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CLIENT ALERT

State Sovereign Immunity Does Not Apply to IPR Proceedings

JUNE 14, 2019

Regents of the University of Minnesota v. LSI Corporation et al. No. 2018-1559 (Fed. Cir. June 14, 2019)
The Federal Circuit affirmed the Patent Trial and Appeal Board's (PTAB) decision to deny motions to dismiss *inter partes* review (IPR) proceedings based on state sovereign immunity grounds. The Federal Circuit had previously affirmed a decision maintaining IPR proceedings in the face of tribal sovereign immunity grounds, *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.,* and the panel here concluded that state and tribal sovereign immunity do not differ in a material way with respect to the IPR challenges. Thus, both state and tribal sovereign immunity challenges are inapplicable to IPR proceedings.

The patent owner is a public research university, and after petitions for IPR were filed against its asserted patents, the patent owner filed a motion to dismiss each proceeding based on state sovereign immunity. Relying on its own *Saint Regis* decision, as well as the Supreme Court's conclusion that IPR proceedings are essentially an agency reconsideration of a prior patent grant, i.e., an agency enforcement action rather than a civil suit brought by a private party, the Federal Circuit held that state sovereign immunity is not implicated by IPR proceedings.

The Federal Circuit relied on three main factors. First, the director, a politically appointed executive branch official, decides whether to institute an IPR proceeding. Second, even if the petitioner or patent owner elects not to participate during the IPR proceeding, the PTAB can continue to a final written decision. Third, the IPR procedure is distinct from civil litigation in many respects, including that the Federal Rules of Civil Procedure do not apply, the patent claims at issue may be amended, and discovery and live hearings are much more limited. In addition, IPR evaluation of patent validity concerns "public rights" and is, in key respects, a proceeding between the government and the patent owner. Accordingly, these proceedings are more like a proceeding brought by the United States, the type of proceeding that is not barred by state sovereign immunity.

The Federal Circuit did not go on to decide whether, if sovereign immunity were to apply to IPR proceedings, the state in this case waived sovereign immunity by asserting patent claims in district court that were later challenged in a petition for IPR. The Circuit Judges provided additional views that state sovereign immunity also does not apply to IPR proceedings because they are in substance the type of in rem proceedings to which state sovereign immunity does not apply.
A copy of the opinion can be found here.

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Author

James Lin

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