018) ("Specifically, patents are 'public franchises' that the Government grants 'to the inventors of new and useful improvements.'").

\(^{82}\) 35 U.S.C. § 154(a)(1) (2012); § 154(a)(2) ("[S]uch grant shall be for a term beginning on the date on which the patent issued and ending 20 years from the date on which the application for the patent was filed . . ."); § 101, 112 (requiring the inventor to disclose sufficient information to such that a person skilled in the art of the technology could recreate the invention).

\(^{83}\) See 35 U.S.C. §§ 101, 102, 103, 112(a) (2012). Section 101 states "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." 35 U.S.C. § 101. Section 101 requires the invention to be patentable subject matter or in other words, a process, machine, manufacture, or composition of matter that is not an abstract idea, law of nature, or natural phenomenon. See Manual of Patent Examining Procedure, §§ 2106.03, 2106.04 (9th ed., rev. 8) (Aug. 2017), (detailing the examination of an invention under Section 101) [hereinafter MPEP]. Section 101 also requires "the invention as a whole [to] be useful." MPEP § 2103. Section 112(a) requires the inventor to file an application that "contain[s] a full and clear disclosure of the invention." MPEP § 608. Section 102 requires the invention as claimed in the patent application to be
acquired, the inventor ("patentee" or "patent owner") can enforce her patent in federal courts against others that infringe the patent by making, using, offering for sale, selling, or importing the patented invention.\(^8^4\)

However, filing a patent infringement suit does not come without peril for the patentee. A defendant alleged to have infringed a patent can argue, in what is called an "invalidity defense," that the patent was improperly granted in the first place and is thus invalid and unenforceable.\(^8^5\) An invalidity defense attacks the patentability of the invention;\(^8^6\) if a defendant wins, then all or a portion of the patent is rendered invalid and unenforceable.\(^8^7\) Essentially this could kill the novel. See MPEP § 2131 ("A claimed invention may be rejected under 35 U.S.C. 102 when the invention is anticipated (or is "not novel") over a disclosure that is available as prior art."). An invention is not novel if a single prior piece of literature disclosed every element of the claimed invention before the inventor filed for a patent. See Verdegal Bros. v. Union Oil Co. of California, 814 F.2d 628, 631 (Fed. Cir. 1987) ("A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference."). Section 103 requires the inventor to disclose and claim an invention that was not obvious. 35 U.S.C. § 103 (2012). The obviousness inquiry is intended to ensure that inventors are submitting inventions that offer a "leap forward" in technology. NARD, supra note 73, at 329. The obviousness inquiry is complicated even for patent lawyers. See Gene Quinn, Understanding Obviousness: John Deere and the Basics, IPWATCHDOG (Oct. 10, 2015), http://www.ipwatchdog.com/2015/10/understanding-obviousness-john-deere-and-the-basics-2/id=62393/ (stating that the obviousness inquiry "is frustrating because the legal determination about whether an invention is obvious seems completely subjective and sometimes even arbitrary."); Christopher C. Kennedy, Rethinking Obviousness, 2015 WIS. L. REV. 665, 667 (2015) ("Scholars, commentators, and practitioners alike have also struggled with and debated the concept of nonobviousness. Every year, without fail, numerous journal articles are published in which various elements of the nonobviousness analysis are discussed and criticized.") (citations omitted). Thus, for purposes of this article one can think of obviousness as the combination of multiple prior inventions that would lead the inventor to the claimed invention he or she wishes to patent. See 35 U.S.C. §102 (stating that an invention is obvious "if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains.").

\(^8^4\) 35 U.S.C. 271 (2010) ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.").

\(^8^5\) 35 U.S.C. § 282(b)(2) (2012) ("The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: . . . Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability"); 35 U.S.C. § 282(b)(3) (2012) (stating that a defense can be brought that challenges the validity of a patent under Sections 112 and 251). This is known as an invalidity defense that relies on 35 U.S.C. §§ 101, 102, 103, and 112 to prove that the patent was improperly granted by the USPTO. This is a cursory look at these sections, but it will be sufficient for the purposes of this article.

\(^8^6\) Id. § 282(b)(3).

\(^8^7\) See Roger Ford, Patent Invalidity versus Noninfringement, 99 CORNELL L. REV. 71, 109 ("A successful invalidity defense acts in rem on the patent claims that were found invalid: generally,
patent and destroy the patentee’s exclusivity over the invention.\textsuperscript{88} Therefore, a defendant could infringe a patent, but not be liable if the patent is found to be invalid.

Additionally, defendants and other third parties can file IPRs against a patent to challenge its validity. An “[IPR] is a trial proceeding conducted at the [PTAB] to review the patentability of one or more claims in a patent only on a ground that could be raised under §§ 102 or 103, and only on the basis of prior art consisting of patents or printed publications.”\textsuperscript{89} Similar to invalidity findings in federal court, if the PTAB invalidates all or portions of a patent, its commercially meaningful parts of the patent could be rendered dead and unenforceable against the defendant. This broad understanding of patentability, patent infringement, and invalidity challenges is crucial to understanding the subject matter that follows.

2. Who Is the “State?”: Universities, Licensing Arms of Universities, Agencies, and State Run Organizations

It is important to establish who the “state” actually is in the context of patent law. The Eleventh Amendment and state sovereign immunity “shield[] States from suit in federal court[s] without their consent . . . .”\textsuperscript{90} However, the term “States” also encompasses “state agents and state instrumentalities.”\textsuperscript{91} Determining whether an instrumentality is an “arm” of the state depends on “the nature of the entity created by state law.”\textsuperscript{92} Federal courts typically rely on certain factors to determine whether an instrumentality is an arm of the state.\textsuperscript{93} It is

\textsuperscript{88} Id.


\textsuperscript{91} Regents of the Univ. of California v. Doe, 519 U.S. 425, 429 (1997) (citations omitted) (“It has long been settled that the reference to actions against one of the United States encompasses . . . certain actions against state agents and state instrumentalities.”) (internal quotations omitted).

\textsuperscript{92} Id. at 429–30 (1997) (citing Mt. Healthy City Bd. of Ed. v. Doyle, 429 U.S. 274, 280 (1977)) (internal quotations omitted).

\textsuperscript{93} See, e.g., Manders v. Lee, 338 F.3d 1304, 1309 (11th Cir. 2003) (“[T]his Court uses four factors to determine whether an entity is an ‘arm of the State’. . . . (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.”) (citations omitted); Ristow v. S.C. Ports Auth., 58 F.3d 1051, 1053 (4th Cir. 1995) (using four factors similar to the ones used by the Eleventh Circuit in Manders v. Lee); Doe v. Lawrence Livermore
unnecessary to conduct a lengthy analysis concerning the status of an instrumentality for this article; generally, however, courts have found that the following entities are arms of the state: (1) state universities (such as the University of Texas); (2) state licensing organizations (such as the University of Florida Research Foundation); and (3) state run organizations (such as the South Carolina State Ports Authority). This brief understanding of who the "state" is will help the reader understand what entities are actually immune from suit.

B. THE STATE'S RIGHT TO INFRINGE ANOTHER'S PATENT WITHOUT FACING REPERCUSSIONS


In Chew v. California, the leading case prompting congressional action, Marian F. Chew, an Ohio resident, sued the State of California for using her patented method to test automobile engine exhaust emissions. In 1990, The Federal Circuit held that California was immune from patent infringement because Congress had not yet expressly abrogated state sovereign immunity in the patent statute. Recognizing the impact of Chew, Congress passed the Patent and Plant

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94 See, e.g., Xechem Int'l., Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr., 382 F.3d 1324, 1328 (Fed. Cir. 2004) (identifying a Texas statute that designated the University of Texas as an arm of the state of Texas); Univ. of Fla. Research Found., Inc. v. Medtronic PLC, Case No. 1:16CV183--MW/GRJ, 2016 WL 3869877, at *1 (N.D. Fla. July 15, 2016) (determining that the University of Florida Research Foundation was an arm of the state of Florida); Federal Maritime Comm'n v. S.C. State Ports Auth., 535 U.S. 743, 751 n. 6 (2002) (recognizing the South Carolina State Ports Authority as an instrumentality of the state of South Carolina); Regents of the Univ. of New Mexico v. Knight, 321 F.3d 1111, 1124 (Fed.Cir. 2003) (holding that state universities are arms of the state).

95 Chew v. California, 893 F.2d 331 (Fed. Cir. 1990).


97 Chew, 893 F.2d. at 334 (quoting Atascadero State Hosp. v. Scanlon, 473 U.S. 234, 243 (1985)) (“Congress must express its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself.”). Additionally, the Federal Circuit presumed that a due process violation was non-existent because the Federal Circuit believed state law remedies were still available to Chew. Id at 336 n. 5 (noting that its decision only foreclosed “one avenue of recourse – the specific relief for infringement of patent rights otherwise

Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.

Congress thought the Patent Remedy Act would overcome the hurdle encountered in *Chew*, but the Supreme Court thought otherwise in *Florida Prepaid v. College Savings*.


98 "[Chew’s] invention was primarily used by States and other governmental entities." *Florida Prepaid*, 527 U.S. at 655 (Stevens, J., dissenting). If Chew’s invention had little use outside of state and other governmental agencies, then the right to exclude others from making, using, selling, or offering to sell the invention that Chew thought she was receiving for disclosing her invention was essentially meaningless. Without a remedy, Congress passed the Patent Remedy Act in hopes of expressly abrogating state sovereign immunity for patent infringement.


100 See *Florida Prepaid*, 527 U.S. at 645 (holding that the patent remedy act was unconstitutional because it was not properly abrogated under Section 5 of the Fourteenth Amendment).

The Constitution was intended to limit the powers of the federal government, but failed to restrict state governments from violating citizens’ rights. Responding to the states’ violations of African American rights in the south after the Civil War, Congress passed the Fourteenth Amendment. The Fourteenth Amendment was passed to “limit state power by imposing on state governments constitutional obligations . . . to provide due process . . .” Under Section 5 of the Fourteenth Amendment, Congress has the “power to enforce, by appropriate legislation, the provisions of” the Fourteenth Amendment. Section 1 of the Fourteenth Amendment prohibits states from “depriv[ing] any person of life, liberty, or property, without due process of law . . .” Patents are property. Thus, a state deprives a patent owner of his property without due process when the state infringes a patent and provides no remedy. The Patent Remedy Act was intended to “prevent States from depriving patent owners of property without due process.” However, the Supreme Court refused to acknowledge Congress’ power to pass the Patent Remedy Act in Florida Prepaid v. College Savings.

In Florida Prepaid v. College Savings, College Savings Bank (“College Savings”) alleged that Florida Prepaid Postsecondary Education Expenses Board (“Florida Prepaid”), a state instrumentality, infringed its patent protecting a financing methodology when it allegedly used College Savings’ financing method to

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102 Erwin Chemerinsky, The Supreme Court and the Fourteenth Amendment: The Unfulfilled Promise, 25 Loy. L.A. L. Rev. 1143, 1145 (1992) (“The original Constitution, which served almost exclusively to create a national government and limit its powers, was expressly changed to restrict state governments.”).
103 See id. (“After the Civil War and the passage of the Thirteenth Amendment’s prohibition of slavery, African Americans were persecuted and oppressed in the South.”).
104 Id.
105 U.S. CONST. amend. XIV, § 5 (emphasis added).
106 Id. § 1 (emphasis added).
107 35 U.S.C. § 261 (2012) (“Subject to the provisions of this title, patents shall have the attributes of personal property.”).
108 Home v. Dept’t of Agric., 135 S. Ct. 2419, 2427 (2015) (quoting James v. Campbell, 104 U.S. 356, 358 (1882) (“[A patent] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation.”)) (internal quotations omitted); see Florida Prepaid, 527 U.S. at 643 (“a State’s infringement of a patent, though interfering with a patent owner’s right to exclude others, does not by itself violate the Constitution. Instead, only where the State provides no remedy . . . could a deprivation of property without due process result.”).
109 Florida Prepaid, 527 U.S. at 633.
administer its tuition prepayment program. College Savings relied on the Patent Remedy Act to neutralize Florida Prepaid's state sovereign immunity defense. Conversely, Florida Prepaid argued that the Patent Remedy Act was unconstitutional because it attempted to confer private rights beyond those protected by the Fourteenth Amendment. College Savings argued that the Patent Remedy Act was constitutional because states, like Florida, were "depriving a patentee of property without due process of law" by infringing the patent and then pleading immunity to an infringement suit. The Supreme Court disagreed, holding that the Patent Remedy Act was unconstitutional because it did "not respond to a history of 'widespread and persisting deprivation of constitutional rights' of the sort Congress [] faced in enacting proper prophylactic § 5 legislation."

a. Florida Prepaid Majority Opinion: Avoiding the Underlying Issues of State Involvement in Patent Law

Although Congress attempted to explicitly abrogate state sovereign immunity in the Patent Remedy Act, the Supreme Court reasoned that Congress failed to demonstrate a perverse pattern of state patent infringement that "transgress[ed] the Fourteenth Amendment's substantive provisions;" these are the only provisions that Congress was empowered to enforce against the states. Under

110 Id. at 630-31. The patent protected College Saving's "financing methodology, designed to guarantee investors sufficient funds to cover the costs of tuition for colleges."
111 Id. (citing 35 U.S.C. §§ 271(b)) ("As used in this section, the term 'whoever' includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity.").
112 Reply Brief for Petitioner at 8, Florida Prepaid, 527 U.S. 627 (No. 98-531), 1999 U.S. S. Ct. Briefs LEXIS 970 (citing City of Boerne v. Flores, 521 U.S. 507, 519 (1997) ("While Congress can enact legislation under § 5 to enforce the Due Process Clause, Congress cannot 'decree the substance of the Fourteenth Amendment's substantive provisions' simply by declaring that patent infringement effects a deprivation of property without due process.").
113 Florida Prepaid, 527 U.S. at 642.
114 Id. at 641.
115 Id. at 645 (quoting City of Boerne, 521 U.S. at 519).
116 Id. at 635, 639.
117 See Erwin Chemerinsky & Raymond Pryke, Constitutional Law: Principles and Policies 231 (Richard A. Epstein et al. eds., 5th ed. 2015) ("The current law is that Congress may authorize suits against state governments only when it is acting pursuant to §5 of the Fourteenth Amendment.") (emphasis added).
"City of Boerne," Congress may only pass remedial legislation, not substantive legislation under Section 5 of the Fourteenth Amendment.\textsuperscript{118} Adhering to "City of Boerne," the Supreme Court first identified the injury as "state infringement of patents and the use of sovereign immunity to deny patent owners compensation for the invasions of their patent rights."\textsuperscript{119} Next, the Court asked whether "the Patent Remedy Act ... [was] remedial or preventative legislation aimed at securing the protections of the Fourteenth Amendment for patent owners."\textsuperscript{120} The Court then contrasted Congress' evidence of "unremedied patent infringement by the States" with evidence of constitutional violations during the voting rights cases,\textsuperscript{121} stating, "[u]nlike the undisputed record of racial discrimination confronting Congress in the voting rights cases ... Congress came up with little evidence of infringing conduct on the part of the States."\textsuperscript{122} Consequently, the Court found that Congress failed to demonstrate a consistent pattern of state patent infringement or constitutional violations sufficient to enact the Patent Remedy Act.\textsuperscript{123} Additionally, the Court found that deprivation of property without due process would only arise where state remedies were inadequate or nonexistent.\textsuperscript{124} Thus, the Court found that the Patent Remedy Act was unconstitutional because it exceeded Congress' power

\textsuperscript{118} See City of Boerne v. Flores, 521 U.S. 507, 524 (1997) ("The remedial and preventive nature of Congress' enforcement power, and the limitation inherent in the power, were confirmed in our earliest cases on the Fourteenth Amendment.").

\textsuperscript{119} Id. at 640 (citations omitted).

\textsuperscript{120} Id. at 639.

\textsuperscript{121} Id. at 640. The voting rights cases addressed the constitutionality of the Voting Rights Act of 1965 and Congress' power to deter and remedy constitutional violations related to voting rights. See City of Boerne, 521 U.S. at 518-19 (discussing the voting rights cases and Congress' proper exercise of abrogating state sovereign immunity).

\textsuperscript{122} Florida Prepaid, 527 U.S. at 640 (citing City of Boerne v. Flores, 521 U.S. 507, 525-27 (1997)).

\textsuperscript{123} Id. at 640, 645-46 ("Congress appears to have enacted this legislation in response to a handful of instances of state patent infringement that do not necessarily violate the Constitution."). The Supreme Court naively noted that "[t]estimony before the House Subcommittee in favor of the bill acknowledged that 'states are willing and able to respect patent rights. The fact that there are so few reported cases involving patent infringement claims against states underlies the point.'" Id. at 641 (citing House Hearings, 56) (statement of William S. Thompson); id. ("States do occasionally find themselves in patent infringement suits") (citing House Hearings, 32) (statement of Robert Merges). The Supreme Court gravely missed the mark in this case, over committing to the "City of Boerne" holding and ignoring the pending state abuses of patent law that Justice Stevens observed were slowly taking shape. See Florida Prepaid, 527 U.S. at 656-60 (Stevens, J., dissenting) (noting the influx in states infringing patents and the rise of state sovereign immunity at the expense of patent law).

\textsuperscript{124} Florida Prepaid, 527 U.S. at 643 ("[O]nly where the State provides no remedy, or only inadequate remedies, to injured patent owners for its infringement of their patent could a deprivation of property without due process result.") (citing Parratt v. Taylor, 451 U.S. 527, 539-41 (1981); Hudson v. Palmer, 468 U.S. 517, 532-33 (1984)).
to remedy and prevent constitutional violations under Section 5 of the Fourteenth Amendment. Simply put, the majority thought the harm identified by Congress was too "speculative" to fit under the Fourteenth Amendment.

b. Stevens' Florida Prepaid Dissent: Foreshadowing the States' Abuse of Patent Law

"Consistency, uniformity, and familiarity with the extensive and relevant body of patent jurisprudence are matters of overriding significance in this area of the law... which, if undermined, would necessarily decrease the efficacy of the process afforded to patent holders." Justice Stevens' powerful statement captures one of the majority's blunders that has led to state sovereign immunity undermining both patent holders' rights and the patent system as a whole. Stevens, joined by Justices Ginsburg, Breyer, and Souter, pointed out that a pattern of state patent infringement was evident, citing Chew v. California and other cases as evidence. Addressing the majority's claim that the harm identified by Congress was too speculative, Justice Stevens presented evidence of the States' heavy involvement in the federal patent system, detailing lucrative state licensing schemes and highlighting patent infringement suits brought against and by the states. Furthermore, Stevens noted that the majority encouraged patent holders to seek nearly non-existent and limiting state remedies that required state judges, with little to no patent experience, to decide whether the state infringed a patent or the patent was invalid. Additionally, Stevens

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125 Florida Prepaid, 527 U.S. at 646-47. The Supreme Court noted that the statute's aims of placing "States on the same footing as private parties" were appropriate under Article I of the Constitution, but were unconstitutional after Seminole Tribe. Id. at 647-48. The majority essentially concedes that the States were violating the constitutional rights of private parties, but avoided the issue due to its holding in Seminole Tribe and City of Boerne. Although Seminole Tribe dictates Congress' abrogation powers, Justice Ginsburg still believes that Congress can validly abrogate state sovereign immunity under the Commerce Clause in Article I of the Constitution. Coleman v. Court of Appeals, 566 U.S. 30, 46 n.1 (2012) ("I remain of the view that Congress can abrogate state sovereign immunity pursuant to its Article I Commerce Clause power."). Justice Breyer agreed with Justice Ginsburg in Coleman. Id. at 46. Therefore, the potential of reinstating Congress' power to abrogate under Article I likely rests with the composition of the court.

126 Florida Prepaid, 527 U.S. at 641 ("At most, Congress heard testimony that patent infringement by States might increase in the future... and acted to head off this speculative harm.") (citations omitted).

127 Id. at 650, 652.

128 Id. at 655-656; see id. at 656-657 (citing numerous cases evidencing state patent infringement and the increase in state patent infringement).

129 Id. at 656-58.

130 See id. at 658-59 n.11-12 (citations omitted) (highlighting Alabama, West Virginia, Colorado, Minnesota, and Maryland state laws that either deny waiver of sovereign immunity
acutely pointed out that Congress’ clear preemption of state jurisdiction over patent infringement and the Supreme Court’s continued application and acceptance of that preemption was an indication that state remedies “simply did not exist.”

**c. The State’s Right to Infringe Another’s Patent without Repercussion**

Stevens’ dissent aptly articulated state sovereign immunity’s invasion of patent law, subtly recognizing the states’ impending abuse of the patent system. Ignoring the troublesome signs postulated in Stevens’ dissent, strictly applying the *City of Boerne* test, and subordinating patent law to state sovereign immunity, the majority provided the states with an almost impenetrable shield from patent infringement. *Florida Prepaid* allowed state sovereign immunity to permeate throughout patent law and neutralized Congress’ reactionary legislation designed to “put[] States in the same position as all private users of the patent system . . . .” Thus, the first state sovereign immunity right in patent law was created, granting states the right to infringe another’s patent without facing repercussions. Next, the Supreme Court added a new right to the states’ “bundle of rights” by allowing the states to participate in the patent system as plaintiffs while preserving nearly all their state sovereign immunity as defendants.

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or significantly limit waiver to actions outside of patent infringement); *id.* at 659 (“Even if such remedies might be available in theory, it would have been ‘appropriate’ for Congress to conclude that they would not guarantee patentees due process in infringement actions against state defendants.”); *id.* at 659 (“State judges have never had the exposure to patent litigation that federal judges have experienced for decades . . . [and] their decisions would not be reviewable in the Court of Appeals for the Federal Circuit.”). Convinced state remedies were non-existent or at least inadequate throughout the nation, a professor during the Patent Remedy Act congressional hearings noted that the Federal Circuit in *Chew* “assumes that such state law remedies will be available in every state in which the patentee’s product is sold.” *Id.* at 655-56 n. 7 (citation omitted). The professor continued, arguing that state remedies “would vitiate a major goal of the federal intellectual property system: national uniformity.” *Id.* “The Acting Commissioner of Patents stated, “If States and their instrumentalities were immune from suit in federal court for patent infringement, patent holders would be forced to pursue uncertain, perhaps even non-existent, remedies under State law.” *Id.* at 656 (citation omitted).


132 *Id.* at 663.
C. THE STATE’S RIGHT TO REAP THE BENEFITS OF THE PATENT SYSTEM WITHOUT CONSTRUCTIVELY WAIVING ITS SOVEREIGN IMMUNITY: COLLEGE SAVINGS V. FLORIDA PREPAID

In *College Savings v. Florida Prepaid* ("College Savings"), a companion case to *Florida Prepaid*, the Supreme Court held that Florida Prepaid did not constructively waive its right to state sovereign immunity simply by participating in a nonessential interstate commerce activity. The United States government argued that a state constructively waives its sovereign immunity right when it "runs an enterprise for profit, operates in a field traditionally occupied by private persons or corporations, [and] engages in activities sufficiently removed from 'core' [state] functions." The Court disagreed, holding that "constructive waiver is little more than abrogation" in disguise. Overruling prior case law that recognized constructive waiver, the Court held that waiver only occurs when a state either voluntarily invokes federal jurisdiction or clearly and unequivocally declares its intention to submit to federal jurisdiction. Although *College Savings* involved trademark law, the holding was extended to patent law by the Supreme Court in *Florida Prepaid*. Thus, the Supreme Court held that a state’s participation in patent law did not constructively waive state’s right to sovereign immunity.

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133 Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666 (1999). This case involved the same parties in *Florida Prepaid v. College Savings*. Id. at 670-71. The case addressed the Trademark Clarification Remedy Act ("TRCA"). Id. at 668-90. Similar to the passage of the Patent Remedy Act, Congress passed the TRCA to abrogate a state’s sovereign immunity right with regard to trademark law. Id. at 670. College Savings argued that Florida Prepaid violated trademark law because it made “misstatements about its own tuition savings plans in its brochures and annual reports.” Id. at 671.

134 Id. at 691. Interstate commerce is defined as, “[t]rade and other business activities between those located in different states; esp., traffic in goods and travel of people between states.” *Commerce*, BLACK’S LAW DICTIONARY (10th ed. 2014). In *College Savings*, Florida Prepaid allegedly engaged in interstate commerce by “selling and advertising a for-profit educational investment vehicle” to citizens from different states. *College Savings*, 527 U.S. at 680.

135 College Savings, 527 U.S. at 679-80 (citation omitted). The United States government "intervened to defend the constitutionality of the TRCA." Id. at 671.

136 Id. at 684.

137 See id. at 680 (overruling *Parden v. Terminal R. Co. of Ala. Docks Dept.*, 377 U.S. 184 (1964)) (“Whatever may remain of our decision in *Parden* is expressly overruled.”); id. at 675-76 (citing *Gunter v. Atlantic Coast Line R. Co.*, 200 U.S. 273, 284 (1906)) ("[W]e will find a waiver [] if the State voluntarily invokes our jurisdiction"); id. (citing *Great Northern Life Ins. Co. v. Read*, 322 U.S. 47, 54 (1944)) ("[O]r else if the State makes a ‘clear declaration’ that it intends to submit itself to our jurisdiction.").

immunity. Accordingly, absent voluntary waiver, states can reap the benefits of the patent system and at times avoid it. Following the Florida Prepaid and College Savings decisions, the Federal Circuit adopted the strong presumption of state sovereign immunity with regard to declaratory judgments.

D. THE STATE’S RIGHT TO PROTECT ITS PATENT LICENSEES FROM DECLARATORY JUDGMENTS: A123 SYSTEMS V. HYDRO-QUEBEC

In A123 Systems v. Hydro-Quebec, A123 Systems ("A123") filed a declaratory judgment in the U.S. District Court for the District of Massachusetts on April 7, 2006, "seeking a declaration of noninfringement and invalidity with respect to two patents" asserted by the Board of Regents of The University of Texas System ("UT") and its licensee Hydro-Quebec ("HQ"). In response, UT and HQ sued...
A123 for patent infringement in the United States District Court for the Northern District of Texas on September 1, 2006. HQ also moved to dismiss the declaratory action brought in Massachusetts because UT was a necessary and indispensable party and "could not be joined as a defendant based on its ... sovereign immunity." Even though the declaratory judgment was filed first, the Federal Circuit agreed with HQ and affirmed the dismissal of the declaratory judgment.

1. UT Was a Necessary Party to A123's Declaratory Judgment Action

Patent owners can license their patents to a licensee in exchange for an annual fee called a royalty. Licenses can be non-exclusive or exclusive. A non-exclusive license is one that the patent owner can grant to multiple people or companies; an exclusive license is one that the patent owner can only grant to one person or one company. A patent owner can further limit an exclusive or non-exclusive license by making it a "field of use" license, typically by limiting the licensee to only make, use, sell, offer for sale, or import the patented invention in a specific area of technology, science, or industry.

143 A123, 626 F.3d at 1216.
144 Id. at 1219. "The general rule in patent cases is ... the forum of the first-filed case is favored, unless considerations of judicial and litigant economy, and the just and effective disposition of disputes, require otherwise." A123 Sys., Inc. v. Hydro-Quebec, 657 F. Supp. 2d 276, 279 (D. Mass. 2009), aff'd, 626 F.3d 1213 (Fed. Cir. 2010). In this case, the District Court in Massachusetts deferred to the later-filed case because it could not administer an effective disposition of the case without the state patent owner. See id. at 281 ("[It is appropriate for the declaratory action, though first-filed, to yield to the Texas Action, where the court can achieve a full resolution of the dispute without subjecting the parties to the risks inherent in multiple lawsuits.").

146 Royalty, BLACK'S LAW DICTIONARY (10th ed. 2014) ("A payment — in addition to or in place of an up-front payment — made to an author or inventor for each copy of a work or article sold under a copyright or patent.").
147 License, BLACK'S LAW DICTIONARY (10th ed. 2014) ("A [nonexclusive] license of intellectual-property rights that gives the licensee a right to use, make, or sell the licensed item on a shared basis with the licensor and possibly other licensees.").
148 Id. ("A[exclusive] license that gives the licensee the sole right to perform the licensed act, often in a defined territory, and that prohibits the licensor from performing the licensed act and from granting the right to anyone else ... ").
149 Thus, there can be more than one exclusive licensee at a given time, if each license is geographically limited or commercially limited by market segment. See R. CARL MOY, MOY'S WALKER ON PATENTS: SPECIFIC ACTS OF MISUSE—RESTRICTIONS ON LICENSEE'S FREEDOM OF ACTION—TERRITORIAL LIMITATIONS § 18:33 (4th ed. 2017). ("One relatively common type of term that exists in licenses of patent rights are restrictions as to the location at which
Under patent law, both non-exclusive and exclusive licensee with less than all substantial rights in a patent, such as an field-of-use licensee, lack standing to sue for infringement without joining the patent owner.”

“An accused infringer must likewise join both the exclusive licensee and the patentee in a declaratory action because the patentee is a necessary party.” In A123, the Federal Circuit held that HQ was an exclusive licensee, but the license was restricted to specific fields of use. Therefore, “UT [was] a necessary party to A123’s declaratory judgment action” because it retained substantial rights in the patent.

2. State Sovereign Immunity Prevented A123 from Joining UT

A123 argued that UT’s voluntary participation in the Texas infringement suit waived its right to state sovereign immunity. However, when a state or its instrumentalities files a patent infringement suit, it only consents to litigation “in the same forum [for] all compulsory counterclaims, i.e., those arising from the same transaction or occurrence that gave rise to the state’s asserted claims.” Thus, a “state university’s participation in one lawsuit does not amount to a waiver of immunity in a separate lawsuit, even one involving the same patents.” Accordingly, A123 could not join UT to its declaratory action in the District Court of Massachusetts because “UT’s waiver of . . . immunity in a patent infringement suit in . . . Texas did not result in a waiver of immunity” in A123’s separate action.

150 Id. at 1217 (citing Int’l Gamco, Inc. v. Multimedia Games, Inc., 504 F.3d 1273, 1278-79 (Fed. Cir. 2007); Waterman v. Mackenzie, 138 U.S. 252, 255 (1891)).
151 Id. at 1216-17 (citing Enzo APA & Son, Inc. v. Geapag A.G., 134 F.3d 1090, 1094 (Fed. Cir. 1998)).
152 See id. at 1217 (“[A]n exclusive license to . . . rechargeable batteries with a solid electrolyte, gelled, plasticized or not plasticized, and . . . to manufacture and sell lithium iron phosphate (‘LiFePO4’) in bulk quantities for [various] applications.”).
153 Id. at 1219.
154 Id.
155 Regents of Univ. of New Mexico v. Knight, 321 F.3d 1111, 1126 (Fed. Cir. 2003) (emphasis added).
156 A123, 626 F.3d at 1219 (citing Biomedical Patent Mgmt. Corp. v. Cal., Dep’t. of Health Services, 505 F.3d 1328, 1339 (Fed. Cir. 2007)) (“[W]here a waiver of immunity occurs in one suit, the waiver does not extend to an entirely separate lawsuit, even one involving the same subject matter and the same parties.”).
157 Id. at 1220.
3. Dismissal Was Appropriate Because UT Was an Indispensable Party

Finally, the Federal Circuit had to determine whether UT was an indispensable party to the litigation. When joinder of a necessary party is not feasible," the court determines whether the party is indispensable and dismissal is appropriate by asking whether: (1) the judgment would prejudice the absent or existing parties; (2) the prejudice "could be lessened or avoided"; (3) the judgment would be adequate; and (4) dismissal would preclude the plaintiff from seeking adequate remedies. If UT was a dispensable party, then A123 could proceed with its declaratory action against HQ alone. The Federal Circuit affirmed the District Court of Massachusetts’ dismissal of A123’s declaratory action because UT was an indispensable party.

Ruling on the first factor, the District Court of Massachusetts found that retaining jurisdiction over A123’s action would prejudice UT’s interests in the patents because the patents could be ruled invalid without the opportunity to defend the patents. Touching on the third factor, the District Court “implicitly found that a judgment without UT would be inadequate” because there was a risk of multiple suits and diverging liabilities against A123’s single act of infringement. The Federal Circuit noted, “because HQ is a field-of-use licensee and UT has retained non-overlapping rights in the patents in suit, UT may very well be able to assert infringement claims against A123 that HQ cannot, creating the risk of multiple lawsuits and of inconsistent relief.” Relying on the fourth factor, the District Court found that A123 could seek adequate remedies and defenses in the Texas infringement case filed by UT and HQ. Three of the four factors proved that UT was an indispensable party and thus, the District Court dismissed A123’s declaratory action.
4. The State’s Right to Protect Its Patent Licensees from Declaratory Judgments

A123 is a prominent example of states taking advantage of the Supreme Court’s absolute submission to state sovereign immunity that resulted from Florida Prepaid and College Savings. After A123, states had the power to infringe others’ patents without repercussions, enforce their patents, yield substantial sums of money from lucrative licenses, and protect their licensees from declaratory judgments in unfavorable forums. Justice Stevens’ fear of the states’ undermining patent law was slowly taking shape. It was only a matter of time before states used the holdings in Florida Prepaid, College Savings, and A123 to avoid USPTO proceedings.

E. THE STATE’S RIGHTS IN IPR PROCEEDINGS

Based on the Supreme Court’s aggressive application of state sovereign immunity, it was likely that agency proceedings would feel the effects of Florida Prepaid, College Savings, and A123. This section details the intrusion of state sovereign immunity into agency proceedings and the eventual application of the doctrine to USPTO proceedings. Coinciding with the drastic evolution of the U.S. patent system and the explosion of technological innovation, the Supreme Court once again decided to undermine patent law and Congress’ attempt to promote the “Progress of ... useful Arts.” These decisions represent the final state sovereign immunity rights in patent law that motivated Allergan’s attempt to manipulate and circumvent the patent laws by renting sovereign immunity.

1. Background: State Sovereign Immunity’s Dominance over Agency Proceedings


In Federal Maritime Commissioner v. South Carolina State Ports Authority (“FMC”), the Supreme Court held that state sovereign immunity precluded a federal agency from “adjudicating a private party’s complaint” against a state instrumentality.


168 U.S. Const. art. I, § 8, cl. 8.


170 Id. at 747; id. at 160 (“Given both this interest in protecting States’ dignity and the strong similarities between FMC proceedings and civil litigation, we hold that state sovereign immunity bars the FMC from adjudicating complaints filed by a private party against a nonconsenting State.”).
FMC concerned the Federal Maritime Commission’s administration of an adjudicatory complaint filed by a private party against a state-ran shipping port that violated the Shipping Act of 1984.\textsuperscript{171} Relying on the *Hans* presumption and its *Seminole Tribe* decision, the Supreme Court reasoned:

\begin{quote}
[If] the Framers thought it an impermissible affront to a State’s dignity to be required to answer the complaints of private parties in federal courts, we cannot imagine that they would have found it acceptable to compel a State to do exactly the same thing before the administrative tribunal of an agency . . . .\textsuperscript{172}
\end{quote}

The Supreme Court found a *Hans* presumption, holding that the state instrumentality was entitled to state sovereign immunity because of the strong similarities between civil litigation and a Federal Maritime Commission proceeding.\textsuperscript{173} This broad application of state sovereign immunity to administrative proceedings would eventually have a profound effect on patent law, the USPTO’s proceedings, and flexible and progressive Congressional legislation.

\begin{quote}
\textit{b. Extending FMC to Patent Law: Vas-Cath v. Curators of University of Missouri}\textsuperscript{174}
\end{quote}

In 2007, the Federal Circuit followed the Supreme Court’s FMC decision in \textit{Vas-Cath v. Curators of the University of Missouri}.\textsuperscript{175} In *Vas-Cath*, the University of Missouri initiated an interference proceeding, which the USPTO conducts when two unrelated inventors file applications for patents on the same invention,\textsuperscript{176}

\begin{footnotes}
\textsuperscript{171} Id. at 743.
\textsuperscript{172} Id at 760 (citing Alden v. Maine, 527 U.S. 706, 730 (1999)). The *Hans* presumption states that “the Constitution was not intended to ‘raise up’ any proceedings against the States that were ‘anomalous and unheard of when the Constitution was adopted.’” Id. at 755 (quoting *Hans v. Louisiana*, 134 U.S. 1, 18 (1890)).
\textsuperscript{173} Id. at 756-59 (listing a number of similarities between a Federal Maritime Commission proceeding and civil litigation). The agency’s “Rules of Practice and Procedure” were strikingly similar to the Federal Rules of Civil Procedure. Id. at 757. Its discovery process and hearings were nearly identical to discovery proceedings in federal civil litigation. Id. at 758. The role of the administrative law judge, an “impartial officer designated to hear a case,” was almost indistinguishable from an Article III judge. Id. at 758-59.
\textsuperscript{174} Vas-Cath, Inc. v. Curators of the Univ. of Mo. (*Vas-Cath*), 473 F.3d 1376 (Fed. Cir. 2007).
\textsuperscript{175} Id. at 1382.
\textsuperscript{176} “A patent interference proceeding, 35 U.S.C. § 135, is conducted for the purpose of determining priority of invention as between competing applicants for patent on the same invention.” Id. at 1378.
\end{footnotes}
after Vas-Cath's patent was issued while the University's patent was pending.\textsuperscript{177} Based on the law at the time, only the first party to invent would be granted the patent.\textsuperscript{178} The USPTO awarded the University of Missouri the patent, however, and Vas-Cath appealed.\textsuperscript{179} The district court held that the University of Missouri did not waive its right to sovereign immunity and therefore, dismissed the suit.\textsuperscript{180}

The Federal Circuit disagreed, holding that the University expressly waived its right to sovereign immunity when it voluntarily "invoked the statutory system of agency adjudication of a contested claim to patent property."\textsuperscript{181} An interference proceeding provides the losing party a statutory right to judicial review.\textsuperscript{182} The University voluntarily petitioned for an interference proceeding and thus waived its right to state sovereign immunity.\textsuperscript{183}

The more important aspect of this case is the Federal Circuit's adoption and application of FMC in USPTO interference proceedings.\textsuperscript{184} The Federal Circuit noted that interference proceedings "involve adverse parties, examination and cross-examination by deposition of witnesses, production of documentary evidence, findings by an impartial federal adjudicator, and power to implement the decision."\textsuperscript{185} Therefore, the Federal Circuit's findings implied that states are

\begin{footnotesize}
\begin{enumerate}
\item[\textsuperscript{177}] Vas-Cath, 473 F.3d at 1379.
\item[\textsuperscript{178}] See NARD, supra note 73, at 246 ("The process—within the USPTO—by which priority is determined is called an interference."). Prior to the enactment of the AIA, the first party to invent would be granted priority over all others and thus, would be granted the patent. See id. ("Section 102(g)(1) is the priority provision, which is invoked when two or more parties claim the same invention . . . each party involved in a priority contest is asserting he invented first, is therefore asking the USPTO or a court to award priority of invention to him."). Following the passage of the AIA in 2011 and its adoption on March 16, 2013, the first party to file a patent is granted the patent. Id. at 246 n.5, 306 ("[T]he AIA determines priority based on filing date—the first inventor to file a patent application claiming the invention is awarded the patent."). For the purposes of this article, the "first to invent" concept is not important. What is important is to focus on the similarities between an interference proceeding and civil litigation.
\item[\textsuperscript{179}] Vas-Cath, 473 F.3d at 1379.
\item[\textsuperscript{180}] Id. at 1380.
\item[\textsuperscript{181}] Id. at 1383; see also New Hampshire v. Ramsey, 366 F.3d 1 (1st Cir. 2004) ("[W]hen the state voluntarily participated in a federal administrative forum whose action would be reviewed in federal court, the state waived its immunity"); Lapides v. Bd. of Regents of Univ. Sys. of Ga., 535 U.S. 613 (2002) (holding that a state defendant's voluntary removal of an action from state to federal court waives sovereign immunity).
\item[\textsuperscript{182}] See Vas-Cath, 473 F.3d at 1382 ("[T]he interference proceeding is a multi-part action with appeal as of right, starting in the PTO and culminating in court.").
\item[\textsuperscript{183}] Id. at 1385 ("The University initiated and participated in the contested [USPTO] interference against Vas-Cath; we conclude that the University cannot both retain the fruits of that action and bar the losing party from its statutory right of review, even if that review is conducted in federal court.").
\item[\textsuperscript{184}] Id. at 1382.
\item[\textsuperscript{185}] Id. (citations omitted).
\end{enumerate}
\end{footnotesize}
immune from USPTO interference proceedings, absent voluntary waiver. More importantly, the Federal Circuit applied the FMC test to determine when a USPTO proceeding is subject to state sovereign immunity. Following the Federal Circuit’s Vas-Cath decision, the PTAB eventually found that states are immune from IPR proceedings, absent voluntary waiver.

2. The State’s Right to Immunity from IPR Proceedings

a. The Explosion in Patent Litigation and the Passage of the American Invents Act

Following the rapid growth in patent litigation from 1990 to 2011, “Congress overhauled and expanded the PTO’s processes for reconsidering the patentability of weak patents by passing the AIA and creating the PTAB and IPRs.” An IPR allows a third party to challenge the validity of one or more claims...
of a patent only on 'ground(s)' of novelty and obviousness. IPRs provide defendants accused of patent infringement an alternative route to pursue an invalidity challenge against the patents in suit. If the defendant files a petition for an IPR, then the patent owner can file a preliminary response arguing against the institution of the IPR. The USPTO Director then decides whether "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged." If the Director decides to institute an IPR, then a panel of three PTAB administrative judges examine the validity of the challenged patent. The IPR proceeding has several procedural intricacies, but it will end with either the PTAB's termination of the IPR or a final written decision regarding the validity of the patent. If the PTAB's makes final written decision, then the Director will make a certification that cancels the challenged patent claims. Inevitably, third parties and defendants petitioned seeking IPRs of patents held by states. Predictably, the Federal Circuit and the PTAB submitted to the overwhelming reach of state sovereign immunity.

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35 U.S.C. § 311(b) (2012). Additionally, an IPR is limited to "prior art consisting of patents or printed publications." Id.

"A person who is not the owner of a patent may file . . . [IPR]." 35 U.S.C. § 311(a). Thus, a patent infringement defendant may petition for an IPR as long as the petition is made less "than 1 year after the date on which the [defendant] . . . is served with a complaint alleging infringement of the patent." Id. § 315(b).

35 U.S.C. § 312 (discussing how to file a petition); id. § 313 (discussing a preliminary response to a petition).

Id. § 314(a).

Id. §§ 6(c), 316(c).

Id. §§ 316, 317(a), 318(a).

Id. § 318(b).

See Part II.E.2.b, infra.

Id.
a. Extending State Sovereign Immunity to Inter Partes Reviews: Covidien LP v. University of Florida Research Foundation Incorporated

In Covidien LP v. University of Florida Research Foundation Inc., the PTAB concluded that "the considerable resemblance" between IPR proceedings and civil litigation was "sufficient to implicate the immunity afforded to the States by the Eleventh Amendment." In a separate suit, the University of Florida Research Foundation ("UFRF") filed an action in a Florida state court, alleging that Covidien breached a licensing contract involving UFRF's patent. Covidien filed three petitions requesting an IPR of UFRF's patent. Applying the FMC standard adopted in Vas-Cath by the Federal Circuit, the PTAB exhaustively compared IPR proceedings to civil litigation. The PTAB noted that "there are several similarities between civil litigation and inter partes review that are not unlike those compared in Vas-Cath for interferences." The PTAB found that UFRF was a State of Florida instrumentality and thus, its patent was immune from an IPR. Thus, states acquired immunity from IPR proceedings, absent voluntary waiver. Realizing the power obtained from the PTAB's Covidien decision, states began protecting their licensees from IPR proceedings.

200 Id. at 24.
201 Id. at 3 (citing Univ. of Fla. Res. Found., Inc. v. Medtronic PLC, CASE NO. 1:16CV183-MW/GRJ, 2016 WL 3869877 (N.D. Fla. July 15, 2016)).
202 Id. at 4.
203 Id. at 24; see id. at 18-24 (discussing similarities between IPR and civil litigation petitions, discovery, protective orders, APJs and Article III judges, and the APJs review of the merits). The PTAB agreed with the UFRF that IPR proceedings are adversarial cases "routinely held before panels of three impartial administrative patent judges (APJs), immune from political influence, who serve a role functionally comparable to that of an Article III judge." Id. at 17-18, 23-24. Additionally, UFRF and the PTAB pointed out that the APJ's powers to rule on evidence, enforce procedural rules, exercise independent judgment, and compel testimony all resemble civil litigation. Id. at 18, 22-23. Furthermore, IPR proceedings require both parties to submit pleadings supporting their positions similar to pleadings submitted in civil litigation. Id. at 20-21.
204 Id. at 24; see id. at 25 (noting that "the manner of discovery, adversarial nature of the proceeding, role of the APJ, and the applicability of the Federal Rules of Evidence in an inter partes review largely mirrors that involved in an interference proceeding.").
205 Id. at 39.
3. The State's Right to Protect Its Patent Licensees from IPR Proceedings:
Neochord, Inc. v. Univ. of Md., Baltimore\(^{206}\)

In Neochord Inc. v. University of Maryland, Baltimore, the PTAB dismissed the IPR proceeding against Harpoon Medical, University of Maryland, Baltimore’s (“UMB”) licensee, because UMB raised its state sovereign immunity defense, could not be joined to the proceeding, and was a necessary and indispensable party.\(^{207}\) UMB concocted its argument by combining the Federal Circuit’s holding in *A123* and the PTAB’s *Covidien* decision.\(^{208}\) The PTAB’s findings that state sovereign immunity applied to IPR proceedings were nearly identical to the ones presented in *Covidien*.\(^{209}\) UMB argued that it retained substantial rights in the patent because it “retain[ed] the right to sue a third party for infringement if Harpoon Medical fail[ed] to do so.”\(^{210}\) Additionally, UMB could “license the ‘386 patent to government agencies, universities, educational institutions, and certain non-profit entities.”\(^{211}\) Thus, UMB could not be joined due to its state sovereign immunity, and the case was dismissed because UMB was a necessary and indispensable party.\(^{212}\) *Neochord* represents the state’s right to protect its licensee from IPR proceedings. This was the last right in the bundle that Allergan needed to effectively carry out its plan to manipulate and circumvent patent law.

F. THE BUNDLE OF STATE SOVEREIGN IMMUNITY RIGHTS IN PATENT LAW: ESTABLISHING ALLERGAN’S FOUNDATION TO CIRCUMVENT IPR PROCEEDINGS

Stevens’ fears expressed in his *Florida Prepaid* dissent over the states’ increasing involvement in patent law and the unfair advantages granted by the *Florida Prepaid* majority were finally coming to fruition. From *Florida Prepaid* to *Neochord*, the Supreme Court’s vast expansion of state sovereign immunity armed the states with a powerful bundle of rights: (1) the right to avoid patent infringement; (2) the right to reap the benefits of the patent system without constructively waiving the right to state sovereign immunity; (3) the state’s right

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\(^{207}\) Id. at 20.

\(^{208}\) See id. at 4, 19 (professing arguments nearly identical to the ones presented in *Covidien* and relying on *A123* to show that the licensee possessed “less than ‘substantially all’ rights” in the patent at issue).

\(^{209}\) See id. at 4-7 (using the FMC standard and the Federal Circuit’s *Vas-Cath* decision to find that state sovereign immunity applies to IPR proceedings).

\(^{210}\) Id. at 19.

\(^{211}\) Id.

\(^{212}\) Id. (applying the *A123* standard used by the Federal Circuit).
to protect its patent licensees from declaratory judgments; (4) the right to immunity from IPR proceedings; and (5) the state’s right to protect its patent licensees from IPR proceedings.

Recognizing the advantages of state patent owners, and relying on the presumption that *Coviddien* and *Neochord* applied to tribal sovereign immunity, Allergan assigned its RESTASIS patents to the Mohawk Tribe in hopes of protecting its patents from IPR proceedings based on tribal sovereign immunity. Allergan’s strategy is essentially an attempt to rent tribal sovereign immunity to circumvent an IPR proceeding. Part III explores Allergan’s strategy and the PTAB’s decision. Part III ends by examining an alternate strategy of monetizing state sovereign immunity.

IV. MONETIZING TRIBAL AND STATE SOVEREIGN IMMUNITY IN PATENT LAW: AN ATTEMPT TO NEUTRALIZE THE PATENT DEATH SQUAD

Facing challenges to the validity of its RESTASIS patents in an IPR proceeding, Allergan decided to “rent” the bundle of state sovereign immunity rights in patent law. Allergan’s strategy can be summed up in three steps: (1)

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213 See *Mylan Pharma., Inc. v. Saint Regis Mohawk Tribe (Mylan I)*, No. IPR2016-01127, 7-8 (P.T.A.B. Feb. 23, 2018) (Paper 130 at 7-8) (noting that the Mohawk Tribe and Allergan relied on *FMC*, *Coviddien*, and *Neochord*).

214 Allergan Press Release, * supra* note 10 (“The Saint Regis Mohawk Tribe and its counsel approached Allergan with a sophisticated opportunity to strengthen the defense of our RESTASIS® intellectual property in the upcoming *inter partes* review proceedings before the Patent Trial and Appeal Board...”).

215 See *Allergan, Inc. v. Teva Pharm. USA, Inc. (Allergan I)*, No. 2:15-cv-1455-WCB, 2017 WL 4619790, slip op. at *2 (E.D. Tex. Oct. 16, 2017) ("In reality [Allergan] has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to *rent*—the Tribe’s sovereign immunity in order to defeat the pending IPR proceedings in the PTO.") (emphasis added).

216 Patent owners refer to the PTAB as the patent death squad because of the number of patents the PTAB has essentially killed. See Rob Sterne & Gene Quinn, *PTAB Death Squads: Are All Commercially Viable Patents Invalid?,* IPWATCHDOG (Mar. 24, 2014), http://www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/ (“These bleak statistics have lead Federal Circuit Chief Judge Randall Rader to at the AIPLA annual meeting in October 2013 call the PTAB ‘death squads killing property rights.’").

217 See *Mylan I* No. IPR2016-01127 at 7-8 (noting that the Mohawk Tribe and Allergan relied on *FMC*, *Coviddien*, and *Neochord*). See discussion of the dispute between Allergan and Mylan *infra* Part III.B.2. However, Judge William C. Bryson, a Federal Circuit judge temporarily sitting in the Eastern District of Texas District Court, issued an opinion regarding the joinder of the Mohawk Tribe to the ongoing litigation between Allergan and Mylan. *Allergan I*, 2017 WL 4619790 he stated, “[It] is clear that Allergan’s motivation for the assignment was to attempt to avoid the IPR proceedings that are currently pending in the PTO by invoking the Tribe’s sovereign immunity as a bar to those proceedings.” *Id.* at *2*. He noted, “[In reality [Allergan] has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to *rent*—the
assign a patent to a sovereign entity; (2) acquire an unrestricted, exclusive license to the patent from the sovereign entity; and (3) have the sovereign entity invoke its immunity to obtain dismissal of an IPR proceeding against the patent.\textsuperscript{218} For efficiency, this strategy can be referred to as the assign-license-immunize strategy or the “ALI strategy.” This is basically an attempt to neutralize the PTAB, better known as the “Patent Death Squad.”\textsuperscript{219} However, Allergan’s monetization of sovereign immunity in patent law has vast implications for IPR proceedings and the public at large.\textsuperscript{220} Part III explores Allergan’s ALI strategy, the PTAB’s reaction to the ALI strategy with regards to tribal sovereign immunity, and the implications of monetizing tribal sovereign immunity in patent law. Additionally, Part III looks at Congressional response to the ALI strategy and the alternative option of monetizing state sovereign immunity in patent law.

A. Obtaining Approval from the Federal Drug Administration and the Hatch-Waxman Act

Before addressing the RESTASIS IPR proceedings, it is important to understand the terminology and processes pertaining to the underlying suit. This section briefly discusses the process of obtaining Food and Drug Administration (“FDA”) approval for a new drug and highlights specific areas of the Drug Price Competition and Patent Term Restoration Act of 1984 (the “Hatch-Waxman Act”) that gave rise to the dispute.\textsuperscript{221}
1. FDA Approval Process: New Drug Applications

Allergan is a brand name pharmaceutical company ("brand name company") that develops, manufactures, markets, and sells brand name drugs. Before marketing a new drug, brand name companies must file a New Drug Application ("NDA") with the FDA. The NDA proves to the FDA that the new drug "is safe and effective for its proposed indications." Gaining FDA approval for a new drug can be a lengthy and costly process due to the extensive clinical trials required. However, once the FDA approves the NDA, the brand name company can market and sell the drug to the public. Brand name companies that receive FDA approval for a drug and own patents preserving its exclusivity over the drug wield substantial power to limit access to that drug through prices.
and manufacturing.\textsuperscript{227} To increase public access to drugs through competition, Congress passed the Hatch-Waxman Act.\textsuperscript{228}

2. \textit{The Hatch-Waxman Act: Increasing Public Access, but Creating Litigation}\textsuperscript{229}

The Hatch-Waxman Act offers generic drug companies the option to file an Abbreviated New Drug Application ("ANDA") to market generic drugs.\textsuperscript{230} An ANDA improves competitiveness in the market by decreasing the cost and time required for FDA approval.\textsuperscript{231} An ANDA is less costly and takes less time for FDA approval because it relies "on the safety and efficacy studies previously

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{227} See Aaron Berman et al., \textit{Curbing Unfair Drug Prices: A Primer for States}, GLOB. HEALTH JUST. PARTNERSHIP YALE L. SCH. \& YALE SCH. PUB. HEALTH NAT'L PHYSICIANS ALLIANCE UNIVERSAL HEALTH CARE FOUND. CONN. (Aug. 2017) ("Instead, inflated drug prices are a result of drug manufacturers' power to charge whatever price the market will bear."); \textit{Allergan II}, 2017 WL 4803941, slip op. at *13 (noting the need to balance the monopoly granted to pharmaceutical brand name drug companies by creating competition in the Hatch-Waxman statute, infra); see, e.g., Melody Petersen, \textit{Here's Why Drug Prices Rise Even When There's Plenty of Competition}, L.A. TIMES (Sept. 1, 2016), http://www.latimes.com/business/la-fi-mylan-price-hikes-20160830-snap-story.html ("The [EpiPen] drug's patent expired decades ago, but Mylan holds a patent on the automatic injection device. Mylan made EpiPen into its first billion-dollar product through the price hikes and by spurring demand.").
\item \textsuperscript{228} See \textit{Allergan II}, 2017 WL 4803941, slip op. at *13 (citing Andrx Pharms., Inc. v. Biovail Corp., 276 F.3d 1368, 1371 (Fed. Cir. 2002)) ("The Hatch-Waxman Act was intended to strike a balance between two competing policy interests: (1) to induce pioneering research and development of new drugs; and (2) to enable competitors to bring low-cost generic copies of those drugs").
\item \textsuperscript{229} See 21 U.S.C. §§ 355, 360 (2012) (codifying the Hatch-Waxman Act in the code of federal regulations); 35 U.S.C. §§ 156, 271, 282 (2012) (describing how the Hatch-Waxman Act interacts with patent law); see also Allen M. Sokal & Bart A. Gerstenblith, \textit{The Hatch-Waxman Act: Encouraging Innovation and Generic Drug Competition}, FINNEGAN 9 (Winter 2010) ("As pharmaceutical research and development continues, and as generic drug applications increase in number, it is likely that there will be a corresponding increase in patent litigation as a means of resolving patent rights.").
\item \textsuperscript{231} See Sokal & Gerstenblith, supra note 229, at 8 (noting that ANDAs were created to "increase[e] public access to generic drugs by decreasing the time and cost of seeking FDA approval.").
\end{enumerate}
\end{footnotesize}
submitted as part of the" brand name company's NDA.\textsuperscript{232} To take advantage of those studies, the generic company that files an ANDA must "scientifically demonstrate that their product is [sic] performs in the same manner as the [brand name] drug."\textsuperscript{233} Typically, generic companies demonstrate this through bioequivalence or the "time it takes the generic drug to reach the bloodstream in healthy volunteers."\textsuperscript{234} FDA approval is granted when the generic company can show that its generic drug "deliver[s] the same amount of active ingredients into a patient's bloodstream in the same amount of time as the innovator."\textsuperscript{235}

Additionally, an ANDA requires the generic company to request one of four certifications that relate to patents published in a book titled Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the "Orange Book."\textsuperscript{236} The Orange Book lists each NDA drug along with its corresponding patents.\textsuperscript{237} For example, the RESTASIS drug is listed in the Orange Book with its six corresponding patents.\textsuperscript{238} The fourth certification ("Paragraph IV Certification") states, "that such patent is invalid or will not be infringed by the manufacture, use, or sale of the new drug for which the application is submitted."\textsuperscript{239} Requesting a Paragraph IV Certification notifies the FDA that the generic company plans to manufacture, use, and/or sell the generic drug before the listed patents expire.\textsuperscript{240} Statutorily, a generic company's decision to make a Paragraph IV Certification is in itself an act of infringement and requires the

\textsuperscript{232} Id. Unlike a brand name company that files an NDA, generic companies filing ANDAs are generally "not required to include preclinical [animal] and clinical [human] safety and efficacy testing." EXPLAINING FDA ANDA APPLICATIONS, supra note 230.

\textsuperscript{233} EXPLAINING FDA ANDA APPLICATIONS, supra note 230.

\textsuperscript{234} Id.

\textsuperscript{235} Id.

\textsuperscript{236} See 21 U.S.C. § 355(j)(2)(A)(vi)(I)-(IV) (2012) (requiring a generic company to select between four certifications when filing an ANDA); see also, Sokal & Gerstenblith, supra note 229, at 6 ("A second valuable notice provision of the Hatch-Waxman Act requires that ANDA-applicants make one of four 'certifications' with respect to each patent listed in the Orange Book for the particular drug to which the ANDA is directed.").

\textsuperscript{237} See Sokal & Gerstenblith, supra note 229, at 6 (citing 21 U.S.C. § 355(j)(7)(A)(i)-(iii) (2006)) ("The FDA publishes the patent information in a book titled Approved Drug Products with Therapeutic Equivalence Evaluations, commonly referred to as the 'Orange Book' because its original cover was orange."). (emphasis added).


\textsuperscript{240} See Sokal & Gerstenblith, supra note 229, at 7 ("If, however, an applicant wishes to obtain FDA approval during the term of a listed patent, it must make a paragraph IV certification.").
generic company to provide the brand name company with a "detailed statement of the factual and legal basis of the opinion of the applicant that the patent is invalid or will not be infringed."\(^{241}\) After receiving notice of the challenge to its patent(s), the brand name company has forty-five days to file a patent infringement suit against the generic company.\(^{242}\) If the brand name company files a suit against the ANDA applicant, then Hatch-Waxman litigation ensues and the generic company’s ANDA is put on hold at the FDA.\(^{243}\) If the generic company loses the case, it must wait until the patents expire before marketing its generic drug.\(^{244}\) If it wins, it can seek FDA approval right away.\(^{245}\)

B. FRAMING THE ALLERGAN AND MYLAN DISPUTE\(^{246}\)

1. The Lucrative RESTASIS Drug and Patents

Allergan’s RESTASIS drug is an eye drop that “help[s] increase [the] eye’s natural ability to produce tears, which may be reduced by inflammation due to Chronic Dry Eye.”\(^{247}\) Allergan has six patents on the RESTASIS drug that grant it the right to exclude others from making, using, selling, offering for sale, and

\(^{241}\) 35 U.S.C. Section 271(e) (2012); 21 U.S.C. § 355(j)(2)(B)(iv)(II); \textit{see also} Sokal & Gerstenblith, \textit{supra} note 229, at 6 (citing 21 U.S.C. § 355(j)(2)(B)(iii) (2006)) (“The Hatch-Waxman Act requires that when an applicant makes a paragraph IV certification, the applicant must provide notice of such certification to the patent owner and holder of the NDA for the branded drug to which the ANDA applies.”).


\(^{243}\) \textit{See} 21 U.S.C. § 355(j)(5)(B)(iii) (2012) (requiring the FDA to hold approval of the generic drug while the court decides on the infringement action and invalidity challenge); \textit{see also}, Sokal & Gerstenblith, \textit{supra} note 229, at 6 (“If, however, the patent owner files suit within 45 days, the FDA is prohibited from approving the ANDA for 30 months . . . .”).

\(^{244}\) \textit{See} 35 U.S.C. § 271(e)(4)(A) (2006) (noting that if the generic loses the Hatch-Waxman Litigation, then “the court shall order the effective date of any approval of the drug or veterinary biological product involved in the infringement to be a date which is not earlier than the date of the expiration of the patent which has been infringed”).

\(^{245}\) \textit{Set} 21 U.S.C. § 355 (j)(5)(B)(iii)(I)(aa) (“If . . . . the district court decides that the patent is invalid or not infringed . . . . the approval shall be made effective on the date on which the court enters judgment reflecting the decision”).


\(^{247}\) \textit{RESTASIS, APPROVED USE}, https://www.restasis.com/ (last visited Apr. 9, 2018); \textit{see also} \textit{Allergan II}, 2017 WL 4803941, slip op. at *1 (“Dry eye is a progressive condition that afflicts a substantial number of ophthalmic patients. It can cause great discomfort and sometimes leads to serious complications that can threaten the patient’s eyesight.”).
importing the drug. Allergan earned nearly $1.5 billion in revenue in 2016 from sales of the RESTASIS drug. Thus, attacks Allergan’s patents and exclusive rights over the RESTASIS drug would have serious implications for the company.

2. Attacks on the RESTASIS Patents

In 2015, Mylan Pharmaceuticals Inc. and Mylan Inc. (collectively, “Mylan”), a generic drug company, filed an ANDA application seeking FDA approval, indicating that it intended to manufacture and sell a generic version of the RESTASIS drug prior to the patents’ expiration. Mylan made the Paragraph IV Certification in its ANDA application. After receiving notification from Mylan of its Paragraph IV Certification, Allergan filed a patent infringement action against Mylan under the Hatch-Waxman Act and section 271(e)(2) of Title 35, asserting that the filing of an ANDA with that certification was an act of infringement.

In response, Mylan argued that the RESTASIS patents were

invalid and unenforceable and thus did not infringe the patents. Additionally, Mylan petitioned to institute an IPR against the RESTASIS patents. The PTAB instituted the IPR proceeding against the RESTASIS patents on December 8, 2016. If Mylan could prove that the RESTASIS patents are invalid, then Allergan would lose its right to exclude others from manufacturing and selling its blockbuster drug. Facing the possible death of its valuable RESTASIS patents, Allergan employed the ALI strategy. 

concern with the monetization of sovereign immunity in patent law. See Allergan I, 2017 WL 4619790, slip op. at *3 (“[S]overeign immunity should not be treated as a monetizable commodity that can be purchased by private entities as part of a scheme to evade their legal responsibilities.”).

See Allergan II, 2017 WL 4803941, slip op. at *13 (“The defendants answered that the Restasis patents are invalid on several grounds, and that none of the defendants infringe the Restasis patents.”). For purposes of this article, the details concerning the invalidity challenges and decisions are irrelevant. See id. at *17-60 (discussing the invalidity challenges and holding RESTASIS patent claims invalid).

See Mylan Pharma., Inc. v. Allergan, Inc., Case IPR2016-01127 (P.T.A.B. Dec. 8, 2016) (Paper 8) (instituting the IPR against the RESTASIS patents). Defendants filed IPRs in response to a patent infringement suit hoping the “Patent Death Squad” or the PTAB would invalidate portions or all of the patent(s) at issue in the federal district court. See Susan Decker, Patent ‘Death Squad’ Pitting Tech and Pharma Heads to Supreme Court, BLOOMBERG (Nov. 27, 2017), https://www.bloomberg.com/news/articles/2017-11-27/patent-death-squad-pitting-tech-and-pharma-heads-to-high-court (“Critics call the review board a ‘death squad’ because it uses a different legal standard than courts and is more likely to cancel a patent.”); Anton Hopen, Supreme Court and Patent Death Squad, SMITH & HOPEN (Nov. 28, 2017), https://www.smithhopen.com/news_detail/677/Supreme-Court-and-Patent-Death-Squad (“Most IPR petitions are filed by patent infringement defendants. Typically, a company is sued for patent infringement and within one year, the defendant files an IPR petition.”). IPRs provide the defendant an additional forum to invalidate the patents at issue. Justin Oliver & Michael Scerbo., Is PTAB ‘death squad’ just a myth?, FITZPATRICK (June 2015), https://www.fitzpatrickcella.com/wpcontent/uploads/IS%20PTAB%20death%20squadоборот_оливер.бершадский.scerbo_IPM2015.pdf (“[IPRs] they pit a petitioner seeking to invalidate a patent against the respondent owner”). Additionally, defendants prefer IPR proceedings over federal district court proceedings to invalidate patents because the standard to invalidate a patent is lower, the proceedings are resolved faster, and the overall cost is lower. See Decker, supra (noting that IPRs are “designed to be a low-cost alternative to lawsuits”); Hopen, supra (“While granted patents are presumed valid by a clear and convincing standard, instituted IPR proceedings lowered that standard to a ‘preponderance.’”).

See Mylan Pharma., Inc. v. Allergan, Inc., Case IPR2016-01127 (P.T.A.B. Dec. 8, 2016) (Paper 8) (instituting the IPR against the RESTASIS patents).

See Allergan I, 2017 WL 4619790, slip op. at *2 (“[I]t is clear that Allergan’s motivation for the assignment was to attempt to avoid the IPR proceedings that are currently pending in the PTO by invoking the Tribe’s sovereign immunity as a bar to those proceedings.”). Mylan specifically noted that Allergan “has admitted in other forums that the intent is to employ Native American sovereign immunity and attempt to cut-off pending validity challenges with the Patent Office.” Id. at *1 (citation omitted). Additionally, Mylan argued that “Allergan is attempting to misuse Native American sovereignty to shield invalid patents from cancellation.” Id. at *2 (citation omitted).
C. ALLERGAN’S EMPLOYMENT OF THE ALI STRATEGY: AN ATTEMPT TO MAKE STATE AND TRIBAL SOVEREIGN IMMUNITY COEXTENSIVE

The ALI strategy consists of (1) assigning a patent to a sovereign entity; (2) acquiring an unrestricted exclusive license to the patent in return; and (3) having the sovereign entity invoke sovereign immunity to obtain dismissal of an IPR proceeding against the patent. First, Allergan assigned the RESTASIS patents to the Mohawk Tribe on September 8, 2017.257 “On the same day, the [Mohawk] Tribe and Allergan also entered into a Patent License Agreement (‘License’).”258 Finally, on September 22, 2017, the Mohawk Tribe filed a motion to dismiss the IPR proceeding against the RESTASIS patents “for Lack of Jurisdiction Based on Tribal Sovereign Immunity.”259 Allergan’s employment of the ALI strategy raised two important questions: (1) whether tribal sovereign immunity was coextensive with state sovereign immunity and applied to IPR proceedings; and (2) whether the Mohawk Tribe was an indispensable party that retained substantial rights in the RESTASIS patents.260 The PTAB answered both questions in the negative.261

1. The PTAB’s Denial of Mohawk’s Motion: Tribal and State Sovereign Immunity Are Not Coextensive and Allergan was the Effective Patent Owner in Interest.

Relying heavily on FMC, Covidien, and Neochord, Allergan and the Mohawk Tribe argued that the PTAB lacked jurisdiction over the Mohawk Tribe and the IPR proceeding should be dismissed because the Mohawk Tribe was an indispensable party that was immune from IPR proceedings.262 The PTAB determined that tribal and state sovereign immunity were not coextensive, that

258 Id. at 6.
259 Id. at 2-3.
260 Id. at 40 (“[W]e determine that the Tribe has not established that it is entitled to assert its tribal immunity in these inter partes review proceedings ... [and] these proceedings may continue with Allergan as the patent owner, and that the Tribe is not an indispensable party to these proceedings.”).
261 Id.
262 See id. at 7 (“[R]elying upon the Supreme Court’s decision in [FMC], the Tribe seeks to terminate these proceedings on the basis of its tribal sovereign immunity.”); id. at 7-8 (“The Tribe further relies upon certain prior Board decisions applying FMC’s holding with respect to state sovereign immunity in the context of inter partes review proceedings.”) (citing Covidien LP v. Univ. of Fla. Research Found. Inc., Case IPR2016–01274 (P.T.A.B. Jan. 25, 2017) (Paper 21)); Neochord, Inc. v. Univ. of Md., Case IPR2016–00208 (P.T.A.B. May 23, 2017) (Paper 28).
tribal sovereign immunity was inapplicable to IPR proceedings, and that Allergan retained sufficient ownership interest in the RESTASIS patents to continue the IPR proceeding without the Mohawk Tribe. A detailed representation of the PTAB’s decision is important to fully understand Allergan’s employment of the ALI strategy, the differences between state and tribal sovereign immunity, and the Congressional legislation that resulted from the case.

a. Tribal and State Sovereign Are Not Coextensive and Tribes Are Not Immune from IPR Proceedings

First, the PTAB established a bright line between tribal and state sovereign immunity. The PTAB definitively pointed out that neither the federal courts nor the PTAB have extended the FMC holding to tribal sovereign immunity, that the FMC decision was narrowly tailored to state sovereign immunity, and that the decisions the Mohawk Tribe relied on to support its argument were nonbinding, unpersuasive, and inapplicable. Second, the PTAB’s decision focused on tribal sovereign immunity’s subservience to “the superior and plenary control of Congress,” including IPR proceedings. Whereas Congress may sometimes explicitly abrogate state sovereign immunity by way of Section 5 of the Fourteenth Amendment, tribal sovereign immunity is beholden to “Acts of Congress . . . in the absence of a clear expression to the contrary.” The Patent

263 See id. at 40 (“[R]efusing to equate tribal to state sovereign immunity and denying the motion we determine that the Tribe has not established that it is entitled to assert its tribal immunity in these inter partes review proceedings . . . [and] these proceedings may continue with Allergan as the patent owner, and that the Tribe is not an indispensable party to these proceedings.”).

264 See id. at 9 (“[T]he Supreme Court has stated that the immunity possessed by Indian Tribes is not co-extensive with that of the States.”) (citing Kiowa Tribe of Okla. v. Mfg. Techs., Inc., 523 U.S. 751, 756 (1998)).

265 See id. at 8 (noting that the Mohawk Tribe failed to “point[] to any federal court or [PTAB] precedent suggesting that FMC’s holding with respect to state sovereign immunity can or should be extended . . . [to] tribal immunity.”); id. at 7 (“As noted by the Tribe, the Supreme Court in FMC held that State sovereign immunity extends to adjudicatory proceedings before federal agencies that are of a type . . . from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.”) (citing the Mohawk Tribe’s motion to dismiss the IPR proceeding); id. at 8 (citing the Mohawk Tribes motion to dismiss the IPR proceeding) (“the Tribe cites certain administrative decisions of other federal agencies to assert that [t]he principal [sic] that sovereign immunity shields against adjudicatory proceedings has been extended to tribes.”) (We are not bound by those agency decisions, but even those decisions do not squarely address the issue.”).

266 Id. at 11 (quoting Santa Clara Pueblo v. Martinez, 436 U.S. 49, 58 (1978)) (internal quotations omitted) (noting the general applicability of IPRs to tribes).

Act authorizes the USPTO to “grant a patent limited in scope to patentable claims and to reconsider the patentability of those claims via inter partes review.”

Third, the PTAB decided that IPR proceedings did not fall within the Ninth Circuit’s limited exceptions immunizing tribes from a “generally applicable federal statute.” The Ninth Circuit’s exceptions included: (1) “exclusive rights of self-governance in purely intramural matters”; (2) the law that would violate tribal rights “guaranteed by Indian treaties”; and (3) legislative history proving that Congress intentionally made the law inapplicable to tribes. The Mohawk Tribe’s exclusive rights of self-governance were not impeded by its entry into a commercial transaction with entities outside the tribe and the IPR proceeding concerned external relations that would not affect its social order. Furthermore, IPR proceedings do not circumvent or impede rights guaranteed by Indian treaties and legislative history did not exemplify Congress’ intent to exempt the tribes from IPR proceedings. Again, state sovereign immunity may sometimes be expressly abrogated by Congress under Section 5 of the Fourteenth Amendment, whereas federal statutes are generally applicable to tribes unless otherwise noted by Congress.

Fourth, the PTAB tacked its decision to “its independent role in ensuring the correctness of granting patentable claims.” This allowed the PTAB to distinguish tribal sovereign immunity from state sovereign immunity in several ways. Unlike the Framers’ intent to exempt states from IPR proceedings, the Framers did not intend to exempt tribes from IPR proceedings. The PTAB

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268 Id. at 12 (citing MCM Portfolio LLC v. Hewlett-Packard Co., 812 F.3d 1284, 1289 (Fed. Cir. 2015)) (noting that the USPTO has the authority to “correct or cancel an issued patent” through IPR).

269 See id. at 13-14 (quoting Quileute Indian Tribe v. Babbitt, 18 F.3d 1456, 1459 (9th Cir. 1994)) (“[T]he Ninth Circuit has noted that ‘tribal sovereignty does not extend to prevent the federal government from exercising its superior sovereign powers.’”).

270 Id. at 12-13 (quoting Donovan v. Coeur d’Alene Tribal Farm, 751 F.3d 1113, 1116 (9th Cir. 1985)) (internal quotations omitted) (citations omitted).

271 See id. (citing San Manuel Indian Bingo & Casino v. NLRB, 475 F.3d 1306, 1312–13 (D.C. Cir. 2007)) (“When a tribal government goes beyond matters of internal self-governance and enters into off-reservation business transaction with non-Indians, its claim of sovereignty is at its weakest”); id. at 13 (citing NLRB v. Little River Band of Ottawa Indians Tribal Gov’t, 788 F.3d 537, 550 (6th Cir. 2015)) (“The tribes’ retained sovereignty reaches only that power ‘needed to control . . . internal relations[,] . . . preserve their own unique customs and social order[, and] . . . prescribe and enforce rules of conduct for [their] own members.’”) (quoting Duro v. Reina, 495 U.S. 676, 685–86 (1990))).

272 See id. (citing Donovan, 751 F.3d at 1116) (noting that “[IPR] proceedings [do not] ‘abrogate rights guaranteed by Indian treaties,’ or that Congress did not intend the proceedings to apply to Indians based on the legislative history of the [AIA].”)

273 Id. at 18.

274 See Neochord, Inc. v. Univ. of Md., Case IPR2016–00208 (P.T.A.B. May 23, 2017) (Paper 28); see id. at 16 (citing Bonnet v. Harvest (U.S.) Holdings, Inc., 741 F.3d 1155, 1159 (10th Cir.
noted, "In these proceedings, we are not adjudicating any claims in which [Mylan] may seek relief from the Tribe, and we can neither restrain the Tribe from acting nor compel it to act in any manner based on our final decisions." The PTAB reasoned that "the scope of the authority granted by Congress to the Patent Office with respect to inter partes review proceedings is limited to assessing the patentability of the challenged claims," The PTAB went on, stating that it "exercises jurisdiction over the challenged patent in an inter partes review proceeding." The PTAB believed that "a patent owner's participation is not required, and inter partes reviews have proceeded to a final written decision under 35 U.S.C. § 318(a) even where the patent owner has chosen not to participate."

The PTAB concluded that tribal sovereign immunity was inapplicable to IPR proceedings, reasoning that "reconsideration of the patentability of issued claims via inter partes review is appropriate without regard to the identity of the patent owner." Even if the Mohawk Tribe was entitled to assert its tribal sovereign immunity, the PTAB determined that the IPR proceedings could continue because Allergan was the true owner of the challenged patents and the Mohawk Tribe was not an indispensable party.

b. Allergan Is the Effective Owner of the RESTASIS Patents

Whether the Mohawk Tribe was an indispensable party depended on who the effective patent owner was. To determine this, the PTAB asked whether the License between the Mohawk Tribe and Allergan essentially transferred ownership rights in the RESTASIS patents back to Allergan. Relying on the

275 Id. at 16.
276 Id.
277 Id.
279 Id. at 18. The Mohawk Tribe advanced additional arguments, but this article focuses on the important ones surrounding the differences between state and tribal sovereign immunity.
280 Id. at 40.
281 See id. at 18 ("Even assuming arguendo that the Tribe is entitled to assert immunity, termination of these proceedings is not warranted if we can proceed with another patent owner's participation.").
282 See id. at 19 (quoting Alfred E. Mann Found. for Sci. Research v. Cochlear Corp. (Mann), 604 F.3d 1354, 1359 (Fed. Cir. 2010)) ("To determine whether an exclusive license is
Federal Circuit’s decisions in *Azure Networks v. CSR PLC* and *Alfred E. Mann Foundation for Science Research v. Cochlear* established nine factors (the “Azure-Mann factors”) assessing the rights transferred and the rights retained under the License:

1. the nature and scope of the right to bring suit; 
2. the exclusive right to make, use, and sell products or services under the patent; 
3. the scope of the licensee’s right to sublicense; 
4. the reversionary rights to the licensor following termination or expiration of the license; 
5. the right of the licensor to receive a portion of the proceeds from litigating or licensing the patent; 
6. the duration of the license rights; 
7. the ability of the licensor to supervise and control the licensee’s activities; 
8. the obligation of the licensor to continue paying maintenance fees; 
9. any limits on the licensee’s right to assign its interests in the patent.

After examining these nine factors, the PTAB determined that the “License transferred ‘all substantial rights’ in the challenged patents back to Allergan.” Thus, Allergan was the effective patent owner.

### i. Licensing Terms of the Allergan-Mohawk License

The Mohawk Tribe granted Allergan “an irrevocable, perpetual, transferable, and exclusive license” under the challenged patents for ‘all FDA-approved uses in the United States.” The License granted Allergan “the first right to sue for infringement with respect to ‘Generic Equivalents,’ while the Tribe [retained] the first right to sue for infringement unrelated to such Generic Equivalents.” The License defined “Generic Equivalent” “as a drug product that requires FDA approval for sale in the United States, including those products covered by an

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283 *Azure Networks, LLC v. CSR PLC*, 771 F.3d 1336 (Fed. Cir. 2014) (establishing nine factors to determine whether a license amounted to an assignment of patent rights).

284 *Mann*, 604 F.3d 1354 (establishing similar factors relied on in *Azure Networks*).

285 *Mylan I* at 20 (quoting *Azure Networks*, 771 F.3d at 1343) (internal quotations omitted) (citing *Mann*, 604 F.3d at 1360-61).

286 Id. at 8.

287 Id. at 15.

288 Id. at 3 (internal quotations omitted).

289 Id. at 3 (citation omitted).
In exchange for licensing the RESTASIS patents to Allergan, the Mohawk Tribe received a licensing bonus of $13.75 million and an annual royalty of $15 million. Finally, the License required Allergan to pay maintenance fees for the RESTASIS patents.

ii. The Mohawk Tribe Essentially Retained No Right to Sue for Infringement

Addressing the first Azure-Mann factor, the PTAB found that the Mohawk Tribe retained “an illusory or superficial right to sue for infringement of the challenged patents.” The License granted Allergan “the first right, but not the obligation, to control and prosecute” infringement that relate[d] to a ‘Generic Equivalent.” As defined in the License, “Generic Equivalent” included any FDA approved drug product in the United States, “including those products covered by an [ANDA] for which Allergan’s Restasis product [was] the listed reference drug.” The RESTASIS patents were all listed in the FDA’s Orange Book and thus, the PTAB assumed that the only “viable infringement” actions concerning the RESTASIS patents would “necessarily be limited to drug products that require FDA approval, i.e., Generic Equivalents.”

The PTAB supported its argument by noting that the only suits brought at the time the License was executed were Hatch-Waxman suits. Just because these were the only suits brought at the time does not mean that non-commercial suits or non-FDA-approved suits would occur in the future which the Mohawk Tribe would have the right to sue in. The next paragraph seems to explain why non-FDA-approved suits would not be sufficient to retain substantial rights in the patents.

290 Id. at 8.
291 Id. at 3.
292 Id. at 8.
293 Id. at 18 (citing Mann, 640 F.3d at 1361) (citations omitted) (determining the “nature and scope of the exclusive licensee’s purported right to bring suit . . . and [the] scope of any right to sue purportedly retained by the licensor” is the most important factor).
294 Id.; see also, id. at 19 (citing Speedplay, Inc. v. Bebop, Inc., 211 F.3d 1245, 1251 (Fed. Cir. 2000)) (“The right to sue that is granted or retained in an agreement cannot merely be “illusory” or otherwise rendered meaningless.”). The PTAB agreed with Mylan that the “License gave Allergan (not the Tribe) primary control over ‘commercially relevant infringement proceedings,’ and the Tribe was granted ‘only contingent, illusory rights to enforce the patents.” Id. However, in Siem Systems v. Agilent Technologies, the Federal Circuit held that a Licensee’s “exclusive right to sue for ‘commercial’ infringement does not signify that [the Licensee] has the exclusive right to sue for all infringement.” 427 F.3d 971, 979 (Fed. Cir. 2005) (emphasis added). This will likely be a point of contention on appeal.
295 Id. at 8.
296 Id.
297 Id. at 22.
298 Id. However, just because these were the only suits brought at the time does not mean that non-commercial suits or non-FDA-approved suits would occur in the future which the Mohawk Tribe would have the right to sue in. The next paragraph seems to explain why non-FDA-approved suits would not be sufficient to retain substantial rights in the patents.
Although the Mohawk Tribe "retain[ed] the first right to sue for infringement unrelated to Generic Equivalents," this was insufficient because the Mohawk Tribe could not "indulge" in an infringement suit against a non-FDA-approved drug. The License prohibited the Mohawk Tribe from licensing competing FDA or non-FDA drugs that have "the same treatment indication as Restasis," i.e., dry eye. The PTAB inferred that this prohibition on licensing competing products would prevent the Mohawk Tribe from bringing a suit at the risk of granting a license to the infringer. Thus, the License did not allow the Mohawk Tribe to indulge in infringement actions against competing non-FDA products. The Mohawk Tribe's right to sue if Allergan abstained from bringing a "Generic Equivalent" action was superficial because the License required the Mohawk Tribe to acquire written consent to initiate and settle the action and was beholden to Allergan's preferred trial strategy. Collectively, the "License terms significantly limit[ed] the Tribe's right to sue for infringement of the challenged patents." 

iii. The License Granted Allergan the Sole Right to Exclude Others from Making, Using, Selling, Offering for Sale, and Importing the Invention

Turning to the second Azure-Mann factor, the Mohawk Tribe's rights pertaining to the making, using, selling, offering for sale, or importing of the RESTASIS drugs were illusory because "Allergan's right to exploit the patents for 'all FDA-approved uses' [was] effectively co-extensive with the scope of the claimed inventions." 

299 Id.; see id. at 21 (citing Abbott Labs. v. Diamedix Corp., 47 F.3d 1128, 1132 (Fed. Cir. 1995)) (noting that merely retaining the right to initiate an infringement action without the right "to 'indulge' any infringement of the transferred patents by others" evidences a transfer of substantial rights to the licensee.)

300 Id. at 23.

301 See id. at 24 ("[T]he 'Competing Product' language in the License effectively limits the Tribe's ability to license any product that treats dry eye disease.").

302 Id. at 24-25.

303 Id. at 25.

304 Id. at 27. Unlike the limited "field of use" license in A123, the License between the Mohawk Tribe and Allergan was not limited to a specific field of use. Id. The PTAB noted that Allergan's exclusive rights under the License encompassed all "commercially relevant ways to practice the challenged patents." Id. Additionally, the Mohawk Tribe was not pursuing any of the rights it retained and the License lacked any restrictions that would allow the Mohawk Tribe to "control Allergan's ... commercial activities with regard to the challenged patents." Id. at 29 ("[T]he Tribe has not pointed to any record evidence showing that it is currently engaged in any commercial or non-commercial activities in a manner that practices that challenged patents or plans to engage in such activities in the future."); id. at 28 (noting
iv. Allergan Had Unfettered Sub-Licensing Power

Next, the PTAB determined that Allergan acquired complete control over the terms of the sublicensing of the RESTASIS patents.\textsuperscript{305} Relying on its analysis of the first factor, the PTAB found that Allergan’s right to sublicense in its limited field of use encompassed any and all conceivable sublicensing of the RESTASIS patents that could occur.\textsuperscript{306} The PTAB reasoned that Allergan’s sublicensing rights were not “limited in any commercially meaningful way” and Allergan could terminate any Mohawk Tribe litigation by granting a sublicense to the infringer.\textsuperscript{307}

v. The Mohawk Tribe’s Reversionary Rights were Illusory

Reviewing the fourth Azure-Man factor, the PTAB found that the Mohawk Tribe did not retain any reversionary rights in the patents because the License was “perpetual” and “irrevocable” and was enforceable until the RESTASIS patents either “expire[d] or until all the claims [were] rendered invalid in a non-appealable final judgment.”\textsuperscript{308}

vi. The Mohawk Tribe’s Financial Rights Under the Patent were De Minimis

Examining the fifth factor, the PTAB determined that the Mohawk Tribe’s licensing bonus and annual royalty payments were insufficient to constitute “substantial rights” because “a financial interest . . . without more does not

\textsuperscript{305} See \textit{id. at} 29 (“The License ‘grants Allergan all licenses and other rights (including sublicense rights relating to any Generic Equivalent) under the Licensed Patents related, necessary or useful for Allergan to settle any Infringement Actions’”) (citation omitted).

\textsuperscript{306} \textit{Id. at} 30 (“The Tribe has not pointed to any License terms that allow it to veto or otherwise control the terms of sublicenses that may be granted by Allergan.”).

\textsuperscript{307} \textit{Id. at} 30 (“These provisions give Allergan ‘full power to end any proceeding—even one the Tribe wants to pursue—simply by granting a sublicense.’”)

\textsuperscript{308} \textit{Id. at} 30-31. The PTAB’s decision did not mention whether the License could be terminated if Allergan failed to pay royalties. Additionally, after searching online, the License agreement could not be found in the public domain.
amount to a substantial right." Additionally, the License did not grant the Mohawk Tribe any proceeds from Allergan’s litigation or licensing activities.

vii. The Mohawk Tribe Lacked the Right to Control USPTO Proceedings and Allergan was Responsible for Maintenance Fees

Moving to the seventh factor, the PTAB found that Allergan had the “primary right, but not the obligation, to prosecute and maintain the challenged patents, as well as the responsibility for any ‘Administrative Proceedings’ before the PTO.” Furthermore, the Mohawk Tribe could only control the defense in a USPTO proceeding when “Allergan elect[ed] not to defend the challenged patents in such a proceeding.” The PTAB specifically noted that the Mohawk Tribe’s subordination during USPTO proceedings to Allergan’s decisions was an indication that the License permitted Allergan to continue in a proceeding without the Mohawk Tribe. Addressing the eighth factor, the PTAB found that the License required Allergan to pay patent maintenance fees and handle administrative challenges to the patents, including challenges before the PTO.

viii. The License Prohibited the Mohawk Tribe from Assigning the Patents to a Third Party

Finally, looking at the ninth factor, the PTAB found that the License prevented the Mohawk Tribe from freely assigning the RESTASIS patents to another pharmaceutical manufacturer, it would likely ask for a much higher annual royalty.

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309 *Id.* at 31-32 (quoting Luminara Worldwide, LLC v. Liown Elecs. Co., 814 F.3d 1343, 1351 (Fed. Cir. 2016)); *id.* at 32 (quoting Propat Int’l Corp. v. RPost, Inc., 473 F.3d 1187, 1191 (Fed. Cir. 2007) (“[T]he fact that a patent owner has retained a right to a portion of the proceeds of the commercial exploitation of the patent, . . . does not necessarily defeat what would otherwise be a transfer of all substantial rights in the patent.”)). This factor arguably carries even more weight when one considers that the annual royalty the Mohawk Tribe would receive would amount to only one percent of the $1.5 billion dollars in annual revenue Allergan received from selling RESTASIS. If Allergan were licensing the patents to another pharmaceutical manufacturer, it would likely ask for a much higher annual royalty.

310 *Id.* at 31.

311 *Id.* at 32 (“Allergan shall have . . . the first right, but not the obligation, to defend and control the defense of the validity, enforceability and patentability” of the RESTASIS patents in USPTO proceedings).

312 *Id.* at 33 (“The Tribe may conduct and control the defense in any Contested PTO Proceeding only in the event that Allergan elects not to defend the challenged patents in such a proceeding.”).

313 *Id.* at 33.

314 *Id.* at 32.
another party.\textsuperscript{315} Thus, the Azure-Mann factors weighed in favor of a finding that the License effectively made Allergan the true owner of the RESTASIS patents.\textsuperscript{316} Based on the foregoing factors, the PTAB found that Allergan was the effective patent owner and the proceeding could continue without the Mohawk Tribe whether it was entitled to tribal sovereign immunity or not.\textsuperscript{317}

c. The Mohawk Tribe was Not an Indispensable Party

Applying the Rule 19(b) factors similar to the Federal Circuit’s application in \textit{A123}, supra, the PTAB decided that the Mohawk Tribe was not an indispensable party.\textsuperscript{318} Because Allergan was the effective patent owner, its interests in protecting the patents from invalidity challenges were equal, if not greater, than the Mohawk Tribe’s interests in protecting the patents.\textsuperscript{319} Additionally, the PTAB determined that the Mohawk Tribe’s “incidental financial interest in the outcome of the proceedings [was insufficient] to render the Tribe an indispensable party.”\textsuperscript{320} Thus, the Mohawk Tribe would likely not be prejudiced if it abstained from participating in the proceedings.\textsuperscript{321} Furthermore, the PTAB denied the Mohawk Tribe’s argument that its interests would not be represented if it sought to advance different claim construction arguments from Allergan because the Mohawk Tribe never did so nor indicated it would advance differing constructions.\textsuperscript{322} Overall, Allergan’s effective ownership in the RESTASIS

\footnotesize{\textsuperscript{315} Id. at 33 (“[T]he License provides that the Tribe shall not, without Allergan’s prior written consent, ‘take or fail to take any action, or enter into any agreement that would result in the transfer of the challenged patents to any third party’); see id. at 34 (quoting Intellectual Prop. Dev., Inc. v. TCI Cablevision of Cal., Inc., 248 F.3d 1333, 1345 (Fed. Cir. 2001) (“[L]imits on ... assignment rights weigh in favor of finding ... a transfer of fewer than all substantial rights in a patent.”)).}

\footnotesize{\textsuperscript{316} Id. at 34-35 (“Because Allergan remains the effective patent owner, we determine that these proceedings can continue with Allergan’s participation only, regardless of whether tribal immunity applies to the Tribe.”).}

\footnotesize{\textsuperscript{317} Id. at 35.}

\footnotesize{\textsuperscript{318} Id. at 39 (“We, therefore, determine that the Tribe is not an indispensable party, and that we may continue with these proceedings without the Tribe’s participation.”).}

\footnotesize{\textsuperscript{319} See id. at 37 (“Allergan has at least an identical interest to the Tribe—if not more of an interest as the effective patent owner for the reasons discussed above—in defending the challenged patents.”).}

\footnotesize{\textsuperscript{320} Id. at 38 (alteration in original) (quoting Liberty Mut. Ins. Co. v. Treesdale, Inc., 419 F.3d 216, 230 (3d Cir. 2005) (“The ‘interest’ relating to the subject matter of the action that makes an absent party a party needed for just adjudication must be a legally protected interest, not merely a financial interest or interest of convenience.”)).}

\footnotesize{\textsuperscript{321} Id.}

\footnotesize{\textsuperscript{322} Id. at 38-39 (“However, the Tribe has not sought to introduce new claim construction positions in these proceedings that would differ from Allergan’s positions already made of record.”).}
patents would likely preserve the Mohawk Tribe’s “nearly identical” interests in the RESTASIS patents.323

In sum, the PTAB found that tribal sovereign immunity did not apply to IPR proceedings and even if it did, the proceeding could continue because Allergan was the effective patent owner and the Mohawk Tribe was not an indispensable party.324

d. Allergan’s and the Mohawk Tribe’s Appeal to the Federal Circuit

On February 28, 2018, Allergan and the Mohawk Tribe filed an appeal with the Federal Circuit and motioned to stay the IPR proceedings pending a final decision from the Federal Circuit.325 The PTAB denied the motion.326 The PTAB reasoned that the Mohawk Tribe would not be harmed by a determination rendering claims of the RESTASIS patents invalid because Allergan and the Mohawk Tribe would have the right to appeal that determination.327 Embracing the Federal Circuit’s policy allowing the PTAB to continue with IPR proceedings before the finality of appellate review in the federal courts, the PTAB decided to continue the IPR proceedings.328 However, on March 28, 2018, the Federal Circuit stated, “it appears that the appeals divested the [PTAB] of jurisdiction over the aspects of the case on appeal... and the [PTAB] may not proceed until granted leave by this court.”329 Accordingly, the PTAB stayed the RESTASIS

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323 Id. at 39.
324 Id. at 40.
327 See id. at 6 (“[A]ny unpatentability determination that may be rendered in our final written decision would not cause irreparable harm, because the status of each of the challenged patent claims remains unchanged until after any appellate review of our decisions.”).
328 See Peggy P. Ni, Rethinking Finality in the PTAB Age, 31 BERKLEY TECH. L.J. 557 (2016) (“[T]he Federal Circuit concluded that the judgments were not sufficiently final to preclude PTO determinations of patent invalidity because the scope of relief remained to be determined.”) (citing Fresenius USA, Inc. v. Baxter Int’l, Inc., 721 F.3d 1330, 1341 (Fed. Cir. 2013); ePlus, Inc. v. Lawson Software, Inc., 789 F.3d 1349, 1369 (Fed. Cir. 2015) (O’Malley, J., dissenting)).
IPR proceedings pending the Federal Circuit's decision on whether tribes are immune from IPR proceedings. The Federal Circuit could have avoided the tribal sovereign immunity issue entirely if it agreed with the PTAB that Allergan was the effective patent owner with all substantial rights and the Mohawk Tribe was not an indispensable party. Instead, the Federal Circuit held that "tribal sovereign immunity cannot be asserted in IPRs" and refused to "reach the parties' other arguments."

Relying on the FMC analysis, the Federal Circuit found that "IPR is more like an agency enforcement action than a civil suit brought by a private party." The decision was based on (1) the USPTO Director as a "politically appointed executive branch official" with broad discretion to institute an IPR; (2) the parties' insignificant role during IPR proceedings; (3) the functional and procedural differences between IPR and district court proceedings; and (4) "while the USPTO has the authority to conduct reexamination proceedings that are more inquisitorial and less adjudicatory than IPR, this does not mean that IPR is thus necessarily a proceeding in which Congress contemplated tribal immunity to apply." The Federal Circuit concluded:

The Director's important role as a gatekeeper and the Board's authority to proceed in the absence of the parties convinces us that the USPTO is acting as the United States in its role as a superior sovereign to reconsider a prior administrative grant and decision."

332 Id. at 1327.
333 Id. at 1328 ("It is the Director, the politically appointed executive branch official, not the private party, who ultimately decides whether to proceed against the sovereign.").
334 Id. (noting that the Director and Board can continue without the patent owner or the original petitioner in specific situations).
335 Id. at 1328-1329 (noting that "petitioner may only make clerical and typographical corrections to its petition," whereas plaintiff can amend complaint in court); Id. (noting that the patent owner can amend its claims during an IPR, but cannot amend its claims during district court litigation); Id. ("discovery is limited to (A) the deposition of witnesses submitting affidavits or declarations; and (B) what is otherwise necessary in the interest of justice.") (internal quotations omitted).
336 Id. at 1329.
protect the public interest in keeping patent monopolies "within their legitimate scope." 337

The Mohawk Tribe and Allergan’s petition for en banc rehearing was denied by the Federal Circuit. 338 Thus, the Mohawk Tribe and Allergan are now petitioning for certiorari to the Supreme Court. 339 If the Supreme Court sanctions Allergan’s strategy, it could have implications for IPR proceedings and the general public.

D. THE IMPLICATIONS OF ALLERGAN’S ALI STRATEGY: MONETIZING SOVEREIGN IMMUNITY AT THE EXPENSE OF IPR PROCEEDINGS AND THE PUBLIC AT LARGE

1. Allergan’s Attempt to Monetize Sovereign Immunity Risks Undermining IPRs

The ALI strategy could impact IPR proceedings and the general public if the federal courts rule in favor of Allergan and the Mohawk Tribe. In a parallel proceeding in the District Court for the Eastern District of Texas involving Allergan, Mylan, and the RESTASIS patents, Judge William Bryson stated that “sovereign immunity should not be treated as a monetizable commodity that can be purchased by private entities as part of a scheme to evade their legal responsibilities.” 340 According to Judge Bryson, the monetization of sovereign immunity “could spell the end of the PTO’s IPR program, which was a central component of the [AIA].” 341 IPR proceedings were intended to “establish a more efficient and streamlined patent system that [would] improve patent quality and

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337 Id. The Federal Circuit’s opinion also stated, “While we recognize there are many parallels, we leave for another day the question of whether there is any reason to treat state sovereign immunity differently.” Id. However, the Federal Circuit’s FMC analysis directly contradicts the PTAB’s decisions concerning state sovereign immunity. This is particularly true considering the Federal Circuit’s analysis broadly applied to all IPR proceedings, not just ones involving Native American Tribes. Thus, the Federal Circuit’s opinion may have an impact on state sovereign immunity in IPR proceedings.


339 As of the date of writing no petition has yet been filed, but Allergan and the Tribe have filed a motion to stay the IPR proceeding in light of a pending petition for certiorari. See Motion of Appellants Allergan, Inc. and Saint Regis Mohawk Tribe to stay execution of the mandate until filing and disposition of petition for Certiorari, Saint Regis Mohawk Tribe v. Mylan Pharma. Inc., 896 F.3d 1322 (Fed. Cir. 2018) (No. 18-1638)


341 Id. at *4.
limit unnecessary and counterproductive litigation costs.” Therefore, monetizing sovereign immunity in patent law would decrease the efficacy that IPR proceedings were intended to create in the patent system.

2. Impact on Pharmaceutical Competition and Drug Prices

Furthermore, several scholars point out that the monetization of sovereign immunity allows companies like Allergan to “maintain a dominant market position to the detriment of competitors and consumers.” This school of thought holds that IPR proceedings compliment competition in the pharmaceutical market “by voiding the market power created by invalid patents.” The invalidation of improperly granted pharmaceutical patents would allow generic drug companies to enter the market and thus, increase competition and decrease drug prices. Therefore, the monetization of sovereign immunity in patent law could impact competition in the pharmaceutical business, raise drug prices, and hurt consumers. Unless Congress or the Supreme Court step in, the monetization of sovereign immunity could have far-reaching implications for the patent system, IPR proceedings, and the general public.

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343 Cecilia (Yixi) Cheng & Theodore T. Lee, When Patents are Sovereigns: The Competitive Harms of Leasing Tribal Immunity, 127 YALE L.J. FORUM 848, 850 (2018); See id. (“If upheld, these kinds of transactions make it more likely that brand-name firms maintain their market exclusivity, leading to higher drug prices and harming consumers.”).

344 Id. at 853.

345 See id. at 853-54 (citations omitted) (“If patents are invalidated before the end of their statutory term, generic drugs may enter the market. Prices then drop dramatically, as average pharmaceutical treatment costs can decline by up to 84% after generic entry.”); id. at 854 (citing C. Scott Hemphill & Mark A. Lemley, Earning Exclusivity: Generic Drug Incentives and the Hatch-Waxman Act, 77 ANTITRUST L.J. 947, 952 (2011)) (“The price for a month’s supply of a branded cholesterol drug decreased from more than $150 to $7 in less than a year after generic entry.”); id. (citing Aaron Edlin et al., Activating Actavis, 28 ANTITRUST 16, 17 (2013)) (“Over the last decade, generic competition has generated nearly $1 trillion in savings for consumers.”).
E. CONGRESSIONAL ACTION: DISCRIMINATION OR PROPER LEGISLATION?

Enraged by Allergan’s strategy to monetize tribal sovereign immunity, Congress introduced a bill “[to] abrogate the sovereign immunity of Indian tribes as a defense in inter partes review of patents.” The bill is facing resistance because it “only discriminate[s] against Native American Indian Tribes and would allow state universities to continue asserting their sovereign immunity.” Additionally, the Senate’s bill could undermine the PTAB’s statement that “general Acts of Congress apply to Indians ... in the absence of a clear expression to the contrary.” The bill expressly abrogates tribal sovereign immunity as a defense to IPR proceedings. Therefore, the bill might signal to the courts that the AIA was not a general act of Congress intended to apply to Native American tribes. However, tribal sovereign immunity is still “subject to the superior and plenary control of Congress.” Therefore, if the Senate bill is passed and challenged, the courts may find that Congress has the power to pass this bill regardless of its discrimination against Native American tribes. If Allergan’s strategy ultimately fails, it may take a different direction.

F. ALLERGAN’S POTENTIAL CONTINGENCY PLAN: MONETIZE STATE SOVEREIGN IMMUNITY

1. Monetizing State Sovereign Immunity

Allergan encountered several obstacles in its attempt to monetize tribal sovereign immunity in patent law. However, its strategy stems from the extensive state sovereign immunity cases discussed in Part II, supra. If the strategy to rent tribal sovereign immunity fails, it may attempt to rent state sovereign immunity

346 S. 1948, 115th Cong. § 1 (2017). See Press Release, Senator Claire McCaskill, McCaskill to PhRMA: Are You Comfortable With Allergan’s Action With Saint Regis Mohawk Tribe? (Oct. 3, 2017) (on file with author) (“This is one of the most brazen and absurd loopholes I’ve ever seen, and it should be illegal ...”).


by assigning patents to a state entity. As discussed throughout this article, state sovereign immunity is engrained in the Eleventh Amendment, common law, the Framers’ intent, and the states’ dignity. Thus, overcoming the monetization of state sovereign immunity in patent law could be extremely difficult.

2. Waiver of State Sovereign Immunity in an IPR Proceeding: Ericsson v. Regents of the University Of Minnesota

Despite this difficulty, the PTAB recently ruled that a state entity waived its sovereign immunity in an IPR proceeding. In Ericsson v. Regents of the University of Minnesota (“Ericsson”), the PTAB found that a state entity “waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement of the patent being challenged in [the] proceeding.” The PTAB’s decision relied on the Federal Circuit’s holding in Regents of University of New Mexico v. Knight (“Knight”). In Knight, the Federal Circuit held a state reasonably waived its sovereign immunity in the same suit because it “[could] surely anticipate that a defendant [would] have to file any compulsory counterclaims or be forever barred from doing so.” Similarly, the PTAB found that the state entity reasonably waived its right to sovereign immunity because it knew that the defendant would have to file an IPR within one year after being sued for patent infringement or would “be forever barred from doing so.” The PTAB reasoned that “[i]t would be unfair and inconsistent to allow a State to avail itself ... in federal court, but then selectively invoke its sovereign immunity” to avoid an IPR on the same patent in suit.

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351 This assumes that a state entity is as easy to deal with as a tribe. For example, the Mohawk Tribe has three chiefs that “exercise all legislative and executive powers of the Tribe ... To negotiate and contract with ... private organizations, corporations, and other entities.” SAINT REGIS MOHAWK TRIBE, TRIBAL COUNCIL PROCEDURES ACT OF 1994 § 4 (C)(12) (April 2013), https://www.srmt-nsn.gov/_uploads/site_files/temp_file_TribalProceduresAct_FinalDraftApprovedAtReferendum060120131.pdf. In contrast, the University of Houston has a board of regents with nine members and a president, all of whom have designated terms. Thus, negotiating a license with a state entity, similar to a state university, could be problematic.


353 Id. at 11.

354 Regents of Univ. of New Mexico v. Knight (Knights), 321 F.3d 1111, 1125–26 (Fed. Cir. 2003).

355 Ericsson at 8.

356 Id. at 8-9. The PTAB’s fairness rationale came from the Supreme Court’s holding in Lapides v. Board of Regents of the University System of Georgia, 535 U.S. 613 (2002). In Lapides, the Supreme Court held that it was unfair to allow a state to “invoke federal jurisdiction ... and [i] to claim Eleventh Amendment immunity ... to the case at hand.” Id. at 619.
However, in *Knight*, the Federal Circuit held that states and their instrumentalities only waive their right to litigation “in the same forum [for] all compulsory counterclaims, i.e., those arising from the same transaction or occurrence that gave rise to the state’s asserted claims.” Thus, the state entity in *Ericsson* argued that “any waiver of Eleventh Amendment immunity should be limited to the venue where [the] Patent Owner filed its action.” To distinguish *Knight*, the PTAB argued that “even though an inter partes review has characteristics that are similar to district court litigation, the proceedings are not the same.” Thus, sovereign immunity would unfairly “bar [the] Petitioner from obtaining the benefits of an inter partes review.” Accordingly, the PTAB held that the state entity waived its sovereign immunity when it filed an infringement action on the same patent being challenged in the IPR proceeding.

The PTAB’s decision in *Ericsson* has been appealed to the Federal Circuit. Therefore, the Federal Circuit, and possibly the Supreme Court, will likely have to decide whether state sovereign immunity applies to IPR proceedings and whether a state waives its sovereign immunity when it files an infringement action in the district court on the same patents challenged in the IPR proceeding. If the states win this battle, then it could encourage patent owners to monetize state sovereign immunity to protect their patents from IPR proceedings. Thus, the *Ericsson* case will likely have a big impact on the IPR system and patent law as a whole.

357 *Knight*, 321 F.3d at 1126 (emphasis added).
359 Id. at 11.
360 Id.
361 Id. The PTAB’s decision is interesting because earlier that same year the PTAB stated, “[C]onsidering the nature of inter partes review and civil litigation, we conclude that the considerable resemblance between the two is sufficient to implicate the immunity afforded to the States by the Eleventh Amendment.” *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-1274 (P.T.A.B. Jan. 25, 2017) (Paper 19 at 24). Although not mentioned in its *Ericsson* decision, the PTAB would likely rely on procedural history to distinguish *Ericsson* from *Covidien* and *Neochord*. Id.; *Neochord, Inc. v. Univ. of Md.*, Baltimore, No. IPR2016-208 (P.T.A.B. May 23, 2017) (Paper 28). In *Covidien*, the state entity sued the IPR petitioner for a breach of a license contract. *Covidien* at 3. In *Neochord*, the state entity had not filed a federal court action. *Neochord* at 2. Thus, the PTAB might rely on this procedural history to show that the state entity in *Ericsson* waived its right to sovereign immunity because it filed an infringement action in federal court on the same patents being challenged in the IPR proceeding.

G. THE INSTITUTIONAL ISSUE THAT MOTIVATED THE MONETIZATION OF SOVEREIGN IMMUNITY

Monetizing tribal and state sovereign immunity could have serious implications for the IPR system, but the strategy also raises concerns over the Supreme Court’s state sovereign immunity doctrine. Specifically, the Supreme Court’s decision in Seminole Tribe, abolishing Congress’ power to abrogate state sovereign immunity under Article I, has been the driving force that led to Allergan’s ALI strategy.363 This institutional issue is discussed in detail in Justice Breyer’s College Savings dissent and will be addressed in Part IV.364

V. STATE SOVEREIGN IMMUNITY’S DOMINANCE OVER PATENT LAW: AN INSTITUTIONAL ISSUE STEMMING FROM SEMINOLE TRIBE365

By interpreting the Constitution as rendering immutable this one common-law doctrine (sovereign immunity), Seminole Tribe threatens the Nation’s ability to enact economic legislation needed for the future in much the same way that Lochner v. New York, 198 U.S. 45, 25 S.Ct. 539, 49 L.Ed. 937 (1905), threatened the Nation’s ability to enact social legislation over 90 years ago. . . . The similarity to Lochner lies in the risk that Seminole Tribe and the Court’s subsequent cases will deprive Congress of necessary legislative flexibility.366

Justice Breyer’s College Savings dissent marks Seminole Tribe as the culprit hindering Congress’ power to pass flexible patent legislation that shakes and moves with the “increasingly interrelated and complex world.”367 Justice Breyer argued that the “contours of federalist doctrine have changed over the course of our Nation’s history,” but that federalism has always protected liberty “by promoting the sharing among citizens of governmental decision-making authority.”368 Breyer identified the “modern substantive federalist problem” as a balance between preserving local control when necessary and providing national legislation that fosters large markets and protects industry in a global marketplace.369 Accordingly, Breyer argued that “the modern substantive federalist problem demands a flexible, context-specific legislative response (and it does not help to

363 Seminole Tribe, 517 U.S. at 44.
365 Seminole Tribe, 517 U.S. at 44.
366 College Savings, 527 U.S. at 701 (Breyer, J., dissenting).
367 Id. at 703.
368 Id. at 702-03.
369 Id. at 703-04.
constitutionalize an historic view of sovereign immunity that, by freezing its remedial limitations, tends to place the State beyond the reach of law.

Justice Breyer’s dissent recognized the forthcoming globalization and technological advancement that would occur in the early 2000’s and the corresponding national legislation needed to protect liberty. Congress created IPR proceedings to help invalidate improperly granted patents and curb the burdensome litigation plaguing patent law before the AIA. IPR proceedings represent flexible economic legislation designed to adapt patent law to an ever-changing and complex technological world. Additionally, IPR proceedings protect liberty, according to Justice Breyer’s definition, by enlisting citizens to help the USPTO determine whether it properly granted a patent in the first place.

The monetization of sovereign immunity is a perfect example of how sovereign immunity “deprive[s] Congress of necessary legislative flexibility.” This falls squarely within Justice Breyer’s fear of sovereign immunity “inhibit[ing] the creation of innovative legal regimes” designed to protect liberty.

Justice Breyer ended by stating that, “Seminole Tribe and today’s related decisions separate one formal strand from the federalist skein—a strand that has been understood as antirepublican since the time of Cicero—and they elevate that strand to the level of an immutable constitutional principle more akin to the thought of James I . . . .” In Justice Breyer’s opinion, “by making [sovereign immunity] immune from congressional Article I modification,” the Court essentially restricted the flexibility Congress needed “to satisfy modern federalism’s more important liberty-protecting needs.” The monetization of tribal and potentially state sovereign immunity is an assault on this liberty. Unfortunately, Congress may be powerless to stop the assault based on the Supreme Court’s state sovereign immunity precedent. Unless the Supreme Court loosens or overturns its Seminole Tribe holding, sovereign immunity will continue to undermine and manipulate patent law.

370 Id. at 704.
372 See 35 U.S. C.S. § 311 (a)-(b) (“[A] person who is not the owner of a patent . . . may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 . . . ”).
373 College Savings, 527 U.S. at 701.
374 Id. at 702.
375 Id. at 704.
376 Id. at 705.
377 Although Seminole Tribe dictates Congress’ abrogation powers, Justice Ginsburg still believes that Congress can validly abrogate state sovereign immunity under the Commerce Clause in Article I of the Constitution. Coleman v. Court of Appeals, 566 U.S. 30, 46 n.1.
VI. CONCLUSION

This article has embarked on a long journey demonstrating the raw power of state sovereign immunity in patent law. Although Allergan’s attempt to monetize sovereign immunity raises substantial concerns, it has revealed a greater institutional issue stemming from a rampant Supreme Court precedent better akin to "the [state] can do no wrong," but everyone else can. Taken to its extreme, it appears states have reached a level of Czarism that transcends Congress’ hope of passing and implementing uniform, fair, and flexible patent legislation to promote and foster innovation, private rights, and liberty. Time will only tell whether tribal, and possibly state, sovereign immunity will demolish IPR proceedings. Fortunately, the PTAB has taken a strong stance against Allergan’s practice for the time being.

(2012) (“I remain of the view that Congress can abrogate state sovereign immunity pursuant to its Article I Commerce Clause power.”).