

**UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE PATENT TRIAL AND APPEAL BOARD**

MYLAN PHARMACEUTICALS, INC. et al., Petitioners

v.

ALLERGAN INC.,¹

Patent Owner.

Case IPR2016-01127 (8,695,930 B2)

Case IPR2016-01128 (8,629,111 B2)

Case IPR2016-01129 (8,642,556 B2)

Case IPR2016-01130 (8,633,162 B2)

Case IPR2016-01131 (8,648,048 B2)

Case IPR2016-01132 (9,248,191 B2)

**BRIEF AMICUS CURIAE OF THE SOFTWARE AND INFORMATION
INDUSTRY ASSOCIATION IN SUPPORT OF PETITIONERS**

¹ Amicus has filed identical copies of this paper in each proceeding identified in the caption pursuant to the Board's Scheduling Order (Paper 10).

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Interest of the Amicus

Amicus Software & Information Industry Association (“SIIA”) is the principal trade association for the software and digital information industries. SIIA’s membership includes more than 700 software companies, search engine providers, data and analytics firms, information service companies, and digital publishers that serve nearly every segment of society, including business, education, government, healthcare, and consumers. As applicants for patents and also the subjects of patent infringement litigation, SIIA members are also interested in the proper functioning of the patent system.

Amicus and its members strongly supported the AIA and its creation of inter partes review (IPR), which they welcomed as a compromise designed to improve patent quality and to restore confidence in the presumption of validity afforded patents issued by the Patent and Trademark Office. Its presence has directly benefitted a broad range of industries, which is why SIIA joined with other technology concerns, realtors and automobile manufacturers to urge the Supreme Court to affirm the constitutionality of the IPR procedure in the *Oil States* litigation.²

² Brief of Internet Association, SIIA *et al.* in Support of Respondent, *Oil States Energy Services, LLC v. Greene* (No. 16-712), available at <http://www.siiainc.org/Portals/0/pdf/Policy/SIIA%20IA%20CCIA%20SAS%20Amicus%20Brief%20in%20Oil%20States%20Energy%20v%20Greene's%20Energy.pdf?ver=2017-10-30-153259-790>.

Introduction and Summary of Argument

Congress intended the America Invents Act “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H. Rep. No. 112-98 (part I), at 40 (2011). The creation of an inter partes review (IPR) proceeding was a centerpiece of that reform effort, designed to protect innovation from the effects of patents that should not have been granted.³ Instead, the procedure “helps protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

SIIA’s members have long been concerned about the peculiar inequities imposed on the intellectual property system by assertions of sovereign immunity. The immunity enables states to attempt to play by two sets of rules. On the one hand, states are able to exploit the full range of remedies as an owner of intellectual property, as one state recently did against Apple to the tune of hundreds of millions of dollars.⁴ That same state, however, may be immune from damages when it

³ See *id.* at 39 (“The decisions reflect a growing sense that questionable patents are too easily obtained and are too difficult to challenge. Recent decisions by the Federal Circuit reflect a similar trend in response to these concerns. But the courts are constrained in their decisions by the text of the statutes at issue. It is time for Congress to act.”) (internal footnote omitted).

⁴ Don Reisinger, Fortune, *Apple Ordered to Pay More than \$500 Million in Latest Patent Spat* (July 26, 2017), available at <http://fortune.com/2017/07/26/apple-wisconsin-patent-lawsuit/>.

infringes the intellectual property of others, whether patent, copyright or trademark. *E.g., Chavez v. Arte Publico Press*, 204 F.3d 601, 604 (Fifth Cir. 2000) (holding copyright statute unconstitutional and upholding Eleventh Amendment immunity); *Florida Prepaid v. College Savings Bank*, 527 U.S. 627 (1998) (holding Patent Remedy Clarification Act unconstitutional). Nonetheless, the use of immunity considered both by Congress and the courts in these circumstances was entirely defensive, and limited in the sense that it prevented non-consenting states and tribes from being sued for damages in federal court.⁵

These proceedings now before the Board involve an attempt to exploit a different version of this inequity: a situation in which a State or a Tribe may, on the one hand, take full advantage of the remedies and benefits afforded the patent owner, but yet use sovereign immunity to escape IPR. And the respondents would not limit that immunity to those inventions that the state or Tribe developed—they would apply it to any patent that the sovereign acquires. Judge Bryson, sitting by designation from the Federal Circuit, saw the tremendous threat that this kind of arrangement posed to the patent system:

⁵ To the extent a defendant engaged in ongoing violations of federal law, a suit for prospective declaratory and injunctive relief can be brought against an individual state or tribal official. *E.g., Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 59 (1978); *Ex parte Young*, 209 U.S. 123 (1908). For a historical overview of sovereign immunity and its relationship to intellectual property, see generally S. Rep. No. 102-280, at 2-6 (1992).

The essence of the matter is this: Allergan purports to have sold the patents to the tribe, but in reality it 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... If that ploy succeeds, any patentee facing IRO proceedings would presumably be able to employ the same artifice. In short, Allergan’s tactic, if successful, could spell the end of the PTO’s IPR program, which was a central component of the America Invents Act of 2011.⁶

SIIA is not alone in that concern: a spokesperson for Eli Lilly told the Financial Times that it was “not supportive of the sovereign immunity argument presented in the Allergan case.”⁷ In the wake of Allergan, a non-practicing entity has already transferred its patents to a tribe and is suing Apple.⁸ Another Tribe has sued Microsoft and Amazon.⁹ What began in the pharmaceutical industry will spread to other areas of technology—all it would take is either the assignment or exclusive licensing of a patent to an immune entity. The question that this panel must answer

⁶ Memorandum Opinion and Order, [Doc. 522], at 4, *Allergan Pharmaceuticals, Inc. v. Teva Pharmaceuticals, Inc.*, No. 2:15-cv-1455-WCB (E.D. Tex. Oct. 16, 2017).

⁷ David Crow, *Pharma Industry Faces Hypocrisy Charge Over Patents*, Financial Times (Nov. 1, 2017) (““You have to make sure that you’re rewarding for innovation, not rewarding for other things — not rewarding for taking a 40-year-old drug price up 5,000 per cent,” said Dr. Leiden [CEO of [Vertex](#)], referring to the now infamous case of Martin Shkreli. “And not rewarding for prolonging a patent by selling it to an Indian tribe. That stuff shouldn’t be allowed.”), available at <https://www.ft.com/content/ad85104e-bd86-11e7-b8a3-38a6e068f464> (paywall).

⁸ Joe Mullin, *Apple is Being Sued for Patent Infringement by a Native American Tribe*, Ars Technica (Sept. 27, 2017), available at <https://arstechnica.com/tech-policy/2017/09/apple-is-being-sued-for-patent-infringement-by-a-native-american-tribe/>.

⁹ Jan Wolfe, *Native American Tribe Holding Patents Sues Amazon and Microsoft*, Reuters (Oct. 18, 2017), available at <https://www.reuters.com/article/us-usa-patents-nativeamerican/native-american-tribe-holding-patents-sues-amazon-and-microsoft-idUSKBN1CN2G1>.

is whether the law of sovereign immunity allows IPR to be circumvented through artifice.

The answer to that question is no.

First, IPR lacks the necessary components to trigger sovereign immunity. Agency proceedings involving patent validity do not involve private rights and duties, nor do they involve matters internal to the sovereign's regulation of its affairs. Moreover, IPR's procedures lack the compulsion necessary to render it sufficiently similar to litigation for the immunity to apply.

Second, even assuming that the immunity might apply in some cases, the real party in interest doctrine requires courts to look beyond the pleadings to ensure that the state's interests are being implicated when immunity is claimed or denied. That doctrine, which is specific to sovereign immunity, forecloses its application in this case and others less egregious.

Argument

I. Immunity does not attach to inter partes review.

The first issue to be resolved—no matter whether a State or a Tribe's patent is the subject of inter partes review—is whether the immunity attaches at all. First, IPR differs from administrative procedures that have been previously found to trigger immunity in material respects—both in terms of the coercion present in the

procedures, and the nature of the decisions that the Board makes about patent validity.

Sovereign immunity is not, of course, limited to Article III courts. In *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743 (2002), the Supreme Court held that the Eleventh Amendment protected the states from administrative litigation before the Federal Maritime Commission. The combination of the nature of the suit, which called the state to answer for violations of federal law without its consent, and the similarity of the procedures to those available in federal court caused the Court to find sovereign immunity available. *See Federal Maritime Comm'n*, 535 U.S. at 761.¹⁰

A. Validity determinations do not involve private rights.

Questions of patent validity differ from those adjudicated before the maritime commission and similar administrative adjudications. The patent grant is a public franchise granted by the federal government. *See Seymour v. Osborne*, 78 U.S. 516, 533 (1870); *see also Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853). During inter partes review, the PTO's ultimate decision is whether it made a mistake in granting that franchise: either affirming its prior decision to grant a patent, or to

¹⁰ SIIA is aware that a number of panels have issued non-binding opinions that *FMC* compels immunity to be available. *E.g., Covidien LP v. Univ. of Fla. Research Found. Inc.*, Case IPR 2016-01274, Paper 21 (Jan. 25, 2017); *Neochord, Inc. v. Univ. of Md., et al.*, Case IPR2016-00208, Paper 28 (May 23, 2017). For at least the reasons contained herein, SIIA believes these decisions to be incorrect.

revoke it. The federal agency is not compelling the enforcement of anyone’s private rights, which is the essence of the “indignity” thrust on a non-consenting sovereign when immunity attaches. Instead, the IPR procedure ‘helps protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’” As the Solicitor General explained:

“[T]he USPTO was determining petitioner’s rights as against the world... The agency’s decision cancelling the claims gave Greene’s Energy Group no benefit that it would not have received if the USPTO had disapproved the claims during the initial examination, or if the Director had reexamined and cancelled the claims *sua sponte*. The proceeding therefore did not determine “the liability of one individual to another under the law as defined”—the characteristic hallmark of a matter of “private right.”¹¹

IPR does not impose legal liability or determine rights between adverse litigants. Instead, it is a procedure by which PTO reconsiders its decision to grant a patent as against the public. Cases that would force courts to adjudicate internal tribal affairs, or vindication of private rights properly trigger immunity, and are readily distinguishable. *See, e.g., In the matter of Jamal Kanj v. Viejas Band of Kumeyaay Indians*, 2007 WL 1266963 (DOL Adm. Rev. Bd. Apr. 27, 2007) (alleging violation of employee rights to whistleblower protection) (cited in Tribe Motion to Dismiss at 15); *In re: Tammy Stroud v. Mohegan Tribal Gaming Auth.*, 2014 WL 6850018, at *2 (DOL Admin. Review Bd. Nov. 26, 2014) (whistleblower retaliation);

¹¹ *Oil States Energy Servs. LLC v. Greene’s Energy Group, Inc.* (No. 16-712), Br. of Federal Respondent, at 24.

Alhameed v. Grand Traverse Resort and Casino, 10 OCAHO 1126 (Sept. 25, 2008) (alleging employment discrimination against a Tribe); *In the Matter of Private Fuel Storage*, 56 N.R.C. 147, 159 (Oct. 1, 2002) (finding immunity from inquiry into tribal leadership's alleged misappropriation of income) (cited in Tribe Motion to Dismiss at 16). The same is true of the interference proceedings that triggered immunity in *Vas Cath, Inc. v. Curators of Univ. of Missouri*, 473 F.3d 1376 (Fed. Cir. 1990), in which an interference was instituted over an issued patent. Although it may determine questions of validity, the primary function of a patent interference is to determine who was the prior inventor. 35 U.S.C. 135. The PTO determines who owns the patent franchise, not whether the franchise exists in the first instance. At its core, the interference is strongly analogous to a quiet title action—precisely the kind of private-rights determination litigated at common law. Sovereign immunity should not apply to IPR, which is a procedure by which the Patent Office reconsiders its decision to grant a patent, albeit with input from the public in order to make the procedure more efficient and effective.

B. The AIA's procedures lack the compulsion necessary to trigger sovereign immunity.

The procedural differences between IPR and ordinary administrative enforcement action further prove that sovereign immunity does not apply. The Tribe cannot (and does not) claim that it has the right to prevent the Director from re-examining a decision to issue a patent. In addition, unlike the proceedings

before the Federal Maritime Commission, those in front of the PTAB differ in that they lack the elements of compulsion which trigger an entitlement to immunity. For example, Commission complaints must be verified, but consist of notice pleading, and the Commission has no choice whether to institute the case.

Compare 46 C.F.R. 502.62(a)(3) (requiring “clear and concise” statement affording respondent “reasonable definiteness” of acts in dispute) with Fed. R. Civ. Pro. 8(a) (requiring “short and plain” statement of the case); see also *Federal Maritime Comm’n*, 535 U.S. at 764 (commission has no choice but to institute). Failure to respond to the bare-bones allegations in the complaint results in a waiver of the party’s right to appear, an admission of particular facts, and default. *See* 46 C.F.R. 502.62(b)(6). In addition, the maritime procedures permitted discovery coextensive with the federal rules, touching matters reasonably likely to lead to admissible evidence. 46 C.F.R. 502.141(e)(1); *see also* FMC, 535 U.S. at 758 (describing similarities between maritime proceeding and federal litigation). All of these procedural devices, as in the litigation context, exist as of right, and they exist entirely at the discretion of the private party. By exonerating a petitioner’s private rights against the sovereign under the maritime laws, and these procedures coerce the sovereign’s participation by presenting it with a Hobson’s choice: “persuade the FMC of the strength of its position or stand defenseless once

enforcement of the Commission's order or assessment of civil penalties is sought in federal district court." *See id.* at 763-64.

The AIA's procedures are notably different from the kinds of enforcement litigation at issue *FMC* and consistent with a re-examination of a prior agency decision. Any member of the public, including one that has not been threatened with suit and hence would have no standing to enter federal court, may file a petition with the PTO to have a patent declared invalid—as against the world. *See* 35 U.S.C. § 316(a). The petitioner cannot rely on mere notice pleading, but instead must assemble a detailed explanation of the evidence including material facts, governing law, rules and precedent. *See* 35 C.F.R. 42.22 (b). The respondent forfeits nothing by failing to respond, as it is not required, see 35 U.S.C. § 314, and the Director may institute proceedings *only* if the patent has a reasonable likelihood of being held invalid. The Director has the authority to continue proceedings even if the parties drop out or settle. *Cuozzo*, 136 S. Ct. at 2144 (citing 35 U.S.C. 317(a)). The patent owner also has the opportunity to amend its claims, thereby allowing the defendant to change the “facts” surrounding the proceeding. *See* *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290, 1304 (Fed. Cir. 2017). The certificate issued by the Director—unlike an enforcement order—is self-executing. *Compare* 35 U.S.C. 318(b) with *Great Plains Lending LLC v. Conn.*

Dept. of Banking, 2015 WL 9310700, at *5 (Conn. Sup Ct. 2015) (cited in Tribe Motion to Dismiss at 16) (applying *FMC* due to presence of enforcement order).

It is true that the PTAB procedures do have some hallmarks of litigation—some discovery is allowed, but its scope is comparatively narrow and consists largely of access to documents and witnesses relied upon in the petition. *See* 37 C.F.R. 42.51. It is also true that the PTAB does have the ability to impose sanctions to preserve administrative resources and maintain order in its proceedings. *See* 37 C.F.R. 42.12. Nothing in *Federal Maritime Commission* categorically bars an agency from having procedures designed to maintain the integrity of its re-examination process, or for leveraging the benefits of having the patent owner offer evidence to support the agency’s decision. Indeed, it is critical to note that PTO can continue the case entirely of its own accord. 37 C.F.R. 42.74(a) (Board is not a party to the settlement and may continue the action). *Cf. Tennessee Student Assistance Corp. v. Hood*, 541 U.S. 440, 453-55 (2004) (noting that some indicia of civil trials do not automatically implicate immunity by changing an in rem proceeding to an in personam one, and that the bankruptcy court can grant relief without the sovereign’s presence).

II. Sovereign immunity’s real party in interest doctrine prevents private parties from using immunity to evade IPR

Even assuming *arguendo* that the immunity doctrine applies to an IPR proceeding, the Tribe is not the real party in interest. When sovereign immunity is

claimed, “courts should look to whether the sovereign is the real party in interest to determine whether sovereign immunity bars the suit.” *Lewis v. Clarke*, 137 S. Ct. 1285, 1290 (2017) (citing *Hafer v. Melo*, 502 U.S. 21, 25(1991)). The doctrine, which predates (and should not be confused with) 35 U.S.C. § 315, requires that the reviewing court “determine in the first instance whether the remedy sought is truly against the sovereign.” *See id.* (citing *Ex parte New York*, 256 U.S. 490, 500–502(1921)). Thus, for example, a suit against a state officer in his official capacity for damages is in fact a suit against the state. *See generally, e.g., Kentucky v. Graham*, 473 U.S. 159, 165 (1985) (collecting cases).

When sovereign immunity is claimed by an entity that did not engage in the research and development of the underlying invention, *amicus* urges the Board to take a hard look behind the proverbial curtain to determine the level of the sovereign’s real interest. The doctrine can and should reach much further than the “sham” transaction at issue in this case, lest form trample substance and frustrate the congressional purpose. *See Memorandum Opinion and Order [Doc. 522]*, at 4-8, *Allergan Pharmaceuticals, Inc. v. Teva Pharmaceuticals, Inc.*, No. 2:15-cv-1455-WCB (E.D. Tex. Oct. 16, 2017). see also *Lear v. Adkins* 395 U.S. 653, 670 (1969) (noting importance of protecting public from being forced to pay “tribute” due to invalid patent claims). Indeed, where the Tribe has entered into any

revenue-sharing arrangement with a private party for a patent which it did not develop, claims of immunity should be viewed with skepticism.

III. Conclusion

For the foregoing reasons, the Tribe's motion to dismiss should be DENIED.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Christopher A. Mohr".

Christopher A. Mohr
Vice President for Intellectual Property and
General Counsel
Software and Information Industry Association

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