

No. 19-__

IN THE
Supreme Court of the United States

REGENTS OF THE UNIVERSITY OF MINNESOTA,
Petitioner,

v.

LSI CORPORATION, ET AL.,
Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

States and state entities, including the University of Minnesota, have sovereign immunity to suits by private parties before courts and “court-like administrative tribunals.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 761 (2002). At its core, this immunity protects States’ prerogative to decide when, and in what forum, to resolve their disputes with private citizens. *See, e.g., Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 (1984). In the patent context, this includes public universities’ right to select the forum for adjudicating infringement and invalidity disputes.

In 2011, Congress created an administrative process for challenging a patent’s validity called “inter partes review” or “IPR.” IPRs are “adversarial, adjudicatory proceedings between the ‘person’ who petitioned for review and the patent owner.” *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1866 (2019). The challenge is decided by the Patent Trial and Appeal Board (PTAB), an “adjudicatory body within the” Patent Office consisting of “panels of administrative patent judges.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018). In this case, the Federal Circuit—the only circuit with jurisdiction to decide the question, *see* 35 U.S.C. § 141(c)—held that state sovereign immunity does not apply to IPR proceedings, a conclusion repeatedly rejected by the PTAB itself.

The question presented is:

Whether the inter partes review proceedings brought by private respondents against the University of Minnesota in this case are barred by sovereign immunity.

PARTIES TO THE PROCEEDINGS

The parties to this proceeding include petitioner Regents of the University of Minnesota and the following respondents:

Avago Technologies U.S. Inc.

Ericsson Inc.

Gilead Sciences, Inc.

LSI Corporation

Telefonaktiebolaget LM Ericsson

RULE 29.6 STATEMENT

The University of Minnesota is a state entity created by charter and perpetuated by Article XIII, Section 3, of the constitution of the State of Minnesota. The University is governed by a board of regents, which constitutes a constitutional corporation called Regents of the University of Minnesota.

RELATED PROCEEDINGS

United States Court of Appeals for the Federal Circuit:

Regents of the University of Minnesota v. LSI Corporation, Avago Technologies U.S. Inc.,
No. 18-1559 (June 14, 2019)

Regents of the University of Minnesota v. Ericsson Inc., Telefonaktiebolaget LM Ericsson, Nos.
18-1560, 18-1561, 18-1562, 18-1563, 18-1564,
18-1565 (June 14, 2019)

United States Patent Trial and Appeal Board:

LSI Corporation and Avago Technologies U.S. Inc. v. Regents of the University of Minnesota, Case IPR2017-01068

Ericsson Inc. and Telefonaktiebolaget LM Ericsson v. Regents of the University of Minnesota, Cases IPR2017-01186, IPR2017-01197, IPR2017-01200, IPR2017-01213, IPR2017-01214, IPR2017-01219

Gilead Sciences, Inc. v. Regents of the University of Minnesota, Cases IPR2017-01712, IPR2017-01753, IPR2017-02004, IPR2017-02005*

* Intervenor Gilead Sciences, Inc. filed its own petitions before the Patent Trial and Appeal Board. Those petitions are not, however, before this Court because the Board stayed the proceedings in Gilead's case pending the Federal Circuit's decision in this case. Gilead was, however, allowed to intervene in the proceedings before the Federal Circuit in this case and, hence, is a respondent before this Court.

TABLE OF CONTENTS

QUESTION PRESENTED	i
PARTIES TO THE PROCEEDINGS	ii
RULE 29.6 STATEMENT	ii
RELATED PROCEEDINGS.....	iii
TABLE OF AUTHORITIES	vi
PETITION FOR A WRIT OF CERTIORARI.....	1
OPINIONS BELOW	1
JURISDICTION.....	1
RELEVANT CONSTITUTIONAL, STATUTORY, AND REGULATORY PROVISIONS	1
INTRODUCTION	1
STATEMENT OF THE CASE.....	4
I. Legal Background	4
A. Methods For Challenging Patent Validity	5
B. State Sovereign Immunity	8
II. Factual and Procedural Background.....	10
REASONS FOR GRANTING THE PETITION.....	15
I. The Federal Circuit’s Decision Conflicts With This Court’s Established Sovereign Immunity And IPR Precedents	15
A. IPRs Are Adversarial Proceedings Commenced And Prosecuted By Private Parties, And Therefore Barred By Sovereign Immunity.....	15

B. The Federal Circuit’s Reasons For Reaching The Contrary Conclusion Do Not Withstand Scrutiny	19
1. IPRs Are Adversarial Proceedings, Not A Mode Of Independent Agency Reexamination.....	19
2. IPRs Are Not The Kind Of Federal Agency Enforcement Action To Which States Have Surrendered Their Immunity	25
3. IPRs Are Not In Rem Proceedings To Which Sovereign Immunity Is Inapplicable	28
II. The Question Presented Is Important And Warrants Immediate Review	31
III. This Case Is An Excellent Vehicle.....	33
CONCLUSION	37
APPENDIX	
Appendix A, Court of Appeals Decision.....	1a
Appendix B & C, Patent Trial and Appeal Board Decisions	37a
Appendix D, Relevant Statutory and Regulatory Provisions	70a

TABLE OF AUTHORITIES

Cases

<i>A.L. Mechling Barge Lines, Inc. v. United States</i> , 368 U.S. 324 (1961)	21
<i>Alden v. Maine</i> , 527 U.S. 706 (1999)	<i>passim</i>
<i>Aqua Prods., Inc. v. Matal</i> , 872 F.3d 1290 (Fed. Cir. 2017)	23
<i>Blonder-Tongue Labs., Inc. v.</i> <i>Univ. of Ill. Found.</i> , 402 U.S. 313 (1971)	29
<i>California v. Deep Sea Research, Inc.</i> , 523 U.S. 491 (1998)	30, 31
<i>Celgene Corp. v. Peter</i> , 931 F.3d 1342 (Fed. Cir. 2019)	24
<i>Cent. Va. Cmty. Coll. v. Katz</i> , 546 U.S. 356 (2006)	28, 29, 31
<i>Coll. Sav. Bank v. Fla. Prepaid Postsecondary</i> <i>Educ. Expense Bd.</i> , 148 F.3d 1343 (Fed. Cir. 1998)	34
<i>Coll. Sav. Bank v. Fla. Prepaid Postsecondary</i> <i>Educ. Expense Bd.</i> , 527 U.S. 666 (1999)	9, 36
<i>Cuozzo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016)	4, 6, 30, 32
<i>Fed. Mar. Comm’n v. S.C. State Ports Auth.</i> , 535 U.S. 743 (2002)	<i>passim</i>
<i>Fla. Prepaid Postsecondary Educ. Expense</i> <i>Bd. v. Coll. Sav. Bank</i> , 527 U.S. 627 (1999)	9, 11, 34

<i>Franchise Tax Bd. v. Hyatt</i> , 139 S. Ct. 1485 (2019)	8, 27
<i>Gunter v. Atl. Coast Line R.R.</i> , 200 U.S. 273 (1906)	9
<i>Hans v. Louisiana</i> , 134 U.S. 1 (1890)	16
<i>Idaho v. Coeur d'Alene Tribe of Idaho</i> , 521 U.S. 261 (1997)	30
<i>Lapides v. Bd. of Regents of Univ. Sys. of Ga.</i> , 535 U.S. 613 (2002)	12, 35
<i>In re Magnum Oil Tools Int'l, Ltd.</i> , 829 F.3d 1364 (Fed. Cir. 2016)	<i>passim</i>
<i>MedImmune, Inc. v. Genentech, Inc.</i> , 549 U.S. 118 (2007)	5
<i>Naruto v. Slater</i> , 2018 WL 3854051 (9th Cir. Apr. 13, 2018)	23
<i>Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC</i> , 138 S. Ct. 1365 (2018)	<i>passim</i>
<i>Pennhurst State Sch. & Hosp. v. Halderman</i> , 465 U.S. 89 (1984)	9, 34
<i>Progressive Steelworkers Union v. Int'l Harvester Corp.</i> , 70 F.R.D. 691 (N.D. Ill. 1976)	23
<i>Raygor v. Regents of the Univ. of Minn.</i> , 534 U.S. 533 (2002)	9
<i>Return Mail, Inc. v. U.S. Postal Serv.</i> , 139 S. Ct. 1853 (2019)	<i>passim</i>
<i>RPX Corp. v. Applications in Internet Time, LLC</i> , 2015 WL 6157114 (P.T.A.B. Oct. 20, 2015)	20

<i>RPX Corp. v. Applications in Internet Time, LLC</i> , 2015 WL 7889318 (P.T.A.B. Dec. 4, 2015)	20
<i>RPX Corp. v. Applications in Internet Time, LLC</i> , 2016 WL 3577873 (P.T.A.B. July 1, 2016)	21
<i>Saint Regis Mohawk Tribe v.</i> <i>Mylan Pharm. Inc.</i> , 896 F.3d 1332 (Fed. Cir. 2018)	12, 13, 33
<i>SAS Inst. Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018)	<i>passim</i>
<i>Tegic Commc'ns Corp. v. Bd. of Regents of the</i> <i>Univ. of Tex. Sys.</i> , 458 F.3d 1335 (Fed. Cir. 2006)	<i>passim</i>
<i>Tenn. Student Assistance Corp. v. Hood</i> , 541 U.S. 440 (2004)	28, 29, 31
<i>United States v. Texas</i> , 143 U.S. 621 (1892)	27
<i>Vas-Cath, Inc. v. Curators of the Univ. of Mo.</i> , 473 F.3d 1376 (Fed. Cir. 2007)	4, 18, 26
<i>Vt. Agency of Nat. Res. v. United States</i> <i>ex rel. Stevens</i> , 529 U.S. 765 (2000)	21

Statutes

False Claims Act, 31 U.S.C. § 3729 <i>et seq.</i>	21
Judiciary Act of 1789, ch. 20, 1 Stat. 73	27
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284	6, 15
Shipping Act of 1984, Pub. L. No. 98-237, 98 Stat. 67	16, 25
28 U.S.C. § 1254(1)	1
28 U.S.C. § 2201(a)	21

35 U.S.C. § 6.....	6
35 U.S.C. § 141(c).....	15
35 U.S.C. § 143.....	8
35 U.S.C. § 200.....	4, 10
35 U.S.C. § 303(a)	5
35 U.S.C. § 311.....	6
35 U.S.C. § 311(a)	7
35 U.S.C. § 312.....	6, 7, 18, 20
35 U.S.C. § 313.....	6, 7, 18
35 U.S.C. § 314.....	6, 18
35 U.S.C. § 314(a)	7
35 U.S.C. § 315.....	6
35 U.S.C. § 315(a)	33
35 U.S.C. § 315(e)	29
35 U.S.C. § 316.....	6, 18, 22
35 U.S.C. § 316(a)(5)	7
35 U.S.C. § 316(a)(6)	7
35 U.S.C. § 316(a)(8)	7
35 U.S.C. § 316(a)(9)	7
35 U.S.C. § 316(a)(10).....	7
35 U.S.C. § 316(a)(13).....	7
35 U.S.C. § 316(e)	8
35 U.S.C. § 317.....	6
35 U.S.C. § 317(a)	8
35 U.S.C. § 318.....	6
35 U.S.C. § 318(a)	8
35 U.S.C. § 318(b)	8

35 U.S.C. § 319..... 6, 8

Rules

Fed. R. App. P. 42 23

Regulations

37 C.F.R. § 42.6(e)..... 18
 37 C.F.R. § 42.51 22
 37 C.F.R. § 42.52 18, 22
 37 C.F.R. § 42.53 18, 22
 37 C.F.R. § 42.62 18
 37 C.F.R. § 42.63 18, 22
 37 C.F.R. § 42.64 22
 37 C.F.R. § 42.65 18, 22
 37 C.F.R. § 42.70 18
 37 C.F.R. § 42.100(a) 18
 37 C.F.R. § 42.107(b) 20
 37 C.F.R. § 42.108(c) 7
 77 Fed. Reg. 48,756 (Aug. 14, 2012)..... 8, 23

Other Authorities

Am. Intellectual Prop. Law Ass’n, *2017 Report of the Economic Survey* (2017)..... 32
The Federalist No. 39 (James Madison) (C. Rossiter ed., 1961) 8
 H.R. Rep. No. 112-98, pt. 1 (2011)..... 6, 20

Anne S. Layne-Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, *Landslide*, May-June 2018, https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2017-18/may-june/cost-doubling-up/ 29

Postgrant HQ Reporter, *2018 Analysis on PTAB Contested Proceedings*, https://www.postgranthq.com/wp-content/uploads/2018/10/PGHQ_Reporter_2018.pdf 32

PETITION FOR A WRIT OF CERTIORARI

Petitioner Regents of the University of Minnesota respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-36a) is published at 926 F.3d 1327. The opinions of the Patent Trial and Appeal Board (Pet. 37a-52a and 53a-69a) are not published but are available at 2017 WL 6517562 and 2017 WL 6517563.

JURISDICTION

The judgment of the court of appeals was entered on June 14, 2019. Pet. App. 1a. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

RELEVANT CONSTITUTIONAL, STATUTORY, AND REGULATORY PROVISIONS

The relevant constitutional, statutory, and regulatory provisions are reproduced in Appendix D to this petition.

INTRODUCTION

“States’ immunity from suit” by private parties “is a fundamental aspect of the sovereignty which the States enjoyed before the ratification of the Constitution, and which they retain today.” *Alden v. Maine*, 527 U.S. 706, 713 (1999). This immunity is particularly important to a land-grant research university like the University of Minnesota in managing litigation over its patents, because intellectual property is at the core of the University’s teaching, research, and service mission. State

universities invest billions of dollars in public funds into research that results in valuable patents, the revenues from which are reinvested in the States' research and educational programs. To recover the value of its investments, a state university may be required to sue private parties for patent infringement. When it does, the university waives its sovereign immunity to any invalidity defense the defendant asserts in that action. *See Tegic Commc'ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys.*, 458 F.3d 1335, 1340-31 (Fed. Cir. 2006). But unless and until the state school files its infringement action, it remains immune to private litigation seeking to challenge its patents' validity. *See id.* Sovereign immunity thus affords public universities a measure of control over when and in what forum a private patent validity challenge will be heard.

In this case, the University of Minnesota filed patent infringement suits against respondents in federal court. The University was (and remains) fully prepared to litigate the validity of its patents there. Respondents, however, preferred a different forum. They filed petitions for "inter partes review" (IPR) of the patents' validity before a panel of administrative patent judges at the Patent and Trademark Office (PTO).

The question in this case is whether the University's sovereign immunity barred that change in forum for litigating the validity of the University's patents absent the University's consent.

The Federal Circuit held that the University's consent was not required because, in the court's view, sovereign immunity does not apply to IPRs. Pet. App. 18a-28a. The panel acknowledged that this Court has

held that sovereign immunity extends to proceedings before both courts and “court-like administrative tribunals.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 761 (2002); *see* Pet. App. 18a-19a. And it admitted that this Court has described IPRs as “adversarial, adjudicatory proceedings between the ‘person’ who petitioned for review and the patent owner.” Pet. App. 21a (quoting *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1866 (2019)) (alterations omitted). But the Federal Circuit nonetheless concluded that IPRs are “more like an agency enforcement action than a civil suit by a private party.” *Id.*; *see also id.* at 23a-24a (noting that States have no immunity to suits brought by the federal government).

In so deciding, the Federal Circuit rejected the contrary view of the Patent Trial and Appeal Board (PTAB or Board) itself, Pet. App. 41a-42a, 57a-58a, and contradicted this Court’s repeated recognition that IPRs are fundamentally adjudicative proceedings between the patent challenger and the patent owner—precisely the kind of proceedings to which sovereign immunity applies.

The Federal Circuit’s decision is indisputably consequential. It injures the sovereignty of every State and subjects public universities to a new and increasingly invoked form of litigation without their consent. Those disputes implicate billions of dollars’ worth of intellectual property rights at the center of some of the most important sectors of our economy. It is unsurprising, then, that state universities and fourteen States filed amicus briefs below attesting to the importance of the question presented here and its

impact on state funding for scientific research.¹ The Department of Justice’s amicus brief likewise professed that the issue has “cross-cutting significance for the federal government.”²

Over the past few years, this Court has repeatedly granted certiorari to decide questions regarding the conduct of IPRs.³ The case for certiorari here is even stronger. If States are to be subjected to IPRs without their consent, it should be on the basis of this Court’s considered judgment, not an unreviewed decision of a lower court.

STATEMENT OF THE CASE

I. Legal Background

States and state institutions like the University of Minnesota are eligible to receive patents for their employees’ inventions. *See, e.g., Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, 473 F.3d 1376 (Fed. Cir. 2007). Indeed, it “is the policy and objective of the Congress” that research institutions like the University “use the patent system to promote the utilization of inventions arising from federally supported research or development.” 35 U.S.C. § 200. Licensing such inventions permits a fair return on the

¹ *See, e.g.,* C.A. Amicus Br. of Indiana and thirteen other states (States C.A. Amicus Br.); C.A. Amicus Br. of Ass’n of Pub. & Land-Grant Univs.

² U.S. C.A. Amicus Br. 1.

³ *See Dex Media, Inc. v. Click-to-Call Techs., LP*, No. 18-916 (certiorari granted June 24, 2019); *Return Mail*, 139 S. Ct. 1853; *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365 (2018); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

public's research investments and reduces the amount of further state funding needed to continue top flight research programs at public universities. *See* States C.A. Amicus Br. 4-7.

Once a patent is issued, there are several means for a third party to challenge its validity. When the patent is owned by a State, however, the methods for raising a validity challenge are necessarily limited to those that comport with States' sovereign immunity.

A. Methods For Challenging Patent Validity

A patent's validity may be challenged in court or through an administrative proceeding at the Patent Office.

Defense to Infringement Litigation. An alleged infringer may, if sued, raise an invalidity defense and/or counterclaim in the litigation. *See, e.g., Tegic Commc'ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys.*, 458 F.3d 1335, 1342 (Fed. Cir. 2006).

Declaratory Judgment Action. A potential infringement defendant may file a free-standing declaratory judgment action against the patent holder, seeking a declaration of invalidity. *See, e.g., MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

Ex Parte Reexamination. Since 1980, the Patent Office has been authorized to inquire at any time "whether a substantial new question of patentability is raised by patents and publications discovered by" the Office or cited to the Office by an outside party. 35 U.S.C. § 303(a). If the Office decides that there is, it will engage in a process called "ex parte reexamination," through which it will "reexamine the

patent and, if warranted, cancel the patent or some of its claims.” *Return Mail*, 139 S. Ct. at 1859. Ex parte reexamination “largely follow[s] the same process as the initial examination, without further third-party input.” Pet. App. 12a.

Inter Partes Reexamination (Repealed).

Around the turn of the last century, Congress created an “inter partes reexamination” procedure. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). The new procedure “granted third parties greater opportunities to participate in the Patent Office’s reexamination proceedings as well as in any appeal of a Patent Office decision.” *Id.*

Inter Partes Review. In 2011, Congress passed the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, which, among other things, replaced inter partes reexamination with the IPR process at issue in this case. *See* 35 U.S.C. §§ 6, 311-19; *Return Mail*, 139 S. Ct. at 1860.⁴

Congress intended the new legislation to “convert[] inter partes reexamination from an examination to an adjudicative proceeding.” H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011). As a result, the “inter partes review regime looks a good deal more like civil litigation” than did its predecessor. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018).

⁴ The Act also created a separate “post-grant review” process and a “covered-business-method review” regime. *See Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1860 (2019). Collectively, the three new processes are referred to as “post-issuance review proceedings.” *Id.* Only IPR is directly at issue in this case.

An IPR thus “proceeds . . . with many of the usual trappings of litigation.” *SAS*, 138 S. Ct. at 1353-54. A private party commences the process by filing with the Patent Office a petition identifying the challenged claims and the grounds of unpatentability. *See* 35 U.S.C. § 311(a); *see also SAS*, 138 S. Ct. at 1355 (noting that Patent Office cannot commence an IPR on its own initiative). The challenger serves the petition on the patent holder, who may then file a preliminary response. 35 U.S.C. §§ 312, 313.

Review is conducted by a three-member panel of the PTAB, an “adjudicatory body within the PTO” that consists of “panels of administrative patent judges.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018). On the basis of the initial pleadings, the Board decides whether “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a).⁵ If so, the Board may, at its discretion, institute a review. *Id.*

During an IPR, the “parties conduct discovery and join issue in briefing and at an oral hearing.” *SAS*, 138 S. Ct. at 1354 (citing 35 U.S.C. § 316(a)(5), (6), (8), (10), (13)).⁶ The Board then decides whether the petitioner has satisfied its burden of proving unpatentability by a preponderance of the evidence, either canceling the challenged claims or confirming

⁵ The Board was delegated this authority from the Director of the PTO. *See* 37 C.F.R. § 42.108(c).

⁶ During this process, the patent holder may move to amend the patent to meet the petitioner’s objections. 35 U.S.C. § 316(a)(9).

their patentability. 35 U.S.C. §§ 316(e), 318(a)-(b). In so doing, the Board is limited to acting on the basis of the contentions and evidence presented by the private petitioner. *See In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1381 (Fed. Cir. 2016).⁷

“A party dissatisfied with the final written decision” of the Board “may appeal the decision” to the Federal Circuit. 35 U.S.C. § 319. The Director of the Patent Office is entitled to intervene in any appeal. *Id.* § 143.

B. State Sovereign Immunity

“An integral component of that ‘residuary and inviolable sovereignty’ . . . retained by the States is their immunity from private suits.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 751 (2002) (*FMC*) (quoting *The Federalist No. 39*, at 245 (James Madison) (C. Rossiter ed., 1961)).⁸ “The preeminent purpose of state sovereign immunity is to accord States the dignity that is consistent with their status as sovereign entities.” *Id.* at 760. This immunity also serves to protect the public treasury and elected officials’ control over state budget priorities. *See Alden v. Maine*, 527 U.S. 706, 750

⁷ The parties may agree to settle an IPR. 35 U.S.C. § 317(a). If, after settlements, “no petitioner remains in the inter partes review, the [PTAB] may terminate the review or proceed to a final written decision.” *Id.* As a policy, the Board almost never proceeds to a decision on its own “unless the Board has already decided the merits of the proceeding” by the time the petitioner withdraws. 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012).

⁸ In ratifying the Constitution, however, States “consent[ed] to suits brought against them by the United States in federal courts.” *Franchise Tax Bd. v. Hyatt*, 139 S. Ct. 1485, 1495 (2019).

(1999). Sovereign immunity extends to state agencies and “arms of the State,” such as the University of Minnesota. *See, e.g., Raygor v. Regents of the Univ. of Minn.*, 534 U.S. 533, 535-36 (2002); Pet. App. 56a.

Congress has constitutional authority to abrogate States’ immunity to suits by private parties only in very limited circumstances, and no party has claimed that Congress has attempted to abrogate state immunity to IPRs. *Cf. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999) (Congress lacks constitutional authority to subject nonconsenting States to private patent suits).

Nor can Congress evade the limits on its abrogation power by subjecting nonconsenting states to private suits before “court-like administrative tribunals.” *FMC*, 535 U.S. at 761 (noting “it would be quite strange to prohibit Congress from exercising its Article I powers to abrogate state sovereign immunity in Article III judicial proceedings, but permit the use of those same Article I powers to create court-like administrative tribunals where sovereign immunity does not apply”) (citation omitted).

A State may waive its immunity to suit by, among other things, “voluntarily invoking [the court’s] jurisdiction.” *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 675-76 (1999). Thus, when a State files suit against a private party, it consents to a full disposition of that particular action, including the adjudication of any defenses before that court and the prosecution of any appeal. *See, e.g., Gunter v. Atl. Coast Line R.R.*, 200 U.S. 273, 284 (1906). But States do not thereby waive their immunity to other actions. *See Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 (1984) (“A

State's constitutional interest in immunity encompasses not merely *whether* it may be sued, but *where* it may be sued.”).

In the patent context, this means that States cannot enforce their patents without submitting to an adjudication of their patent's validity in the infringement suit, if such a defense is asserted, but states retain the right to select the forum in which that challenge will be made. *See, e.g., Tegic*, 458 F.3d at 1342 (state university's filing of patent infringement action did not waive its sovereign immunity to defendant's suit in a different court seeking declaration that the underlying patents were invalid).

II. Factual and Procedural Background

1. The University of Minnesota is one of the nation's preeminent public teaching and research institutions. The University spends approximately \$700 million on research annually, making it one of the top ten largest public research institutions in the country. C.A. J.A. 720. That research is funded in large part through state and federal tax dollars. Consistent with federal policy, *see* 35 U.S.C. § 200, the University is charged with recouping some of that public investment by patenting the fruits of its research, licensing the patents, and reinvesting the royalties into the school's programs.

In this case, University research led to several important patents relating to wireless communications and computer technologies. *See* Pet. App. 3a. The University subsequently filed patent infringement suits in federal district court against respondents, all large for-profit companies. In their answers, each respondent challenged the patentability of the

patents. C.A. J.A. 1270-71, 1319, 1367, 1415, 1773, 1829-30.

2. Respondents also filed IPR petitions before the PTAB, seeking to have their patentability challenges adjudicated in the forum of their choice. The University moved to dismiss the IPR petitions as barred by Minnesota's sovereign immunity. Noting "the exceptional nature of the issues presented," the Board expanded the original three-judge panel, adding the Chief Judge, the Deputy Chief Judge, and two Vice Chief Judges. Pet. App. 38a-40a.

The Board agreed with the University that sovereign immunity generally applies to IPR proceedings. Pet. App. 40a-42a. The Board reasoned that IPRs are "similar to court proceedings inasmuch as they involve adverse parties, examination of witnesses, cross-examination by deposition, findings by an impartial adjudicator, power to implement the adjudicator's decision, the ability of the adjudicator to set a time for filing motions and for discovery, and application of the Federal Rules of Evidence." *Id.* at 42a. It acknowledged that there are some differences as well. *Id.* at 42a n.2. But it was unpersuaded "that those differences alone provide a sufficient basis to conclude that 'Congress had the power to compel States to surrender their sovereign immunity' wholesale in a proceeding that so closely resembles court proceedings." *Id.* (quoting *Fla. Prepaid*, 527 U.S. at 635). The Board noted that its conclusion was consistent with the decision of multiple prior PTAB panels, *id.* at 40a-41a (collecting citations), which reflected the views of fifteen different judges.

The Board also held, however, that by filing infringement suits against respondents in district

court, the University had waived its sovereign immunity to the IPR proceedings subsequently brought by respondents. Pet. App. 43a-47a. The Board acknowledged that a “State’s waiver of Eleventh Amendment immunity in one action does not necessarily extend to a separate action, even if the separate action involves the same parties and the same subject matter.” *Id.* at 43a. It nonetheless concluded that it “would be unfair and inconsistent” for a State to “avail itself of the federal government’s authority by filing a patent infringement action in federal court, but then selectively invoke its sovereign immunity to ensure that a defendant is barred from requesting an *inter partes* review of the asserted patent from a different branch of that same federal government.” *Id.* at 44a-45a (citing *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 619-20 (2002)).

3. On appeal, the Federal Circuit rejected the PTAB’s conclusion that sovereign immunity applied to IPRs in the first place, largely on the basis of its intervening decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1332 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1547 (2019), which held that tribal sovereign immunity does not apply to IPRs.⁹ The *Saint Regis* court reasoned that unlike the kind of administrative adjudications to which sovereign immunity properly applies, IPRs entail the PTAB “acting as the United States in its role as a superior sovereign to reconsider a prior administrative

⁹ See *infra* n.20 (discussing likely reasons for denial of certiorari in *Saint Regis*).

grant and protect the public interest in keeping patent monopolies within their legitimate scope.” Pet. App. 20a (quoting *Saint Regis*, 896 F.3d at 1329).¹⁰

To support its conclusion in this case, the Federal Circuit pointed to “several factors” supposedly showing that “IPR is more like an agency enforcement action than a civil suit brought by a private party.” Pet. App. 21a (quoting *Saint Regis*, 896 F.3d at 1327). First, it “is the Director, the politically appointed executive branch official, not the private party, who ultimately decides whether to proceed against the sovereign.” *Id.* (quoting *Saint Regis*, 896 F.3d at 1328). Second, “even if the petitioner or patent owner elects not to participate during IPR, the Board can continue to a final written decision.” *Id.* at 22a. Third, “the IPR procedure is in other respects distinct from ordinary civil litigation,” in that the “Federal Rules of Civil Procedure do not apply,” a patent owner may amend its patent claims in IPRs, and discovery and live hearings “are more limited” in IPRs “than [in] their civil counterparts.” *Id.*

Finally, the panel below opined 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.” Pet. App. 29a-36a. The panel acknowledged the “language in some Supreme Court cases broadly describing the United States’ immunity to in rem proceedings.” *Id.* at 30a. But it concluded

¹⁰ The Federal Circuit did not reach the question whether a State waives its immunity to IPRs by filing an infringement suit.

that IPRs are “distinguishable,” principally because they involve intangible property rights. *Id.* at 31a.

4. On remand, the PTAB stayed these cases pending the Court’s ruling on this petition.

REASONS FOR GRANTING THE PETITION

In the eight years since Congress passed the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), this Court has granted certiorari five times to decide questions regarding the proper conduct of inter partes review. *See supra* n.3. Whether States are subject to IPRs commenced and prosecuted by private parties is a question of at least equal importance. Although the question is incapable of generating a circuit split, *see* 35 U.S.C. § 141(c), the Federal Circuit's decision conflicts with the consistent view of the Patent Trial and Appeal Board, Pet. App. 40a-41a, on an issue of acknowledged importance to States, the Federal Government, and patent litigants throughout the nation. Because the decision cannot be reconciled with this Court's precedents or the constitutional design, the petition should be granted and the Federal Circuit's decision reversed.

I. The Federal Circuit's Decision Conflicts With This Court's Established Sovereign Immunity And IPR Precedents.

The decision below conflicts with this Court's longstanding sovereign immunity precedents as well as its recent cases describing the fundamental characteristics of IPRs.

A. IPRs Are Adversarial Proceedings Commenced And Prosecuted By Private Parties, And Therefore Barred By Sovereign Immunity.

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" or in

“court-like administrative tribunals.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760-61 (2002) (*FMC*). That is precisely what happens when a State is subject to a “full-blown adversarial proceeding before the Patent Office” on the basis of a private party’s IPR petition. *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1866 (2019).

1. In *FMC*, this Court granted certiorari to decide “whether state sovereign immunity precludes petitioner Federal Maritime Commission . . . from adjudicating a private party’s complaint that a state-run port has violated the Shipping Act of 1984.” 535 U.S. at 747. The Court explained that it had long presumed that “the Constitution was not intended to ‘rais[e] up’ any proceedings against the States that were ‘anomalous or unheard of when the Constitution was adopted.’” *Id.* at 755 (quoting *Hans v. Louisiana*, 134 U.S. 1, 18 (1890)) (brackets in original). The Court therefore accorded “great significance” to the fact that “formalized administrative adjudications were all but unheard of in the late 18th century and early 19th century.” *Id.*

To confirm its presumption that FMC adjudications were “the type of proceedings from which the Framers would have thought the States possessed immunity,” *FMC*, 535 U.S. at 756, the Court examined the “similarities between FMC proceedings and civil litigation,” *id.* at 759. The agency proceedings were instituted at the request of a private party through an initial pleading similar to a complaint, to which the defendant filed an answer. *Id.* at 757. The parties then conducted discovery, including depositions and demands for production of documents. *Id.* at 758. The case was then heard by an

“impartial officer,” under procedural rules “quite similar to those found in the Federal Rules of Civil Procedure.” *Id.* at 757, 758. The officer then issued a decision and ordered appropriate relief. *Id.* at 759.

More important than the sheer *number* of parallels to civil litigation was the fact that the administrative proceedings inflicted precisely the harms sovereign immunity is intended to prevent. “The preeminent purpose of state sovereign immunity is to accord States the dignity that is consistent with their status as sovereign entities.” *FMC*, 535 U.S. at 760. And it has been understood since the Founding that it is inconsistent with that dignity for States to “be summoned as defendants to answer the complaints of a private person.” *Id.* (quoting *Alden v. Maine*, 527 U.S. 706, 748 (1999)). “Simply put,” the Court concluded, 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, such as the FMC.” *Id.*

2. Like the administrative adjudications in *FMC*, IPRs against States are a form of proceeding that was “anomalous and unheard of when the Constitution was adopted.” *FMC*, 535 U.S. at 755 (citation omitted). “In general, until 1980 the only way the original patent grant could be challenged was in patent litigation in district court.” Pet. App. 9a. IPRs were not established until 2011. *Return Mail*, 139 S. Ct. at 1859-60. That IPRs are an historical anomaly is a fact of “great significance,” presumptively establishing that the Founding generation would not

have “found it acceptable to compel a State” to answer to a private party before the PTAB. *FMC*, 535 U.S. at 755, 760.

That conclusion is confirmed by the similarities between IPRs, civil litigation, and the administrative proceedings this Court considered in *FMC*. As this Court has recently described, IPRs allow “private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation.” *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). An IPR is commenced if, and only if, the private party submits a petition which, much like a complaint, sets forth allegations and a claim for relief. *Id.* at 1355. The petition is served upon the State, which can file a response. *See* 35 U.S.C. §§ 312-313; 37 C.F.R. § 42.6(e).

Based on these initial pleadings, the Board decides whether to institute further proceedings. 35 U.S.C. § 314. If it does so, “the matter proceeds before the Board with many of the usual trappings of litigation.” *SAS*, 138 S. Ct. at 1353-54. Indeed, the Board’s regulations call the post-institution phase a “trial.” *See, e.g.*, 37 C.F.R. § 42.100(a). As in *FMC*, the “parties conduct discovery and join issue in briefing and at an oral hearing.” *SAS*, 138 S. Ct. at 1354. During the trial, the parties present exhibits and witnesses and conduct cross-examinations. 35 U.S.C. § 316; 37 C.F.R. §§ 42.52-.53, 42.63, 42.65, 42.70. The Federal Rules of Evidence apply with minor alterations. 37 C.F.R. § 42.62.

Like the Federal Maritime Commission, the PTAB plays the role of “impartial federal adjudicator,” *Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, 473 F.3d 1376, 1382 (Fed. Cir. 2007), reviewing the parties’

claims and deciding whether the petitioner has sustained its burden of proof. *See In re Magnum Oil Tools Int'l, Ltd.*, 829 F.3d 1364, 1380-81 (Fed. Cir. 2016).

In short, an IPR proceeding “walks, talks, and squawks very much like a lawsuit.” *FMC*, 535 U.S. at 757 (citation omitted).

B. The Federal Circuit’s Reasons For Reaching The Contrary Conclusion Do Not Withstand Scrutiny.

The Federal Circuit identified a handful of differences between IPRs and civil litigation which, it concluded, make IPR less like the kind of proceeding this Court addressed in *FMC* and more like other kinds of proceedings to which (in the Federal Circuit’s view) sovereign immunity does not apply. But its reasoning does not withstand scrutiny.

1. IPRs Are Adversarial Proceedings, Not A Mode Of Independent Agency Reexamination.

The Federal Circuit’s principal rationale was that IPRs are akin to an ex parte reexamination in which the Patent Office acts “as the United States in its role as a superior sovereign to reconsider a prior administrative grant.” Pet. App. 20a. That analogy is refuted by recent decisions of this Court and even a cursory examination of how IPRs are actually conducted.

In establishing IPRs, “rather than create (another) agency-led, inquisitorial process for reconsidering patents, Congress opted for a party-directed, adversarial process.” *SAS*, 138 S. Ct. at

1355. Indeed, the whole point of IPRs was to move from “an examinational to an adjudicative proceeding.” H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011). Consequently, IPRs are “fundamentally different” from “ex parte reexamination.” *Return Mail*, 139 S. Ct. at 1865. The “reexamination process is *internal*; the challenger is not permitted to participate in the Patent Office’s process.” *Id.* at 1866 (emphasis added). In contrast, IPRs “are *adversarial, adjudicatory proceedings* between the ‘person’ who petitioned for review and the patent owner.” *Id.* (emphasis added). In reexamination, the agency is entitled to consider any issue or evidence it deems relevant; in an IPR, it is restricted to addressing only the theories and evidence submitted by the challenger. *See Magnum Oil*, 829 F.3d at 1380-81.

The Board’s power to refuse to institute an IPR does not change the fundamentally adversarial nature of the proceeding. *Contra* Pet. App. 21a-22a. For one thing, the institution decision does not occur until well after the State has been “summoned as [a] defendant[] to answer the complaints of private persons.” *FMC*, 535 U.S. at 760 (citation omitted). Under the statute, the proceedings begin when a private party submits an initial petition and serves the State, which has three months to file a response. 35 U.S.C. § 312; 37 C.F.R. § 42.107(b). The patent holder is then subject to potential discovery and other motion practice before the Board decides whether to continue with *further* proceedings on patentability.¹¹ Enduring even the

¹¹ *See, e.g., RPX Corp. v. Applications in Internet Time, LLC*, 2015 WL 6157114 (P.T.A.B. Oct. 20, 2015); *id.*, 2015 WL 7889318

preliminary proceeding is the kind of costly indignity from which sovereign immunity is intended to shield the States.

Even if the institution decision were made earlier, it would make no difference. No one could reasonably argue, for example, that Congress could evade the limits on its power to abrogate sovereign immunity by simply giving district courts or ALJs discretion whether to hear suits by private parties against States. For example, private parties commonly file declaratory judgment actions seeking to adjudicate a patent's validity. The Declaratory Judgment Act gives courts discretion whether to provide such relief, 28 U.S.C. § 2201(a), an authority the court may exercise at the outset of the litigation to decline to hear the case. *See, e.g., A.L. Mechling Barge Lines, Inc. v. United States*, 368 U.S. 324, 331 (1961). Yet even the Federal Circuit recognizes that states are immune from declaratory judgment actions despite this discretion. *See Tegic Commc'ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys.*, 458 F.3d 1335, 1339-40 (2006). Likewise, this Court has expressed "serious doubt" that the False Claims Act, 31 U.S.C. § 3729 *et seq.*, would be constitutional if construed to allow private *qui tam* actions against States, even though such suits proceed only at the sufferance of federal officials who are empowered to take over the case (or to intervene and dismiss it). *See Vt. Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 787 (2000).

(P.T.A.B. Dec. 4, 2015); *id.*, 2016 WL 3577873 (P.T.A.B. July 1, 2016).

Moreover, nothing about the Board's power to approve or decline institution can erase the fact that "Congress chose to structure a process in which it's the petitioner, not the Director, who gets to define the contours of the proceeding." *SAS*, 138 S. Ct. at 1355. As noted, the statute "doesn't authorize the Director to start proceedings on his own initiative." *Id.* And "[m]uch as in the civil litigation system it mimics, in an inter partes review the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises." *Id.* At the same time, the Board lacks discretion to consider grounds of unpatentability not raised by the petition. *See id.* at 1356-57. And in ruling on the challenges the petitioner does raise, the Board is limited to deciding whether the petitioner has satisfied its burden of proof, on the basis of the evidence and arguments the petitioner presented; it may not invalidate a patent claim on any other ground, even if the Board comes to believe the patent is defective for reasons the petitioner failed to give. *See, e.g., Magnum Oil*, 829 F.3d at 1381 (Board may not "raise, address, and decide unpatentability theories never presented by the petitioner"). Likewise, the Board has no role in the development of the evidence except as an arbiter of disputes between the parties. *See* 35 U.S.C. § 316; 37 C.F.R. §§ 42.51-.53, 42.63-.65.

The Federal Circuit made much of the fact that the Board is entitled to continue a proceeding even if the parties stop participating. Pet. App. 22a. But the Board can only exercise this power if the private petitioner has already subjected the State to the indignities and burdens of suit before dropping the case. Moreover, as a practical matter, the Board will

never be in a position to continue a case unless the litigation is effectively completed when the petitioner withdraws. The Board has no tools or authority to develop evidence on its own. And the Board is still limited to deciding the challenges raised by the petitioner, on the basis of the arguments and evidence the petitioner presented. *See Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1311-12 (Fed. Cir. 2017) (en banc); *Magnum Oil*, 829 F.3d at 1380-81. As a consequence, the Board has explained that it “expects that a proceeding will terminate after the filing of a settlement agreement, *unless the Board has already decided the merits of the proceeding.*” 77 Fed. Reg. 48,756, 48,768 (Aug. 14, 2012) (emphasis added). That possibility hardly transforms IPR into an agency-directed examination. Indeed, federal courts have similar authority. *See, e.g., Naruto v. Slater*, 2018 WL 3854051, at *2 (9th Cir. Apr. 13, 2018) (appellate court retains power to decide case even after parties settle and move to dismiss under Fed. R. App. P. 42); *Progressive Steelworkers Union v. Int’l Harvester Corp.*, 70 F.R.D. 691, 693 (N.D. Ill. 1976) (“Voluntary dismissal will be denied if the merits of a case have been considered or if issue has been joined.”). Yet sovereign immunity indisputably applies in those courts.

The Federal Circuit also suggested that a State could avoid the indignity of being hauled before the Board to answer the claims of a private party by simply refusing to participate in the proceeding. Pet. App. 35a. But this Court rejected that argument in *FMC*, recognizing that forgoing the administrative process would “substantially compromise” the State’s ability to “defend itself at all.” 535 U.S. at 762. So,

too, here. Absent a response from the State, the PTAB is far more likely to find that the petitioner has met its burden of proof and may even issue a default judgment. *See* Pet. App. 35a n.6; *Magnum Oil*, 829 F.3d at 1376 n.1 (even if not required to by the statute, a patent holder “would be well advised to introduce evidence’ on the asserted challenge” in IPRs) (citation omitted). And unless it participates before the PTAB, the State is effectively precluded from seeking review of its decision before an Article III court. *See Celgene Corp. v. Peter*, 931 F.3d 1342, 1356 (Fed. Cir. 2019) (Federal Circuit review of PTAB decision generally limited to arguments raised by the parties before the Board); *FMC*, 535 U.S. at 762-63 (similar restriction on judicial review of FMC orders). Accordingly, to say that the statute “does not coerce a State to participate in an [IPR] adjudication would be to blind ourselves to reality.” 535 U.S. at 763-64.

The Federal Circuit further insisted that the similarities between IPRs and civil litigation “do[] not disturb the basic purpose of the proceeding, namely to reexamine an earlier agency decision.” Pet. App. 21a (internal quotation marks omitted). But the availability of sovereign immunity turns on the nature of the proceeding, not its purposes. *See FMC*, 535 U.S. at 756-59. And this Court has explained that although IPRs and ex parte reexamination “share [a] common purpose,” they pursue that purpose “in meaningfully different ways.” *Return Mail*, 139 S. Ct. at 1865-66.

For the same reason, the panel’s reliance on *Oil States* is inapt. *See* Pet. App. 23a-24a. The question there was whether IPR violates Article III by allowing administrative patent judges to decide a question the Constitution reserves to federal courts. *See* 138 S. Ct.

at 1370. The answer to the question turned on the nature of the *rights* granted by a patent (*i.e.*, whether they are “public rights”), *id.* at 1372-73, a consideration orthogonal to the sovereign immunity inquiry. *See FMC*, 535 U.S. at 754 (assuming nature of the rights at issue permitted agency adjudication, but finding that this “assumption, however, does not end our inquiry”); *id.* at 754-61 (going on to examine the nature of the proceedings).¹²

2. *IPRs Are Not The Kind Of Federal Agency Enforcement Action To Which States Have Surrendered Their Immunity.*

Shifting metaphors, the Federal Circuit also suggested that even if IPRs are more like adversarial adjudications than internal Patent Office reexaminations, they should be seen as adjudications “between the United States and the patent owner,” Pet. App. 24a, rather than between the private petitioner and the State. And because States have surrendered their sovereign immunity to suits by the United States, the court reasoned, they should not be immune to a suit prosecuted by the PTO before a PTO tribunal. *Id.* 19a, 24a. That argument fails as well.

In *FMC*, this Court rejected the nearly identical claim that proceedings under the Shipping Act of 1984¹³ before the Federal Maritime Commission were

¹² Similarly irrelevant are the handful of other differences between IPRs and civil litigation the panel noted. Pet. App. 22a (citing, *e.g.*, more limited nature of discovery). None changes the fact that IPRs are at their core a form of private litigation before a court-like tribunal.

¹³ Pub. L. No. 98-237, 98 Stat. 67.

tantamount to suits against the State by the federal government. A suit falls within the scope of States' consent to suit by the United States only if the suit "is *commenced and prosecuted* against a State in the name of the United States by those who are entrusted with the constitutional duty to 'take Care that the Laws be faithfully executed.'" *Alden*, 527 U.S. at 755 (emphasis added) (citation omitted). The Court explained in *FMC* that the "prosecution of a complaint filed by a private party with the FMC is plainly not controlled by the United States, but rather is controlled by that private party." 535 U.S. at 764. The "only duty assumed by the FMC, and hence the United States, in conjunction with a private complaint is to assess its merits in an impartial manner." *Id.* As a result, "the United States plainly does not 'exercise . . . political responsibility' for such complaints, but instead has impermissibly effected 'a broad delegation to private persons to sue nonconsenting States.'" *Id.* (quoting *Alden*, 527 U.S. at 756) (ellipses in original).

The same is true of IPRs. As discussed, it is the private petitioner, not the Board, who commences and prosecutes the action. The PTAB members act as "impartial federal adjudicators," *Vas-Cath*, 473 F.3d at 1382, restricted to deciding the challenges petitioners raise, *see Magnum Oil*, 829 F.3d at 1380-81. The Board's ability to cut the proceeding short by refusing initiation does not transform the Board from a panel of judges into a plaintiff or prosecutor, any more than this Court's grant of certiorari renders it a party to the case or politically accountable for the actions of the petitioner.

At any rate, under the plan of the convention, states "consent[ed] to suits brought against them by

the United States *in federal courts.*” *Franchise Tax Bd. v. Hyatt*, 139 S. Ct. 1485, 1495 (2019) (emphasis added). They did not consent to actions brought against them by the federal government *in federal agencies*. How could they? Adversarial agency adjudications are a product of the “vast growth of the administrative state” the Framers “could not have anticipated.” *FMC*, 535 U.S. at 755. The court of appeals cited no founding-era examples of States being subject to suit by the federal government in any forum other than a federal court. In fact, the First Congress restricted jurisdiction over disputes between the United States and States not just to federal courts, but to *this Court*. See Judiciary Act of 1789, ch. 20, § 13, 1 Stat. 73, 80. “Such exclusive jurisdiction was given to this court because it best comported with the dignity of a State, that a case in which it was a party should be determined in the highest, rather than in a subordinate judicial tribunal of the nation.” *United States v. Texas*, 143 U.S. 621, 643 (1892). States surely would not have contemplated that the United States could elect, as an alternative, to haul a State before an administrative tribunal in which a federal agency served as both plaintiff and judge. *Cf. Return Mail*, 139 S. Ct. 1867 (noting the “awkward situation” that would arise from forcing a patent owner “to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency . . . and overseen by a different federal agency”).¹⁴

¹⁴ *FMC* did not hold otherwise. *Contra* Pet. App. 24a; see *Franchise Tax Bd.*, 139 S. Ct. at 1495 (citing *FMC*, 535 U.S. at

3. *IPRs Are Not In Rem Proceedings To Which Sovereign Immunity Is Inapplicable.*

Turning to yet another analogy, the panel argued that even if it was wrong about everything else, sovereign immunity still would not apply to IPRs “because they are in substance the type of in rem proceedings to which state sovereign immunity does not apply.” Pet. App. 29a. The panel acknowledged that there is no general rule holding sovereign immunity inapplicable to in rem proceedings. *Id.* at 29a-31a. Indeed, this Court has repeatedly held that sovereign immunity bars a variety of private in rem suits. *See id.* (collecting cites). The panel nonetheless purported to identify a subset of in rem proceedings to which sovereign immunity is inapplicable, settling on suits that “do[] not implicate ownership of real property or the state’s ability to regulate within its own domain.” *Id.* at 31a. The panel further claimed that IPRs are “closely akin” to “proceedings where the Supreme Court has concluded sovereign immunity is not a bar.” *Id.* at 33a (citing *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440 (2004)); *see id.* at 29a (citing *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356 (2006)). This analysis fails twice over.

First, IPRs are *in personam*, not *in rem*. *See Return Mail*, 139 S. Ct. at 1866 (IPRs are “adversarial, adjudicatory proceedings *between the ‘person’ who petitioned for review and the patent owner*”) (emphasis added). A defining feature of in rem suits—and the

752, as establishing that “the only forums in which the States have consented to suits . . . by the Federal Government are Article III courts”).

one on which this Court’s decisions in *Katz* and *Hood* turned—is that jurisdiction is exercised over a specific property in order to “determine all claims that anyone, whether named in the action or not, has to the property or thing in question.” *Hood*, 541 U.S. at 448 (citation and brackets omitted). Accordingly, a true in rem proceeding is “one against the world.” *Id.* (citation omitted). It is the universal application of the judgment that justifies the fiction that the proceeding is against the property, rather than against the sovereign or any other party.

That essential feature is missing in IPRs. If the Board confirms the patentability of the patent, that judgment does not settle the question finally and for everyone. It bars only the petitioner from making the same claim in future proceedings. 35 U.S.C. § 315(e). The rest of the world is free to raise the same challenge to the patent before the PTAB or a court, *see id.*, and others frequently do.¹⁵ True, if the PTAB declares a patent unpatentable, that conclusively precludes the owner from asserting the patent against anyone. But the same is true of any *in personam* suit challenging patent validity. *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-50 (1971).

Notably, the panel was unable to identify *any* other case in which a dispute over entitlement to a patent or other government franchise has been treated as an in rem proceeding for *any* purpose, much less as

¹⁵ See Anne S. Layne-Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, *Landslide*, May-June 2018, https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2017-18/may-june/cost-doubling-up/.

a ground for setting aside sovereign immunity. And even if the panel were right that IPRs are “*akin to*” in rem proceedings in some respects, Pet. App. 33a (emphasis added), States’ sovereign immunity cannot be divested through loose and manipulable analogies. To say that an IPR is both *akin to*, and unlike, an in rem suit—or that it is a “hybrid proceeding,” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)—is to admit that IPR is a form of action that was “anomalous and unheard of when the Constitution was adopted” and therefore presumptively subject to sovereign immunity’s bar. *FMC*, 535 U.S. at 755 (citation omitted).

Second, as the panel acknowledged, calling a proceeding “in rem” does not end the inquiry. An IPR could just as easily be analogized to a quiet title action, an in rem proceeding to which sovereign immunity admittedly attaches. See Pet. App. 30a-31a (citing *Idaho v. Coeur d’Alene Tribe of Idaho*, 521 U.S. 261, 281-82 (1997)). The line the panel drew between in rem proceedings to which sovereign immunity does and does not apply is an obvious gerrymander that has little to do with the purposes and constitutional traditions the immunity reflects. For example, relying on *California v. Deep Sea Research, Inc.*, 523 U.S. 491 (1998), the panel drew a sharp distinction between suits regarding “property that is *physically* possessed by a state and property that is not.” Pet. App. 33a (emphasis added). But the critical qualification—the property must be in the State’s *physical* possession—is the panel’s invention. *Deep Sea* had no occasion to distinguish between property (like ships) capable of physical possession and property (like patents) that are not. Instead, the decision is deeply rooted in the

very specific history and tradition of admiralty jurisdiction. *See* 523 U.S. at 501-08. The bankruptcy cases likewise turn on the specific historical practices and understandings in that specialized context. *See Katz*, 546 U.S. at 369-78; *Hood*, 541 U.S. at 446-51. Indeed, *Katz* disavowed deciding whether the proceeding at issue was *in rem*, resolving the case on other bankruptcy-specific grounds. *See* 546 U.S. at 372. But there is no comparable historical support for the Federal Circuit’s decision in this case—patent validity challenges were decided exclusively through *in personam* litigation until the late twentieth century. *See* Pet. App. 9a-10a.

II. The Question Presented Is Important And Warrants Immediate Review.

The PTAB, the Department of Justice, and the States have all acknowledged the broad importance of the question presented. *See* Pet. App. 39a (Patent Office expanded PTAB panel because of “the exceptional nature of the issues presented”); U.S. C.A. Amicus Br. 1 (characterizing question as having “cross-cutting significance for the federal government”); States C.A. Amicus Br. 3-8 (explaining importance of question to State universities and budgets). They are all correct.

State universities are issued thousands of patents every year, and many hold portfolios that generate millions of dollars in much-needed revenues for the States and their educational institutions. *See* States C.A. Amicus Br. 3-6. IPRs have become an increasingly common method for challenging such patents, made particularly attractive to infringement defendants by their lower standard of proof for

unpatentability. See Pet. App. 40a-41a (PTAB observing the frequency with which sovereign immunity question arises); *Cuozzo*, 136 S. Ct. at 2144 (describing different standards of proof). Indeed, it is a rare case in which a State's attempt to enforce its patent rights does not prompt an IPR challenge.¹⁶ Moreover, because most IPRs are prompted by infringement suits,¹⁷ they are typically directed at States' *most important* patents, *i.e.*, the ones valuable enough to warrant the cost of bringing infringement litigation.

Even just the cost of defending against those IPRs is significant. See Am. Intellectual Prop. Law Ass'n, *2017 Report of the Economic Survey* 51 (2017) (median cost of defending single IPR through appeal approaches half a million dollars). The same patent can be subject to repeated IPR petitions, as illustrated by the four separate IPRs intervenor Gilead Sciences, Inc. brought against the same patent in litigation below.¹⁸ And because IPRs are not in rem proceedings, the same patent can be challenged over and over again by a string of different petitioners.¹⁹ Moreover, in many cases, the State will be simultaneously litigating the same invalidity claims with the same parties before the PTAB and in one or more district courts,

¹⁶ Cf. Postgrant HQ Reporter, *2018 Analysis on PTAB Contested Proceedings* 7, https://www.postgranthq.com/wp-content/uploads/2018/10/PGHQ_Reporter_2018.pdf (more than 85% of IPRs are concurrent with related infringement litigation).

¹⁷ See *id.*

¹⁸ See *Gilead Scis., Inc. v. Regents of the Univ. of Minn.*, IPR2017-01712, -01753, -02004, -02005.

¹⁹ See *supra* n.16.

which are not required to stay their proceedings pending an IPR. *See* 35 U.S.C. § 315(a).

The importance of the question presented is not just practical and economic. Sovereign immunity is a critical element of the Constitution's structural protection of liberty through the division of power between States and the Federal Government. *See Alden*, 527 U.S. at 751. The Federal Circuit's disregard for that essential feature of the constitutional order in the patent context is bad enough. But if left unreviewed, the precedent established here will provide a template for further incursions on States' immunity and evasion of the constitutional limits on Congress's powers of abrogation.

III. This Case Is An Excellent Vehicle.

This case provides an excellent vehicle for resolving the question presented. The sovereign immunity question was the sole ground for the decision below and the subject of extensive briefing, including by the Department of Justice and multiple States as amici. The panel resolved the question on the authority of its prior decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1332 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1547 (2019), which was likewise vigorously litigated. Given the denial of rehearing en banc in *Saint Regis*, and the unanimous panel decision in this case, no further percolation can be expected.²⁰

²⁰ The Court's denial of certiorari in *Saint Regis* no doubt reflects that the case did not squarely present the more important

The PTAB's claim that the University waived its immunity to IPR proceedings by filing an infringement action in district court is no reason to deny review of the antecedent question whether immunity applies to IPRs in the first place. This Court regularly grants certiorari to decide similar threshold questions despite the availability of alternative grounds for affirmance that were not reached by the lower court. For example, in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999), this Court granted certiorari to review the Federal Circuit's holding that Congress validly abrogated States' sovereign immunity to private patent infringement suits even though the court of appeals had not decided the plaintiff's alternative claim that the defendant had waived any immunity it might have by failing to timely raise the defense in the trial court, *see Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1345 (Fed. Cir. 1998).

Moreover, the PTAB's waiver holding is meritless.²¹ Sovereign immunity's fundamental purpose is to protect the State's prerogative to select the forum to which it will submit its disputes with private parties. *See, e.g., Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 (1984). To say that a State has sovereign immunity in the patent context is to say that it may elect when and where to litigate its

question—presented here—of *State* sovereign immunity to IPRs and the vehicle problems specific to that litigation. *See Saint Regis* BIO 29-36.

²¹ *See generally* Pet. C.A. Br. 36-60; Pet. C.A. Reply Br. 25-30; States C.A. Amicus Br. 8-16.

patent rights, including any invalidity claims. It makes no sense to hold, as the PTAB did, that the moment a State makes its election (by filing suit in a federal court), it thereby waives its right to make that choice stick.

The Federal Circuit thus has rightly held that filing an infringement suit in one federal court does not waive a State's immunity to a defendant's separate suit seeking a declaration of the underlying patent's invalidity. *Tegic*, 458 F.3d at 1340, 1342. The PTAB tried to avoid the natural implications of that holding by treating IPRs as an extension of the infringement litigation. Pet. App. 43a-44a. But that claim has no foundation. Even more so than declaratory judgment actions, IPRs are instituted as independent matters before a separate tribunal in an entirely different branch of the government. Indeed, IPRs can be brought even if no district court litigation is ever filed.

The PTAB also claimed authority under this Court's decision in *Lapides v. Board of Regents of University System of Georgia*, 535 U.S. 613 (2002), to deem the State's immunity waived in the name of preventing unfairness. Pet. App. 44a-47a. But *Lapides* does not authorize courts to deny sovereign immunity to States whenever respecting it seems unfair. See 535 U.S. at 619 (immunity waived because State voluntarily invoked jurisdiction of federal court through removal); *id.* at 622-23 (describing *that specific rule* as preventing unfairness). And, in any event, there is nothing remarkable about respecting a State's choice of forum when the choice does not preclude respondents from raising any of their defenses. Respondents may prefer to have a choice of the forum in which to litigate their unpatentability

challenges, and they would if dealing with a private counterparty. But complete “evenhandedness’ between individuals and States is not to be expected” given States’ unique and sovereign status under our Constitution. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 685-86 (1999) (brackets omitted).

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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September 12, 2019

APPENDIX

1a

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

No. 2018-1559

REGENTS OF THE UNIVERSITY OF MINNESOTA,
Appellant,

v.

LSI CORPORATION, AVAGO TECHNOLOGIES U.S. INC.,
Appellees,

GILEAD SCIENCES, INC.,
Intervenor.

Decided: June 14, 2019

Appeal from the United States Patent and
Trademark Office, Patent Trial and Appeal Board in
No. IPR2017-01068

2a

Nos. 2018-1560, 2018-1561, 2018-1562, 2018-1563,
2018-1564, 2018-1565

REGENTS OF THE UNIVERSITY OF MINNESOTA,
Appellant,

v.

ERICSSON INC., TELEFONAKTIEBOLAGET LM ERICSSON,
Appellees,

GILEAD SCIENCES, INC.,
Intervenor.

Appeals from the United States Patent and
Trademark Office, Patent Trial and Appeal Board in
Nos. IPR2017-01186, IPR2017-01197,
IPR2017-01200, IPR2017-01213, IPR2017-01214,
IPR2017-01219.

Before DYK, WALLACH, and HUGHES, *Circuit Judges*.
Opinion for the court by *Circuit Judge* DYK, in which
WALLACH and HUGHES, *Circuit Judges*, join.
Additional views by *Circuit Judges* DYK, WALLACH,
and HUGHES.

DYK, *Circuit Judge*.

The Regents of the University of Minnesota (“UMN”) appeals from decisions by the United States Patent and Trademark Office (“USPTO”) Patent Trial and Appeal Board (“Board”) declining to dismiss petitions for inter partes review (“IPR”). The petitions were alleged to be improper because states supposedly enjoy sovereign immunity in IPR proceedings. We

conclude that state sovereign immunity does not apply to these proceedings, and therefore we affirm.

BACKGROUND

The University of Minnesota is an arm of the state of Minnesota and is one of the largest public research institutions in the country. It pursues patent protection for inventions resulting from its research and is the owner of U.S. Patent Nos. 5,859,601 ('601 patent), 7,251,768 ('768 patent), 7,292,647 (RE45,230 patent), 8,588,317 ('317 patent), 8,718,185 ('185 patent), and 8,774,309 ('309 patent). The patents were assigned to UMN at the outset of prosecution, and they were issued between January 12, 1999, and July 8, 2014. These patents cover two distinct technologies.

Appellee LSI Corp. designs and supplies semiconductors; it is alleged to infringe UMN's '601 patent, which claims particular types of "read channel" chips. Appellee Ericsson Inc. is a telecommunications company. Its customers' use of Ericsson's products was alleged to infringe UMN's '768, RE45,230, '317, '185, and '309 patents. These patents claim technology used for 4G LTE networks.

UMN, alleging infringement of these patents, sued LSI and separately sued Ericsson's customers in district court. Ericsson intervened in the customer suits.

After the commencement of the suits for patent infringement, LSI and Ericsson separately petitioned for IPR seeking a determination of unpatentability of the challenged claims on grounds of anticipation and obviousness. *See LSI Corp. v. Regents of the Univ. of Minn.*, No. IPR2017-01068, Paper 1 (P.T.A.B. Mar. 10, 2017); *Ericsson Inc. v. Regents of the Univ. of Minn.*,

Nos. IPR2017-01186, Paper 1 (P.T.A.B. Mar. 28, 2017); IPR2017-01197, Paper 1 (P.T.A.B. Mar. 29, 2017); IPR2017-01200, Paper 1 (P.T.A.B. Mar. 30, 2017); IPR2017-01213, Paper 1 (P.T.A.B. Mar. 30, 2017); IPR2017-01214, Paper 1 (P.T.A.B. Mar. 30, 2017); IPR2017-01219, Paper 1 (P.T.A.B. Mar. 30, 2017).

After the petitions for IPR were filed, and before the USPTO decided whether to institute IPR, UMN filed a motion to dismiss in each proceeding based on state sovereign immunity. The USPTO convened an expanded panel, consisting of three administrative patent judges as well as the Chief Judge, Deputy Chief Judge, and two Vice Chief Judges. In each proceeding, the Board concluded that state sovereign immunity applied to IPR proceedings but that UMN waived its immunity by filing suit against petitioners in district court.¹ A concurrence to each of the Board decisions concluded that sovereign immunity was not implicated in part because “[a]t its core, *inter partes* review is a circumscribed *in rem* proceeding, in which the Patent Office exercises jurisdiction over the patent challenged, rather than the parties named.” J.A. 13; J.A. 33.

¹ The Board’s order denying UMN’s motion to dismiss is at *LSI Corp. v. Regents of the University of Minnesota*, No. IPR2017-01068, Paper 19 (P.T.A.B. Dec. 19, 2017), which is identical in relevant part to the Board’s order in *Ericsson Inc. v. Regents of the University of Minnesota*, Nos. IPR2017-01186, Paper 14; IPR2017-01197, Paper 14; IPR2017-01200, Paper 16; IPR2017-01213, Paper 14; IPR2017-01214, Paper 14; IPR2017-01219, Paper 15 (P.T.A.B. Dec. 19, 2017).

UMN appealed the Board's decisions, and the cases have been consolidated on appeal. Gilead Sciences, Inc., facing the same issue for its own IPR petitions, sought leave to intervene, which was granted. *Regents of the Univ. of Minn. v. LSI Corp.*, Appeal No. 2018-1559 (Fed. Cir. Apr. 19, 2018), ECF No. 35. We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).²

While this appeal was pending, this court decided *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), holding that IPR proceedings were not barred by tribal sovereign immunity. A petition for certiorari was filed in that case, and the petition was denied, 139 S. Ct. 1547.

² Appellee LSI argues that UMN's appeal is not ripe because any harm to UMN would not occur unless and until the Board instituted IPR, which may or may not occur. (The USPTO and the other parties to this appeal do not challenge our jurisdiction). It is well-established that decisions denying sovereign immunity are appealable as collateral orders, and the "ultimate justification is the importance of ensuring that the States' dignitary interests can be fully vindicated." *P.R. Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 146-47 (1993) (citing *Mitchell v. Forsyth*, 472 U.S. 511, 527-29 & n.10 (1985)); see *Chehazeh v. Attorney Gen. of U.S.*, 666 F.3d 118, 135-36 (3d Cir. 2012) (collecting cases); see also *Mohawk Indus., Inc. v. Carpenter*, 558 U.S. 100, 110 (2009). We see no material difference between a decision made after institution of IPR, as in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322, 1325 (Fed. Cir. 2018), and a decision made before institution, as in this case. Given UMN's alleged dignitary interests in avoiding IPR, the "purely legal" issue of whether sovereign immunity bars IPR for state-owned patents is ripe for review. See *Abbott Labs. v. Gardner*, 387 U.S. 136, 149 (1967), *abrogated on other ground by Califano v. Sanders*, 430 U.S. 99, 105 (1977).

DISCUSSION

I. Post-Issuance Administrative Proceedings³

Addressing the issue of state sovereign immunity requires a detailed understanding of the history of IPR proceedings and the reasons that Congress created such proceedings.

The USPTO is an agency within the Department of Commerce and is “responsible for the granting and issuing of patents.” 35 U.S.C. §§ 1, 2. Almost every year the number of submitted patent applications has increased, from approximately 100,000 in 1980 to nearly 650,000 in 2018. U.S. Patent & Trademark Office, *U.S. Patent Statistics, Calendar Years 1963-2015*, https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.pdf; U.S. Patent & Trademark Office, *FY 2018 Performance & Accountability Report* 179 tbl.2 (2018) [hereinafter *FY2 2018 P&A Rpt.*], <https://www.uspto.gov/sites/default/files/documents/USPTOFY18PAR.pdf>. This has led to a steady backlog of applications, and the USPTO now issues approximately 300,000 patents each year. *FY 2018 P&A Rpt.*, at 180 tbl.3; *id.* at 181 tbl.6. To perform its duty to examine and issue patents, the USPTO relies on a corps of approximately 8,000 patent examiners who are charged with determining whether an applicant is entitled to a patent for a claimed invention. *Id.* at 205 tbl.28. Although essential to the examination process, the agency struggles to attract and retain examiners able to perform sufficiently

³ This history is discussed in the majority and concurrence in *Saint Regis*.

thorough prior art searches and make a patentability determination.⁴

Given the large number of patent applications, patent examiners only receive roughly 22 hours to review each application, which 70% of examiners have reported as insufficient time. U.S. Gov't Accountability Office, *GAO-16-490, Patent Office Should Define Quality, Reassess Incentives, and Improve Clarity* 10, 25-26 (2016) [hereinafter *Quality, Incentives, & Clarity*]. In those 22 hours, examiners must ensure not only that technical formalities are met, but also that the statutory requirements for patentability, such as novelty and non-obviousness, are met. For this determination, the USPTO relies on the examiner's prior art searching, aided by prior art the applicant identifies.

For many years, until 2000, there was virtually no public input in the initial examination process since patent applications were not published. Beginning in 2000, patent applications have been typically published 18 months after the earliest claimed filing date, *see* 35 U.S.C. § 122; 37 C.F.R. § 1.211, and Congress has provided for some limited public participation during the initial examination,⁵ *see* 35

⁴ *See* U.S. Gov't Accountability Office, *GAO-16-479, Patent Office Should Strengthen Search Capabilities and Better Monitor Examiners' Work* 28-29 & 28 n.50 (2016); *FY 2018 P&A Rpt.*, at 205 tbl.28 (2018) (showing net attrition of more than 450 examiners from 2014 to 2018).

⁵ After a patent application is published, a third party may file a pre-issuance submission, which includes either a patent application, published patent application, or other printed publication and, after 2011, a concise statement as to the

U.S.C. §§ 122(c), (e); H.R. Rep. No. 112-98, pt. I, at 48-49 (2011); 37 C.F.R. §§ 1.290-91. Nonetheless, in light of the USPTO's constrained resources and the absence of material outside input during the initial examination, it is inevitable that there are patents granted in error.⁶

This is not a new phenomenon. In 1980, Congress was concerned that this was “a situation where a limited staff is trying to cope with a constantly increasing workload and is under pressure to make speedy determinations on whether or not to grant patents.” S. Rep. No. 96-617, at 8 (1980); *see also Patent Reexamination: Hearing on S. 1679 Before the Comm. on the Judiciary*, 96th Cong. 3 (1980) (statement of Sen. Bayh) (characterizing the USPTO as “an understaffed and overworked office trying to handle an ever increasing workload”); *Industrial Innovation and Patent and Copyright Law Amendments: Hearing on H.R. 6033, H.R. 6934, H.R. 3806, H.R. 2414 Before the Subcomm. on Courts, Civil Liberties & the Admin. of Justice of the H. Comm. on*

relevance of the submitted prior art to the patentability of the claimed invention. 35 U.S.C. § 122(e); 37 C.F.R. § 1.290.

⁶ *See Quality, Incentives, & Clarity*, at 25 (“[E]xaminers’ time pressures are one of the central challenges for patent quality.”); *see also* Michael D. Frakes & Melissa F. Wasserman, *Does the U.S. Patent and Trademark Office Grant Too Many Bad Patents?: Evidence from a Quasi-Experiment*, 67 *Stan. L. Rev.* 613, 652-53 (2015) (finding increased patent grant rates correlated with increased resource strain on the USPTO); Shawn P. Miller, *Where’s the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 *Va. J.L. & Tech.* 1, 45 (2013) (estimating that 28% of issued patents would be invalidated as anticipated or obvious).

the Judiciary, 96th Cong. 580-81 (1981) (statement of Sidney A. Diamond, Commissioner of Patents and Trademarks). Congress' solution was to provide for reexamination of the original patent grant.

In general, until 1980 the only way the original patent grant could be challenged was in patent litigation in district court by a declaratory judgment action or as a defense in a patent infringement action, both of which could be extremely expensive and both of which generally were not available until a claim of infringement was asserted by the patent owner. *See Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601-02 (Fed. Cir. 1985); S. Rep. 96-617, at 9-10 (testimony of Sidney A. Diamond, Commissioner of Patents and Trademarks).⁷ In this respect, the United States' patent system diverged from its English origins, which had for centuries recognized the executive's ability to reconsider a prior patent grant.⁸ In 18th-century England, parties could challenge the validity of a

⁷ There were earlier post-grant administrative proceedings to determine who was the proper owner of a patented invention (i.e., an interference proceeding), *see, e.g., Morgan v. Drake*, 36 F.2d 511 (C.C.P.A. 1929), and to reevaluate the patentability of a patented invention based on an application by the patent owner (i.e., a reissue proceeding), *see Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1336-40 (Fed. Cir. 2013) (discussing history).

⁸ *See In re Bilski*, 545 F.3d 943, 966-76 (Fed. Cir. 2008) (en banc) (Dyk, J., concurring) (discussing the relationship between the U.S. patent law and the English common law); Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1691-704 (2013) [hereinafter *Why Do Juries Decide?*] (discussing the divergence of early American and English patent practice).

patent by petitioning the government via the Privy Council to revoke the public franchise. *Oil States Energy Servs., LLC v. Green's Energy Grp., LLC*, 138 S. Ct. 1365, 1376-78 (2018). “The Privy Council was a prominent feature of the English system,” and “[b]ased on the practice of the Privy Council, it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation in the executive proceeding.” *Id.* at 1377.

In 1980, Congress for the first time enacted post-grant review provisions allowing a challenge to the validity of an issued patent in an *ex parte* reexamination process.⁹ Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (1980). In these proceedings, Congress sought to enlist the assistance of third parties to identify relevant prior art so as to address the lack of public trust and confidence in the patent system’s ability to weed out bad patents in initial ex

⁹ Prior to 1836, Congress had authorized suit for *scire facias* to invalidate a patent where the suit, though brought by a private party, was under the control of the United States. In the Patent Act of 1836, Congress repealed that provision, but the Supreme Court concluded that the statutory change did not remove the United States’ ability to sue in equity to invalidate a patent, at least where there had been fraud on the patent office. *See United States v. Am. Bell. Tel. Co.*, 128 U.S. 315, 371-73 (1888) (“[Such a suit by the United States] is so widely different, so much more beneficial, and is pursued under circumstances so much more likely to secure complete justice, than any defense which can be made by an individual infringer, that it is impossible to suppose that congress, in granting this right to the individual, intended to supersede or take away the more enlarged remedy of the government.”); *Why Do Juries Decide*, *supra* n.8, at 1695-97.

parte examination.¹⁰ As the USPTO Commissioner explained during consideration of the 1980 legislation,

The main reason [the new procedure of] reexamination is needed is because members of the public interested in the validity of a patent are sometimes able to find pertinent prior patents and printed publications not known or available to the PTO

The patent owner's competitors will devote great effort and expense to invalidating a patent that affects their businesses. They can afford to look for documentary evidence of unpatentability in library collections, technical journals and other sources not within the PTO's search file. Because of budgetary and time constraints, the examiner's search seldom extends beyond the PTO's 22 million document collection.

Industrial Innovation and Patent and Copyright Law Amendments: Hearing on H.R. 6033, H.R. 6934, H.R. 3806, H.R. 2414 Before the Subcomm. on Courts, Civil Liberties & the Admin. of Justice of the H. Comm. on the Judiciary, 96th Cong. 576 (1981) (statement of Sidney A. Diamond, Commissioner of Patents and Trademarks). Not only would the USPTO benefit from greater public participation in post-grant proceedings, but the proceedings also had new procedures that

¹⁰ Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 Harv. J.L. & Tech. 1, 9-10 (1997); see S. Rep. No. 96-617, at 2-3, 14 (1980); H.R. Rep. No. 96-1307, pt. 1, at 3 (1980) (expressing concern as to the lack of confidence in the patent system).

would allow the agency to focus its resources on reevaluating those patents of particular concern to the public.¹¹

Thus, “[t]he reexamination statute enabled the PTO to recover administrative jurisdiction over an issued patent in order to remedy any defects in the examination which that agency had initially conducted and which led to the grant of the patent.” *Patlex*, 758 F.2d at 601. Under the reexamination procedures, if the USPTO learned of prior art that raised “a substantial new question of patentability” it could institute an *ex parte* reexamination. 35 U.S.C. § 303.

However, *ex parte* reexaminations did not solve the agency’s problems. Once instituted, *ex parte* reexamination largely followed the same process as the initial examination, without further third-party input. S. Rep. No. 110-259, at 18-19 (2008). It “follow[ed] essentially the same inquisitorial process between patent owner and examiner as the initial Patent Office examination.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018) (citing 35 U.S.C. § 305). In this respect, it was “meaningfully different” from the *inter partes* reexamination and IPR proceedings that Congress adopted thereafter. *Return Mail, Inc. v*

¹¹ See Kimberly A. Moore, *Worthless Patents*, 20 Berkeley Tech. L.J. 1521, 1521-22, 1530-31 (2005) (noting that only a small fraction of issued patents are ever asserted and that, in the sample of patents studied, more than half of all the issued patents expired for failure to pay maintenance fees); Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 Nw. U. L. Rev. 1495, 1497, 1501-08 (2001) (same).

U.S. Postal Serv., No. 17-1594, slip op. at 14 (June 10, 2019).

In 1999, seeking to enhance the process, Congress enacted provisions for the inter partes reexamination proceedings, in order to increase third party participation. Act of Nov. 29, 1999, Pub. L. No. 106-113, 113 Stat. 1501 (1999); *see* H.R. Rep. 106-464, at 133 (1999).

Similar to ex parte reexamination, the inter partes reexamination process began with a third-party request for reexamination based on prior art, and if the prior art raised a substantial new question of patentability, the USPTO would grant the request and proceed with reexamination. 35 U.S.C. § 312 (2002). However, significantly, unlike ex parte reexamination, inter partes reexamination allowed the third-party requestor to participate throughout the proceeding. “Each time that the patent owner file[d] a response to an action on the merits from the [USPTO], the third-party requester shall have one opportunity to file written comments addressing issues raised by the action of the Office or the patent owner’s response thereto.” *Id.* § 314. The third party could also appeal to the Board of Patent Appeals and Interferences if the examiner found the claims to be not unpatentable. “The participation by third parties [was] considered vital” to the goal of “improving patent quality and validity” because “in many circumstances they [would] have the most relevant prior art available and incentive to seek to invalidate an allegedly defective patent.” H.R. Rep. 107-120, at 4 (2001). After 1999, Congress continued to tweak ex parte and inter partes proceedings, but they were less widely used than Congress had hoped and had features that made them

“troublesomely inefficient and ineffective as a truly viable alternative for resolving questions of patent validity.” S. Rep. No. 110-259, at 19 (2008).¹²

In 2011, Congress enacted the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011), to “improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. 112-98, pt. I, at 40 (2011). Congress replaced inter partes reexamination with new post-grant review procedures, including IPR, covered business method review, and post-grant review, while retaining ex parte reexamination. IPR in particular was designed to improve on the inter partes reexamination process, and “[a]lthough Congress changed the name from ‘reexamination’ to ‘review,’ nothing convinces us that, in doing so, Congress wanted to change its basic purposes, namely to reexamine an earlier agency decision.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137, 2144 (2016). Just as with the prior reexamination procedures, IPR “allows a third party to ask the U.S. Patent and Trademark Office to reexamine the claims,” *id.* at 2136, albeit with “broader participation rights,” *id.* at 2137.

Before IPR can be instituted, a person must file a petition challenging the validity of one or more patent

¹² For example, until 2002, a person requesting reexamination of a patent could not solely rely on prior art that the USPTO had already considered. *See* Pub. L. 107-273, § 13105, 116 Stat. 1758, 1900 (2002). Another example of the deficiency of these proceedings was that inter partes reexamination took an average of three and a half years from initiation to a certificate issue date. *See* U.S. Patent & Trademark Office, Inter Partes Reexamination Filing Data (2017), https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf.

claims under § 102 or § 103 on the basis of prior art patents or printed publications. 35 U.S.C. §§ 311, 312. The petition may be supported by declarations. 35 U.S.C. § 312(a)(3)(B). The petitioner need not have constitutional standing to file the petition or participate in IPR. *Cuozzo*, 136 S. Ct. at 2143-44. After filing, the petitioner has a limited ability to amend its petition as “the Board has determined that in IPR a petitioner may only make clerical or typographical corrections to its petition.” *Saint Regis*, 896 F.3d at 1328. The petitioner must also serve the petition on the patent owner, 37 C.F.R. § 42.105, and the patent owner may, but need not, file a preliminary response, 35 U.S.C. § 313; 37 C.F.R. § 42.107(a).

If the Director of the USPTO, a politically accountable executive officer,¹³ determines that the appropriately filed petition “shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition,” the Director may institute IPR. 35 U.S.C. § 314(a); *see* 35 U.S.C. § 325(d). “The decision whether to institute inter partes review is committed to the Director’s discretion.” *Oil States*, 138 S. Ct. at 1371. This decision is “final and nonappealable.” 35 U.S.C. § 314(d); *see Oil States*, 138 S. Ct. at 1378 n.5 (citing *Cuozzo*, 136 S. Ct. at 2140).

Once instituted, the Board, typically a three-member panel of administrative patent judges, examines the validity of the asserted patent claims. A patent owner may respond to the petition after IPR is

¹³ The Director is “appointed by the President, by and with the advice and consent of the Senate,” and “may be removed from office by the President.” 35 U.S.C. § 3(a)(1), (4).

instituted, 35 U.S.C. § 316(a)(8), but the petitioner bears the burden of proving “unpatentability by a preponderance of the evidence,” *id.* § 316(e). The procedure for reexamining the earlier decision to issue the patent by design is abbreviated compared to district court proceedings. *See id.* § 316(a)(11). During IPR, the patent owner and petitioner can seek discovery, but such discovery is generally limited to “(A) the deposition of witnesses submitting affidavits or declarations; and (B) what is otherwise necessary in the interest of justice.” *Id.* § 316(a)(5); 37 C.F.R. § 42.51(b); *see* 154 Cong. Rec. S9988-89 (daily ed. Sept. 27, 2008) (statement of Sen. Kyl) (noting that “[g]iven the time deadlines imposed on these proceedings, it is anticipated that, regardless of the standards imposed . . . PTO will be conservative in its grants of discovery”).¹⁴ Additionally, although the parties are entitled to an oral hearing, 35 U.S.C. § 316(a)(10); 37 C.F.R. § 42.70, “[t]he hearings are short, and live testimony is rarely allowed.” *Saint Regis*, 896 F.3d at 1328 (citing *Ultratec, Inc. v. CaptionCall, LLC*, 872 F.3d 1267, 1270 n.2 (Fed. Cir. 2017)).

¹⁴ “[D]iscovery is limited as compared to that available in district court litigation. Limited discovery lowers the cost, minimizes the complexity, and shortens the period required for dispute resolution. There is a one-year statutory deadline for completion of *inter partes* review, subject to limited exceptions. What constitutes permissible discovery must be considered with that constraint in mind.” *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, No. IPR2012-00001, 2013 WL 11311697, at *3 (Paper 26) (P.T.A.B. Mar. 5, 2013) (citations omitted) (contextualizing the Board’s interpretation of the “necessary in the interest of justice” prong for IPR discovery).

Once instituted, the proceedings may continue without either the petitioner or the patent owner. The statutory provision states that if the petitioner stops participating, the Board may continue on to a final written decision. 35 U.S.C. § 317(a). If the patent owner stops participating, “[t]he Board has construed its rules to allow it to continue review.” *Saint Regis*, 896 F.3d at 1328. During the proceeding the patent owner may also seek leave to amend the original patent claims to resolve the problem of patent eligibility, as the applicant can do in initial examination though the proposed amendments may also be challenged by the petitioner. 35 U.S.C. § 316(d).

An IPR proceeding in general must be completed within one year of institution. 35 U.S.C. § 316(a)(11). When IPR is completed, the Board issues a final written decision with respect to patent claims challenged by the petitioner and any claims sought to be amended. 35 U.S.C. § 318(a). A party dissatisfied with the decision may then appeal to this court, *id.* § 319,¹⁵ and the Director may intervene in the appeal, *id.* § 143. After the time for appeal has expired, or appellate review has been exhausted, the process ultimately terminates with the USPTO issuing a certificate canceling, confirming, or incorporating patent claims. *Id.* § 318(b). The proceeding cannot award monetary or other relief against the patent owner. Following an IPR proceeding that “results in a

¹⁵ We have held, however, that a petitioner can only appeal an adverse decision by the Board if it satisfies Article III standing requirements. *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1260-61 (Fed. Cir. 2014).

final written decision,” statutory estoppel applies to the petitioner with respect to “any ground that the petitioner raised or reasonably could have raised during” the IPR proceeding. *Id.* § 315(e). The patent owner is estopped from obtaining “[a] claim that is not patentably distinct from a finally refused” claim. 37 C.F.R. § 42.73(d)(3)(i).

II. State Sovereign Immunity

While admitting that both *ex parte* and *inter partes* reexamination did not implicate sovereign immunity,¹⁶ UMN and its supporting amici contend that states enjoy immunity from IPR proceedings.

States typically enjoy immunity from lawsuits brought by private parties as a “fundamental aspect of the sovereignty which the States enjoyed before the ratification of the Constitution, and which they retain today.” *Alden v. Maine*, 527 U.S. 706, 713 (1999). This is sometimes referred to as Eleventh Amendment immunity,¹⁷ but “the sovereign immunity of the States neither derives from nor is limited by, the terms of the Eleventh Amendment.” *Id.*; see *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 54 (1996). “The preeminent purpose of state sovereign immunity is to accord States the dignity that is consistent with their status

¹⁶ “Q. Do States enjoy sovereign immunity in reexam proceedings? A. In an *ex parte* reexamination, no” “Q. So no sovereign immunity in *inter partes* reexam? A. . . . I would say no” Oral Arg. at 6:20-7:01.

¹⁷ “The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.” U.S. Const. amend. XI.

as sovereign entities,” while collaterally “serv[ing] the important function of shielding state treasuries.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760, 765 (2002) (“*FMC*”).

This immunity applies not only to proceedings brought by a private party in an Article III forum but also to agency adjudications brought by private parties that are similar to court adjudications. *Id.* at 760. However, sovereign immunity does not apply to suits brought by the United States, including agency proceedings commenced by the United States. *Id.* at 752; *Alden*, 527 U.S. at 755 (citing *Principality of Monaco v. Mississippi*, 292 U.S. 313, 328-29 (1934) (collecting cases)); *United States v. Mississippi*, 380 U.S. 128, 140-41 (1965); *United States v. Texas*, 143 U.S. 621, 646 (1892). The Supreme Court recognized in *FMC* that sovereign immunity does not bar an agency from bringing an enforcement action against the state “upon its own initiative or upon information supplied by a private party.” 535 U.S. at 767-68.

UMN argues that sovereign immunity applies to IPR proceedings where the state is the patent owner because they are not like suits brought by the United States but are entirely a dispute between a private party and the state, and they share similarities with Article III proceedings where sovereign immunity applies. We have recently addressed the related question of whether tribal sovereign immunity applies to IPR proceedings in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1547 (2019), and held that it does not.

III. *Saint Regis Mohawk Tribe*

In *Saint Regis*, the Saint Regis Mohawk Tribe entered into an ownership agreement regarding various patents, which were the subject of ongoing IPR proceedings, and it then invoked tribal sovereign immunity as a bar to those proceedings. *Id.* at 1325. We concluded that tribal sovereign immunity did not apply to IPR because the “USPTO [was] acting as the United States in its role as a superior sovereign to reconsider a prior administrative grant and protect the public interest in keeping patent monopolies ‘within their legitimate scope.’” *Id.* at 1329 (quoting *Cuozzo*, 136 S. Ct. at 2144).

The Supreme Court has concluded that IPR proceedings are essentially agency reconsideration of a prior patent grant. *Cuozzo*, 136 S. Ct. at 2144 (“[T]he purpose of the proceeding is not quite the same as the purpose of district court litigation [Instead,] the proceeding offers a second look at an earlier administrative grant of a patent.”); *Oil States*, 138 S. Ct. at 1374 (“[IPR] involves the same interests as the determination to grant a patent in the first instance.”). The fact that Congress has enlisted the assistance of private parties does not change their essential character. As discussed above, since 1980, Congress, concerned with agency resource constraints, has relied on third party participation to assist the agency’s evaluation of patentability. *See also Saint Regis*, 896 F.3d at 1330-31 (Dyk, J., concurring). In IPR, Congress imported limited discovery and live hearings. As explained in *Saint Regis*, although these modifications to inter partes reexamination make IPR “look[] a good deal more like civil litigation,” *SAS*, 138 S. Ct. at 1353, fundamentally these proceedings

continue to be a “second look at an earlier administrative grant of a patent,” *Cuozzo*, 136 S. Ct. at 2144. *See Saint Regis*, 896 F.3d at 1327-29. The USPTO’s enlistment of third parties in IPR has made the process less of an “agency-led, inquisitorial process for reconsidering patents,” and more of a “party-directed, adversarial process,” *SAS*, 138 S. Ct. at 1355, i.e., “[an] adversarial, adjudicatory proceeding[] between the ‘person’ who petitioned for review and the patent owner,” *Return Mail*, slip op. at 14, but that does not disturb the basic purpose of the proceeding, “namely, to reexamine an earlier agency decision,” *Cuozzo*, 136 S. Ct. at 2144. “Ultimately several factors convince[d] us that IPR is more like an agency enforcement action than a civil suit brought by a private party, and we conclude[d] that tribal immunity is not implicated.” *Saint Regis*, 896 F.3d at 1327.¹⁸ These factors are equally applicable to state sovereign immunity.

First, “[i]t is the Director, the politically appointed executive branch official, not the private party, who ultimately decides whether to proceed against the sovereign.” *Saint Regis*, 896 F.3d at 1328. Although there must be a petition for IPR to be initiated (i.e., “[35 U.S.C. § 311(a)] doesn’t authorize the Director to start proceedings on his own initiative,” *SAS*, 138 S. Ct. at 1355), any “person who is not the owner of [the] patent” may file a petition, 35 U.S.C. § 311(a),

¹⁸ We did not hold that interference proceedings were barred by state sovereign immunity in *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1382 (Fed. Cir. 2007), nor do we decide that issue here. We note that interference proceedings may more closely resemble agency adjudication between private parties as compared to IPR proceedings.

even those who do “not have a concrete stake in the outcome; indeed, they may lack constitutional standing,” *Cuozzo*, 136 S. Ct. at 2143-44. The Director’s decision to institute is within his discretion, and Congress went so far as to bar judicial review of that decision. 35 U.S.C. § 314(d). In this respect, IPR “is not initiated by private parties in the way that a common-law cause of action is.” *Oil States*, 138 S. Ct. at 1378 n.5.

Second, even if the petitioner or patent owner elects not to participate during IPR, the Board can continue to a final written decision, “reinforc[ing] the view that IPR is an act by the agency in reconsidering its own grant of a public franchise.” *Saint Regis*, 896 F.3d at 1328. In contrast, civil litigation in an Article III forum terminates when there is no longer a “case or controversy.”

Third, the IPR procedure is in other respects distinct from ordinary civil litigation. The Federal Rules of Civil Procedure do not apply. Unlike civil litigation, during IPR a patent owner may amend its claims. (In district court litigation, a patent owner may only amend patent claims to correct typographical errors). *Id.* at 1328-29. Even though discovery and a live hearing may be part of an IPR proceeding, both are more limited than their civil counterparts. *Id.*

It is clear from the history and operation of IPR that these proceedings are designed to allow the USPTO to harness third parties for the agency to evaluate whether a prior grant of a public franchise was wrong, a feature carried over from inter partes reexamination. In this way, IPR is akin to *FMC* proceedings brought by the agency that would not be

barred by sovereign immunity. 535 U.S. at 767-68. Indeed, *Saint Regis* relied heavily on the Supreme Court’s analysis in *FMC*, which dealt with state sovereign immunity. 896 F.3d at 1326 (“Although the precise contours of tribal sovereign immunity differ from those of state sovereign immunity, the *FMC* analysis is instructive.”). Applying *FMC*’s analysis as we did in *Saint Regis*, we hold that IPR, like inter partes reexamination, is similar to an agency enforcement action instituted by the USPTO “upon information supplied by a private party” rather than civil litigation, so state sovereign immunity is not implicated. *FMC*, 535 U.S. at 768.

We also read the Supreme Court’s holding in *Oil States*, that IPR evaluation of patent validity concerns “public rights,” as supporting the conclusion that IPR is in key respects a proceeding between the government and the patent owner. In *Oil States*, the Court concluded that IPR proceedings could be conducted before the agency rather than an Article III court because they concern matters “which arise *between* the Government and persons subject to its authority,” that is “arising *between* the government and others, which from their nature do not require judicial determination.” 138 S. Ct. at 1373 (emphases added) (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)).¹⁹ The Court concluded that despite the

¹⁹ This is not to say that the public rights doctrine may not cover instances of disputes between private parties regarding a public right. See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1288-92 (Fed. Cir. 2015). But we read the Supreme Court as having resolved the public rights issue in *Oil States* on the narrower ground that IPR is a proceeding between the United

increased participation of third parties, IPR “remains a matter involving public rights, one ‘*between* the government and others.’” *Id.* at 1378 (emphasis added) (quoting *Ex parte Bakelite Corp.*, 279 U.S. 438, 451 (1929)). We interpret the Court’s language in *Oil States* as concluding that IPR is an adjudication of public rights, and therefore able to be resolved in a non-Article III forum, because it is in key respects a proceeding between the United States and the patent owner. In this way, these proceedings are not barred by state sovereign immunity since sovereign immunity does not bar proceedings brought by the United States. *FMC*, 535 U.S. at 752; *Alden*, 527 U.S. at 755 (citing *Principality of Monaco*, 292 U.S. at 328-29).

UMN argues that the reasoning in *Saint Regis* is inapposite to the current appeal because there are salient differences between tribal and state sovereign immunity. In *Saint Regis* we recognized “many parallels” between tribal and state sovereign immunity but left “for another day the question of whether there is any reason to treat state sovereign immunity differently.” 896 F.3d at 1329. We now conclude that the differences between tribal and state sovereign immunity do not warrant a departure from the reasoning in *Saint Regis*.

To be sure, “immunity possessed by Indian tribes is not coextensive with that of the States,” *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998), as the two are derived from different origins, *compare id.* at 756-57, *with Alden*, 527 U.S. at 713-28. Tribal sovereign immunity “is subject to the superior and

States and the patent owner, rather than adjudication between two private parties regarding a public right.

plenary control of Congress,” *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978), whereas state sovereign immunity can only be abrogated under “a valid grant of constitutional authority,” *Kimel v. Fla. Bd. of Regents*, 528 U.S. 62, 73 (2000). But, as noted above, suits brought by the United States have long been recognized as not being impeded by either tribal or state sovereign immunity, and when Congress intends to abrogate either tribal or state sovereign immunity for suits brought by private parties, it must do so with clear language. *See, e.g., Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 790 (2014) (tribal sovereign immunity); *Blatchford v. Native Village of Noatak & Circle Village*, 501 U.S. 775, 786 (1991) (state sovereign immunity).

The patentee’s suggestion that *Saint Regis* rests on the authority of Congress to abrogate tribal sovereign immunity finds no support in the decision or the statutory scheme. There is no indication in the AIA or its legislative history that Congress designed IPR to abrogate tribal immunity. And, contrary to UMN’s arguments, *Saint Regis* did not base its reasoning on implied abrogation of tribal sovereign immunity. Instead, *Saint Regis* concluded that IPR was an agency reconsideration proceeding to which sovereign immunity does not apply in the first instance. 896 F.3d at 1329. This reasoning applies equally to states as it does to tribes.

UMN further contends that, unlike tribal immunity, there is a presumption (the *Hans* presumption) that state sovereign immunity applies to proceedings, such as IPR, that were “anomalous and unheard of when the Constitution was adopted.” *FMC*, 535 U.S. at 755-56 (quoting *Hans v. Louisiana*, 134

U.S. 1, 18 (1890)). We disagree. First, “it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation in the executive proceeding of the Privy Council” (i.e., that the executive could provide a forum for resolving questions of patent validity). *Oil States*, 138 S. Ct. at 1376-78. Second, the Supreme Court recognized in *FMC* that even though the *Hans* presumption applied to bar resolution of private disputes in an agency forum, it did not bar resolution of an agency enforcement action against a state that was initiated based on information supplied by a third party. *FMC*, 535 U.S. at 767-68. As we held in *Saint Regis*, IPR is properly viewed as an agency’s reconsideration of a previous patent grant that is aided by information supplied by a third party, and state sovereign immunity does not bar these proceedings.

We conclude that state and tribal sovereign immunity do not differ in a way that is material to the question of whether IPR proceedings are subject to state sovereign immunity. Thus, under the reasoning of the majority and concurrence in *Saint Regis*, we conclude that state sovereign immunity does not apply to IPR proceedings.²⁰

²⁰ UMN argues that the Supreme Court’s decision in *Franchise Tax Board of California v. Hyatt*, 139 S. Ct. 1485, 1495 (2019), recognizes that “the only forums in which the States have consented to suits by one another and by the Federal Government are Article III courts.” UMN contends that this decision supports its position that IPR proceedings cannot be maintained even if they are proceedings brought by the United States. Fed. R. App. P. 28(j) Letter, ECF No. 155. Unlike the current appeal, *Hyatt*

involved only the question whether state sovereign immunity barred private suits brought against a state in a sister state's courts. The Court answered in the affirmative, overruling *Nevada v. Hall*, 440 U.S. 410 (1979). We do not read *Hyatt* as holding that state sovereign immunity applies in agency proceedings initiated by the United States.

First, the sentence in *Hyatt* relied on by UMN cites *FMC* as sole authority for the proposition. The Supreme Court specifically recognized in *FMC* that an agency “remains free to investigate alleged violations . . . either upon its own initiative, or upon information supplied by a private party, and to institute its own administrative proceeding against a [state entity].” 535 U.S. at 768 (citation omitted). There is no indication in *Hyatt* that the Court intended to undermine *FMC*. Just as the agency could bring an enforcement action in *FMC*, so too can the USPTO institute an IPR proceeding based on information supplied by a private party where the final decision is reviewable by an Article III court.

Second, even if state sovereign immunity might in some circumstances bar administrative proceedings involving states, this would not bar the USPTO's reconsideration of a prior patent grant because a state impliedly consents to such proceedings when it applies for, or otherwise obtains ownership of, a patent that is “a creature of statute law” and granted “subject to potential cancellation in [an] executive proceeding.” *Oil States*, 138 S. Ct. at 1374, 1377 (“We conclude that inter partes review is one of th[e] conditions [for patentability].”). When one sovereign acquires property under the domain of another, sovereign immunity does not bar reconsideration of the property grant by the originating sovereign. See *Georgia v. City of Chattanooga*, 264 U.S. 472, 479-80 (1924) (“The terms on which Tennessee gave Georgia permission to acquire and use the land and Georgia's acceptance amount to consent that Georgia may be made a party to condemnation proceedings.”); *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1657-61 (2018) (Thomas, J., dissenting) (discussing the immovable-property exception to sovereign immunity).

We finally note, although not implicated in the facts of this case, the concerns raised by the parties and amici that if sovereign immunity barred IPR proceedings against patents obtained by a sovereign, nothing would prevent a state from lending its sovereign immunity to private parties, as the tribe attempted to do in *Saint Regis*.²¹ Such manipulation would undo Congress' central quality control mechanism in creating post-grant administrative proceedings.

CONCLUSION

IPR represents the sovereign's reconsideration of the initial patent grant, and the differences between state and tribal sovereign immunity do not warrant a different result than in *Saint Regis*. We therefore conclude that state sovereign immunity does not apply to IPR proceedings. In light of the above disposition, we do not address the issue of whether, if sovereign immunity were to apply to IPR proceedings, the state here waived such immunity by asserting patent claims in district court that were later challenged in a petition for IPR.

AFFIRMED

COSTS

No costs.

* * *

²¹ See Adam Davidson, *Why is Allergan Partnering With The St. Regis Mohawk Tribe?*, *The New Yorker*, Nov. 13, 2017 (reporting on interest by state universities in commoditizing sovereign immunity for privately owned patents).

Additional views of DYK, WALLACH, and HUGHES,
Circuit Judges.

While the opinion for the court does not reach the issue, in our view 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.

I. In Rem Proceedings

On appeal the parties dispute whether IPR is an in rem proceeding to which sovereign immunity does not apply, even if the proceedings are deemed adversarial as between private parties.

For sovereign immunity purposes, at least in some contexts the Supreme Court’s “precedent has drawn a distinction between in rem and in personam jurisdiction, even when the underlying proceedings are, for the most part, identical.” *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 453 (2004). In personam proceedings involve “subjecting a State to the coercive process of judicial tribunals at the instance of private parties,” which constitutes an affront to a state’s dignity. *Id.* (quoting *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 58 (1996)); *see, e.g., id.* (“The issuance of process . . . is normally an indignity to the sovereignty of a State because its purpose is to establish personal jurisdiction over the State.”). In rem proceedings, where personal jurisdiction need not be established over a state or its officers, at least in some contexts, “do[] not, in the usual case, interfere with state sovereignty even when States’ interests are affected.” *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 370 (2006) (holding that states have waived sovereign immunity for certain proceedings brought pursuant to

the Bankruptcy Clause). And, as we describe below, IPR is an in rem proceeding.

Despite language in some Supreme Court cases broadly describing the United States' immunity to in rem proceedings,¹ recognition of state sovereign immunity in such proceedings has been more limited. For example, sovereign immunity generally bars quiet title actions against state-owned real property, particularly where the dispute is “over a vast reach of lands and waters long deemed by the State to be an integral part of its territory.” *Idaho v. Coeur d’Alene Tribe of Idaho*, 521 U.S. 261, 281-82 (1997) (citing *Tindal v. Wesley*, 167 U.S. 204, 223 (1897)).² With state-owned personal property, the Court has

¹ See, e.g., *The Siren*, 74 U.S. 152, 154 (1868) (“[D]irect suits cannot be maintained against the United States, or against their property”); but see *The Davis*, 77 U.S. 15, 19-20 (1869): “There are some expressions in the opinion of this court in the case of *The Siren*, which seem to imply that no suit *in rem* can be instituted against property of the United States under any circumstances. But a critical examination of the case and the reasoning of the court, will show that that question was not involved in the suit, and that it was not intended to assert such a proposition without qualification.” *Davis* held that personal property of the United States in the hands of a common carrier is not immune to an in rem “proceeding which does not need a process against the United States, and which does not require that the property shall be taken out of the possession of the United States.” 77 U.S. at 21-22; see also *California v. Deep Sea Research, Inc.*, 523 U.S. 491, 507 (1998) (relying on *Davis* in the context of state sovereign immunity).

² Suits concerning ownership of immovable property owned by one sovereign, but located in another, may not implicate sovereign immunity. See *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1654-55 (2018); *id.* at 1657-61 (Thomas, J., dissenting).

considered whether the disputed property was “owned by a state and used and employed solely for its governmental uses and purposes,” because for an ostensibly in rem proceeding against the state’s property, “[t]o permit a creditor to seize and sell [the property] to collect his debt would be to permit him in some degree to destroy the government itself.” *In re New York*, 256 U.S. 503, 510 (1921) (second portion quoting *Klein v. City of New Orleans*, 99 U.S. 149, 150 (1878)). In other contexts, the Court has looked to whether the state is in actual possession of the disputed property: “an actual possession, and not that mere constructive possession which is very often implied by reason of ownership under circumstances favorable to such implication.” *California v. Deep Sea Research, Inc.*, 523 U.S. 491, 507 (1998) (quoting *The Davis*, 77 U.S. 15, 21 (1869)). This is “consistent with the principle which exempts the [State] from suit and its possession from disturbance by virtue of judicial process.” *Id.* (alteration in original) (quoting *Davis*, 77 U.S. at 21).

IPR is distinguishable from these in rem proceedings where the Court has held that sovereign immunity applies. Unlike *Coeur d’Alene*, IPR does not implicate ownership of real property or the state’s ability to regulate within its own domain. *Cf. Oil States Energy Servs., LLC v. Green’s Energy Grp., LLC*, 138 S. Ct. 1365, 1376 n.3 (2018) (“Modern invention patents . . . are meaningfully different from land patents.”). Patents are creations of federal statutory law and are regulated by that law, *id.* at 1374 (quoting *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923)), which includes the ability of the executive to consider whether a

previous grant was erroneous, *id.* at 1376-78 (noting that “[IPR] is one of th[e] conditions” of patentability). Patents are also not property that is used by a state “solely for its governmental uses and purposes.” *New York*, 256 U.S. at 510.³ Although a state does not waive its sovereign immunity merely by participating in commercial activity,⁴ as UMN has done here, such private market participation does not make patents “public property of a state used and employed for public and governmental purposes” that would implicate sovereign immunity in in rem proceedings under the Supreme Court’s decision in *In re New York*. *Id.* at 510.

³ In recent years states have sought to supplement revenue by increasing market participation in licensing and enforcing patents. See Andrew Chung, *Schools that Sue: Why More Universities File Patent Lawsuits*, Reuters (Sept. 15, 2015); Malathi Nayak, *Patent-Heavy Schools Look to Courts for IP Paydays*, BNA Intellectual Property Blog (June 14, 2017); Jacob H. Rooksby, *Innovation and Litigation: Tensions Between Universities and Patents and How to Fix Them*, 15 Yale J.L. & Tech. 312, 330-40 (2013); Tejas N. Narechania, Note, *An Offensive Weapon?: An Empirical Analysis of the “Sword” of State Sovereign Immunity in State-Owned Patents*, 110 Colum. L. Rev. 1574, 1601 (2010). The federal government’s policy of encouraging commercialization of research performed with federal funds under the Bayh-Dole Act, Pub. L. No. 96-517, 94 Stat. 3015 (1980), hardly suggests state sovereign immunity bars administrative reconsideration of an erroneously granted patent.

⁴ *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 685 (1999) (“[A] suit by an individual against an unconsenting State is the very evil at which the Eleventh Amendment is directed—and it exists whether or not the State is acting for profit, in a traditionally ‘private’ enterprise, and as a ‘market participant.’”).

Also, because patents are intangible property—a right to exclude—the concern of protecting the state’s “possession from disturbance” is not applicable for IPR where ownership is not disputed. *Deep Sea*, 523 U.S. at 507. A state cannot “actual[ly] possess[]” a patent even if the state otherwise claims ownership, *see id.* (quoting *Davis*, 77 U.S. at 21), and the Board does not physically intrude into the state’s domain to obtain jurisdiction over a patent or to resolve the issue of its validity. We do not distinguish between tangible and intangible property, but instead between property that is physically possessed by a state and property that is not. Thus, IPR does not disturb a state’s actual possession even if a state-owned patent is found to have been erroneously granted.

Not only is an IPR proceeding unlike in rem proceedings held to implicate sovereign immunity, IPR is closely akin to proceedings where the Supreme Court has concluded sovereign immunity is not a bar; for example, in rem bankruptcy proceedings involving discharge of a debt owed to the state. In *Tennessee Student Assistance Corp. v. Hood*, an individual received student loans from the state of Tennessee and then later sought discharge of the state debt in bankruptcy proceedings. 541 U.S. at 444-45. She served the state with her complaint and a summons. *Id.* The state moved to dismiss the complaint based on state sovereign immunity. *Id.* at 445. The Court held that the state enjoyed no sovereign immunity because of the in rem character of the bankruptcy proceedings.

“The discharge of a debt by a bankruptcy court is . . . an *in rem* proceeding,” *id.* at 447, as “the court’s jurisdiction is premised on the res, not on the persona,” *id.* at 450. Although “States, whether or not

they choose to participate in the proceeding, are bound by a bankruptcy court's discharge order no less than other creditors," *id.* at 448, the "debtor does not seek monetary damages or any affirmative relief from a State by seeking to discharge a debt; nor does he subject an unwilling State to coercive judicial process," *id.* at 450. In this way, "the court's exercise of its *in rem* jurisdiction to discharge a student loan debt is not an affront to the sovereignty of the State." *Id.* at 451 n.5.

IPR is similarly an *in rem* proceeding—a proceeding to reevaluate the validity of an issued patent. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (noting "that the proceeding offers a second look at an earlier administrative grant of a patent"). Just as with a bankruptcy proceeding to discharge a debt, IPR is an *in rem* proceeding that is not premised on obtaining jurisdiction over a state or its officers. The Board's jurisdiction is premised on the res (i.e., the patent). A person files a "petition to institute an inter partes review of the patent." 35 U.S.C. § 311(a) (emphasis added). As in bankruptcy, a petitioner for IPR "does not seek monetary damages or any affirmative relief from a State by seeking to [have a patent reviewed in IPR]; nor does he subject an unwilling State to a coercive judicial process." *Hood*, 541 U.S. at 450. "[IPR] does not make any binding determination regarding 'the liability of [one party to another] under the law as defined.'" *Oil States*, 138 S. Ct. at 1378 (quoting *Crowell v. Benson*, 285 U.S. 22, 51 (1932)). The petitioner only seeks to have the agency reconsider a previous grant of a patent, and the only relief the Board can offer is the revocation of erroneously granted patent claims. IPR ultimately

terminates only with a certificate that either cancels erroneously granted patent claims, confirms claims determined to be patentable, or incorporates newly amended claims determined to be patentable. 35 U.S.C. § 318(b). No monetary or other relief against the patent owner is authorized or provided.⁵

Additionally, similar to the state's situation in *Hood*, there is no statutory requirement compelling a state to participate in IPR as a patent owner, even if it is otherwise motivated to do so.⁶ The parallels between

⁵ To the extent the estoppel provisions in 37 C.F.R. § 42.73(d)(3), prevent a patent owner from obtaining a patent on claims that are patentably indistinct from cancelled claims in an IPR proceeding, that result is no different than what is mandated under traditional principles of res judicata and collateral estoppel. See *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015); *MaxLinear, Inc. v. CF CRESPE LLC*, 880 F.3d 1373 (Fed. Cir. 2018); *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333 (Fed. Cir. 2013). In the absence of such a provision, the result would still be the same (i.e., the later claim is unpatentable for the same reasons as the earlier patentably indistinct claim).

⁶ It is questionable whether a patentee risks default by failing to participate in the IPR proceedings. While the Board has on occasion interpreted non-participation as abandonment under 37 C.F.R. § 42.73(b)(4), see, e.g., *VDF Futurceuticals, Inc. v. Kazerooni*, No. IPR2017-00547, 2018 WL 842176 (P.T.A.B. Feb. 9, 2018), it is questionable whether a default judgment could be entered cancelling a patent if the state owner does not participate. See 35 U.S.C. § 313 (“[T]he patent owner shall have the right to file a preliminary response . . .” (emphasis added)); 37 C.F.R. § 42.107(a) (“The patent owner may file a preliminary response to the petition.” (emphasis added)); 35 U.S.C. § 316(a)(8) (requiring regulation “providing for the filing by the patent owner of a response to the petition”); 37 C.F.R. § 42.120 (“A patent owner may file a response to the petition . . .” (emphasis added)).

IPR and the bankruptcy proceedings in *Hood* reinforce the conclusion that IPR do not raise the concerns that have animated application of sovereign immunity for certain in rem proceedings.

The USPTO’s “second look at an earlier administrative grant of a” public franchise does not constitute an affront to a state’s sovereignty, *Cuozzo*, 136 S. Ct. at 2144, particularly where the only possible adverse outcome is the cancellation of erroneously granted claims. Although patent law, like bankruptcy, is a specialized area of law, we see no reason why the exercise of the executive’s historically well-recognized ability to reconsider a grant of a public franchise in an in rem proceeding “is more threatening to state sovereignty than the exercise of” an Article III court’s bankruptcy in rem jurisdiction. *Hood*, 541 U.S. at 451.

Therefore, it seems to us that IPR proceedings are the type of in rem proceedings to which state sovereign immunity does not apply.

It is the petitioner that “shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.” 35 U.S.C. § 316(e).

37a

APPENDIX B

Paper 19

Entered: December 19, 2017

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE
PATENT TRIAL AND APPEAL BOARD

LSI CORPORATION and AVAGO TECHNOLOGIES
U.S., INC., Petitioner,

v.

REGENTS OF THE UNIVERSITY OF
MINNESOTA, Patent Owner.

Case IPR2017-01068
Patent 5,859,601

Before DAVID P. RUSCHKE, *Chief Administrative Patent Judge*, SCOTT R. BOALICK, *Deputy Chief Administrative Patent Judge*, JACQUELINE WRIGHT BONILLA, SCOTT C. WEIDENFELLER, *Vice Chief Administrative Patent Judges*, ROBERT J. WEINSCHENK, CHARLES J. BOUDREAU, and JACQUELINE T. HARLOW, *Administrative Patent Judges*.

Opinion for the Board filed by *Chief Administrative Patent Judge* RUSCHKE.

Opinion Concurring filed by *Administrative Patent Judge* HARLOW.

ORDER

Denying Patent Owner's Motion to Dismiss
37 C.F.R. §§ 42.5, 42.71

I. INTRODUCTION

Regents of the University of Minnesota ("Patent Owner") filed a Motion to Dismiss (Paper 10, "Motion" or "Mot.") the Petition for an *inter partes* review (Paper 1, "Petition" or "Pet.") in this proceeding. Specifically, Patent Owner contends that it is entitled to avoid this proceeding entirely because it is a sovereign that is immune to our authority under the Eleventh Amendment to the U.S. Constitution. Mot. 1, 15. LSI Corporation and Avago Technologies U.S., Inc. (collectively, "Petitioner") filed an Opposition to the Motion (Paper 11, "Opposition" or "Opp."), to which Patent Owner filed a Reply in Support of the Motion (Paper 13, "Reply"). For the reasons discussed below, the Motion is *denied*.

II. PANEL EXPANSION

Our standard operating procedures provide the Chief Judge with discretion to expand a panel to include more than three judges. PTAB SOP 1, 2-5 (§§ II, III) (Rev. 14); *see id.* at 2 (introductory language explaining that the Director has delegated to the Chief Judge the authority to designate panels under 35 U.S.C. § 6); *see also In re Alappat*, 33 F.3d 1526, 1532 (Fed. Cir. 1994) (*abrogated on other grounds by In re*

Bilski, 545 F.3d 943 (Fed. Cir. 2008)) (providing that Congress “expressly granted the [Director] the authority to designate expanded Board panels made up of more than three Board members.”). The Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party in a post-issuance review created by the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), such as an *inter partes* review. *Id.* at 3-4; see also *Apple Inc. v. Rensselaer Polytechnic Inst.*, Case IPR2014-00319, slip op. at 2 n.1 (PTAB Dec. 12, 2014) (Paper 20) (expanded panel) (per curiam).

The standard operating procedure sets forth some of the reasons for which the Chief Judge may expand a panel. PTAB SOP 1, 3-4 (§ III.A). For example, an expanded panel may be appropriate when “[t]he proceeding or AIA Review involves an issue of exceptional importance.” *Id.* (§ III.A.1). An expanded panel may also be appropriate when “necessary to secure and maintain uniformity of the Board’s decisions.” *Id.* (§ III.A.2).

In this case, the Chief Judge has considered whether expansion is warranted, and has decided to expand the panel due to the exceptional nature of the issues presented.¹ As we discuss further below, the issues of whether a State can claim Eleventh Amendment immunity and whether such immunity may be waived have been raised in this proceeding.

¹ Consistent with the standard operating procedure, the Judges on the merits panel in this case have been designated as part of the expanded panel, and the Chief Judge, Deputy Chief Judge, and Vice Chief Judges Bonilla and Weidenfeller have been added to the panel. PTAB SOP 1, 4 (§ III.E).

These issues are of an exceptional nature. The Eleventh Amendment immunity issue continues to be raised in multiple cases before the Board. We have not had occasion to address the waiver issue before, but it has been raised in multiple cases before the Board. The Chief Judge also has determined that an expanded panel is warranted to ensure uniformity of the Board's decisions involving these issues.

III. ANALYSIS

Petitioner does not dispute that Patent Owner is a State entity that can claim sovereign immunity under the Eleventh Amendment, at least with respect to this Motion. *See* Mot. 9-13; Opp. 6 n.4. The parties disagree, though, about whether Eleventh Amendment immunity can be invoked in an *inter partes* review. Mot. 2-9; Opp. 1-4. We agree with Patent Owner that “an IPR is an adjudicatory proceeding of a federal agency from which States are immune.” Mot. 8 (*citing Covidien LP v. Univ. of Fla. Research Found., Inc.*, Case IPR2016-01274, slip op. at 24, (PTAB Jan. 25, 2017) (Paper 21)). Nevertheless, we determine, for the reasons discussed below, that Patent Owner has waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement of the patent being challenged in this proceeding.

A. *Patent Owner May Assert Eleventh Amendment Immunity*

The Board has previously determined that Eleventh Amendment immunity is available to States as a defense in an *inter partes* review proceeding. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, Case IPR2016-01914 (PTAB July 13, 2017) (Paper 36)

(granting in part motion to dismiss and dismissing Regents of the University of Minnesota from an *inter partes* review proceeding); *NeoChord, Inc. v. Univ. of Md., Balt.*, Case IPR2016-00208 (PTAB May 23, 2017) (Paper 28) (granting motion to dismiss and terminating an *inter partes* review); *Covidien LP v. Univ. of Fla. Research Found. Inc.*, Case IPR2016-01274 (PTAB Jan. 25, 2017) (Paper 21) (granting motion to dismiss and dismissing three Petitions requesting an *inter partes* review). We agree.

The Supreme Court has held that the rules and practice of procedure of the Federal Maritime Commission are sufficiently similar to civil litigation for the State of South Carolina to raise Eleventh Amendment immunity as a defense to participation in a proceeding seeking damages and injunctive relief against the South Carolina State Ports Authority. *See Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 757-58, 765-66 (2002) (“*FMC*”). Applying *FMC*, the Federal Circuit has held that Eleventh Amendment immunity is available in interference proceedings before the Board of Patent Appeals and Interferences (the predecessor of the PTAB) because interferences are sufficiently similar in procedure to civil litigation, i.e., they 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. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1381-82 (Fed. Cir. 2007).

Patent Owner asserts that *inter partes* reviews are sufficiently similar in procedure to interferences and other adjudicatory proceedings such that

Eleventh Amendment immunity is available as a defense in both types of proceedings. *See* Mot. 3-8. We agree with Patent Owner. In keeping with *Vas-Cath*, we determine that *inter partes* reviews, like interferences, are similar to court proceedings inasmuch as they involve adverse parties, examination of witnesses, cross-examination by deposition, findings by an impartial adjudicator, power to implement the adjudicator's decision, the ability of the adjudicator to set a time for filing motions and for discovery, and application of the Federal Rules of Evidence. *See generally NeoChord*, slip op. at 6-7 (Paper 28). Patent Owner, therefore, is entitled to rely on its Eleventh Amendment immunity in *inter partes* reviews, as appropriate.² That determination, however, does not end our inquiry in this case.

² As the Supreme Court and my concurring colleague correctly note, in many “significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016). Indeed, we rely on the differences between court and agency proceedings in reaching our determination that Patent Owner has waived its Eleventh Amendment immunity in this matter. *See infra* at 9-10. We respectfully disagree, nevertheless, that those differences alone provide a sufficient basis to conclude that “Congress had the power to compel States to surrender their sovereign immunity” wholesale in a proceeding that so closely resembles court proceedings. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 635 (1999).

B. Patent Owner Waived its Eleventh Amendment Immunity

We must now decide whether, and in what circumstances, a State may waive its Eleventh Amendment immunity before us. Previous Board decisions have not involved a State that filed an action in federal court alleging infringement of the same patent being challenged in the petition for an *inter partes* review. Here, Patent Owner has filed such an action, and, accordingly, Petitioner argues that Patent Owner waived its Eleventh Amendment immunity by filing such an action. Opp. 4-12. We agree with Petitioner that the filing of an action in federal court alleging infringement effectively waives Patent Owner's Eleventh Amendment immunity defense.

A State's waiver of Eleventh Amendment immunity in one action does not necessarily extend to a separate action, even if the separate action involves the same parties and the same subject matter. *Biomedical Patent Mgmt. Corp. v. Cal., Dep't of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir. 2007) ("*BPMC*"). But there is not "a bright-line rule whereby a State's waiver of sovereign immunity can never extend to a . . . separate lawsuit." *Id.* Instead, the rule governing waiver of immunity by litigation conduct rests on the need to avoid unfairness and inconsistency, and to prevent a State from selectively using its immunity to achieve a litigation advantage. *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002); *BPMC*, 505 F.3d at 1340.

The facts presented here are similar to those in *Regents of Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1125-26 (Fed. Cir. 2003) ("*Knight*"), where a

State was found to have waived its Eleventh Amendment immunity as to compulsory counterclaims. Specifically, the Federal Circuit explained that “because a state as plaintiff can surely anticipate that a defendant will have to file any compulsory counterclaims or *be forever barred from doing so*, it is not unreasonable to view the state as having consented to such counterclaims.” *Id.* at 1126 (emphasis added). Similarly, a party served with a patent infringement complaint in federal court must request an *inter partes* review of the asserted patent within one year of service of that complaint or *be forever barred from doing so*. See 35 U.S.C. § 315(b). Thus, it is reasonable to view a State that files a patent infringement action as having consented to an *inter partes* review of the asserted patent.³ See *Knight*, 321 F.3d at 1126. That is particularly true where, as here, the State filed its patent infringement action well after the AIA was enacted. See, e.g., Mot. 1 (indicating that Patent Owner filed suit on August 25, 2016).

Further, when a State files a patent infringement action in federal court, it is the State’s litigation conduct that triggers the one-year statutory bar for an *inter partes* review. See 35 U.S.C. § 315(b). It would be unfair and inconsistent to allow a State to avail itself of the federal government’s authority by filing a patent infringement action in federal court, but then

³ We do not conclude that an *inter partes* review is a compulsory counterclaim under Fed. R. Civ. P. 13(a). Rather, we determine that the rationale given in *Knight*, 321 F.3d at 1126, for holding that a State waived its Eleventh Amendment immunity as to a compulsory counterclaim similarly supports determining that Patent Owner waived its Eleventh Amendment immunity as to this proceeding.

selectively invoke its sovereign immunity to ensure that a defendant is barred from requesting an *inter partes* review of the asserted patent from a different branch of that same federal government. *See Lapidés*, 535 U.S. at 619-20; *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335, 1341-42 (Fed. Cir. 2006) (emphasizing the need “to look to the substantive charge, not to the procedure for obtaining relief” in order to avoid the “‘seriously unfair results’ [that] could result if a state were permitted to file suit in a federal court and at the same time claim immunity against the defendant’s claims arising from the same conduct” (quoting *Knight*, 321 F.3d at 1125)).

In fact, Patent Owner acknowledged as much in its motion to dismiss in *Reactive Surfaces*. IPR2016-01914, Paper 23, 18-20. In that case, Patent Owner addressed a hypothetical (as of the date of this decision) scenario in which a patent assertion entity (“PAE”) assigned ownership of a patent to a State in order to invoke Eleventh Amendment immunity and avoid an *inter partes* review. *Id.* at 18. Patent Owner acknowledged that the State would have to join any infringement action, and that “[b]y voluntarily invoking federal jurisdiction in the infringement litigation, the [S]tate entity could be deemed to have waived its sovereign immunity to the IPR process, which would deprive the PAE of any litigation advantage it might have hoped for.” *Id.* at 19-20. Patent Owner attempts to distinguish that hypothetical scenario from this case because it involved a State acting together with a PAE. Reply 4. We fail to see, though, how a State selectively asserting its sovereign immunity to achieve a

litigation advantage for itself, rather than a PAE, is less unfair to a defendant.

The crux of Patent Owner's argument in this proceeding is that any waiver of Eleventh Amendment immunity should be limited to the venue where Patent Owner filed its action. Mot. 13-15 (citing *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1219-20 (Fed. Cir. 2010); *Tegic*, 458 F.3d at 1342, 1344-45); Reply 3-4. Although waiver is generally limited in this way in our court system, which is arranged geographically, it is not a bright-line rule. *BPMC*, 505 F.3d at 1339. Indeed, "[a]n animating principle of *Lapides* is that a state should not reap litigation advantages through its selection of a forum and subsequent assertion of sovereign immunity as a defense." *Bd. of Regents of Univ. of Wis. Sys. v. Phoenix Int'l Software, Inc.*, 653 F.3d 448, 466 (7th Cir. 2011). And the authority on which Patent Owner relies does not address waiver with respect to separate proceedings in a single forum created by Congress, such as the post-issuance review proceedings under the AIA.

In any event, the cases cited by Patent Owner are distinguishable. In those cases, a private party was not permitted to assert claims against a State in a different forum from the one in which the State filed its action. *A123 Sys.*, 626 F.3d at 1219-20; *Tegic*, 458 F.3d at 1342-44. The private party, however, did not suffer any substantial unfairness from that result because the private party could still assert the exact same claims in the forum where the State filed its action. *A123 Sys.*, 626 F.3d at 1216 ("A123 had an adequate remedy because UT has waived Eleventh Amendment immunity in the Northern District of Texas."); *Tegic*, 458 F.3d at 1344 ("It has not been

shown . . . that the adjudication of Tegic’s claims of noninfringement and invalidity is not available in the Texas action.”).

In contrast, here, Petitioner cannot seek an *inter partes* review in the district court where Patent Owner filed its patent infringement action. We recognize that Petitioner may be able to assert a defense and/or counterclaim challenging the validity of the asserted patent in the district court where Patent Owner filed its action. Reply 4-5. But, even though an *inter partes* review has characteristics that are similar to district court litigation, the proceedings are not the same. *See Cuozzo*, 136 S. Ct. at 2143-44. Therefore, allowing Patent Owner to assert its Eleventh Amendment immunity in this proceeding selectively so as to bar Petitioner, a defendant sued by Patent Owner, from obtaining the benefits of an *inter partes* review of the asserted patent would result in substantial unfairness and inconsistency. *See Lapidés*, 535 U.S. at 620.

For the foregoing reasons, we determine that Patent Owner has waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement of the patent being challenged in this proceeding.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner’s Motion to Dismiss is *denied*.

* * *

HARLOW, *Administrative Patent Judge*, concurring.

I write separately to express my view that a state university, having availed itself of Patent Office procedures to secure patent rights from the public, may not subsequently invoke sovereign immunity as a shield against reconsideration by the Patent Office in an *inter partes* review proceeding of whether the agency improvidently granted a patent monopoly in the first instance.¹

Sovereign immunity has been found to attach to administrative proceedings where those actions resemble civil litigation. *See Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 753-761 (2002) (“*FMC*”). *Inter partes* review cannot be said, however, to bear the same marks of civil litigation as previously considered administrative matters. Obvious differences exist, for example, between the U.S. Patent and Trademark Office’s review of a patent procured from that agency by a State, and the Federal Maritime Commission’s review of a State’s refusal to berth a cruise ship at port facilities within the sovereign borders of a State that are managed by a State authority. *See FMC*, 535 U.S. at 748-49. The adjudication at issue in *FMC*, after all, implicated a power with unmistakably sovereign characteristics—the ability of a State to control access to its territory.

¹ I am mindful that resolution of the instant motion requires us to address important constitutional issues that “are unsuited to resolution in administrative hearing procedures,” *Califano v. Sanders*, 430 U.S. 99, 109 (1977), and further highlight that “access to the courts is essential to the decision of such questions.” *Id.*

Far removed from any question of territorial control, *inter partes* review represents no more than the Patent Office's reconsideration of its initial decision to "take[] from the public rights of immense value, and bestow[] them upon the patentee" in the form of a patent grant. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888). As the Supreme Court has explained, the "basic purpose[]" of *inter partes* review is "to reexamine an earlier agency decision," and thereby "help[] 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) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)); *see also MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015) (explaining that "patent rights are public rights," and "their validity [is] susceptible to review by an administrative agency."). Allowing a State to secure monopoly rights from the Patent Office, while simultaneously foreclosing Patent Office reappraisal of that decision via *inter partes* review, would thwart "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

The essential nature of *inter partes* review as a reevaluation by the Patent Office of its decision to grant a patent, rather than as an administrative analog to civil litigation, is evident from the relief available, which differs both in degree and in kind from that afforded in federal district court. At its core, *inter partes* review is a circumscribed *in rem* proceeding, in which the Patent Office exercises

jurisdiction over the patent challenged, rather than the parties named; “it does not implicate States’ sovereignty to nearly the same degree as other kinds of jurisdiction.” *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 362 (2006). Such proceedings are authorized solely to address whether the Patent Office should “cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 [of the Patent Act] and only on the basis of prior art consisting of patents or printed publications.” 35 U.S.C. § 311(b). Once *inter partes* review is commenced, the patent owner may, as a matter of right, “file 1 motion to amend the patent,” 35 U.S.C. § 316(d)—“just what he would do in the examination process.” *Cuozzo*, 136 S. Ct. at 2145 (citing 35 U.S.C. § 316(d) (2012)). No equivalent procedure is available in the federal district courts, which assess the validity only of static patent claims.

The ultimate remedy available from *inter partes* review likewise mirrors the patent examination process more closely than it does federal district court litigation, where a patent monopoly may be enforced through charges of patent infringement. Without resort to the damages or injunctive relief that may be awarded when infringement is proved in federal court, the lone remedy issuable by the Patent Office in an *inter partes* review proceeding is the publication, by the Director, of a certificate canceling, confirming, or amending the challenged claims. 35 U.S.C. § 318(b). In addition, the freedom of the Director to “stay, transfer, consolidat[e], terminat[e],” or otherwise determine how either matter should proceed when a patent is concurrently subject to an *inter partes* review and another action in the Office, 35 U.S.C. § 315(d),

further differentiates *inter partes* review from civil litigation.

Inter partes review does not seek to resolve relationships between parties, or even require that the petitioner have Article III standing to proceed. *See* 35 U.S.C. § 311(a). Indeed, notwithstanding the absence of an existing legal dispute concerning the patent-in-question, so long as a prospective petitioner “is not the owner of [that] patent,” that party is eligible, subject to additional statutory provisions, to file a petition for *inter partes* review. 35 U.S.C. § 311(a). Consistent with this focus on the patent, rather than on the parties, participation by the parties subsequent to institution is not required for an *inter partes* review to go forward. 35 U.S.C. § 317(a) (“If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).”). Even in the event of settlement between the parties, the Board remains free to “independently determine any question of jurisdiction, patentability, or Office practice.” 37 C.F.R. § 42.74(a). Similarly, the Patent Office “may intervene in a later judicial proceeding” to defend its cancellation of an improperly granted patent, “even if the private challengers drop out.” *Cuozzo*, 136 S. Ct. at 2144 (emphasis omitted); *see* 35 U.S.C. § 143.

Indeed, the Supreme Court has emphasized these aspects of *inter partes* review in its recognition that in “significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo*, 136 S. Ct. at 2143; *see also Achates Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652, 657-58 (Fed. Cir. 2015) (holding that procedural limits placed on when certain parties must file for

review do not relate to the Board's ultimate authority to invalidate a patent); 35 U.S.C. § 303(a) ("On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302.").

To my eye, therefore, far from implicating the sovereignty or dignity of the states, *inter partes* review simply provides a streamlined, specialized mechanism by which the Patent Office may reconsider a patent grant and correct any mistake. Accordingly, because *inter partes* review neither "walks, talks, [nor] squawks" like a lawsuit, *FMC*, 535 U.S. at 757 (internal quotation omitted), I conclude that sovereign immunity does not bar the Patent Office from conducting *inter partes* review of a patent owned by a state university. Thus, while I agree with my colleagues that Patent Owner's Motion to Dismiss should be denied, I reach that conclusion for markedly different reasons.

53a

APPENDIX C

Paper 14

Entered: December 19, 2017

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE
PATENT TRIAL AND APPEAL BOARD

ERICSSON INC. and TELFONAKTIEBOLAGET LM
ERICSSON, Petitioner,

v.

REGENTS OF THE UNIVERSITY OF
MINNESOTA, Patent Owner.

Cases IPR2017-01186 (Patent 8,774,309 B2)
IPR2017-01197 (Patent 7,251,768 B2)
IPR2017-01200 (Patent 8,718,185 B2)
IPR2017-01213 (Patent 8,588,317 B2)
IPR2017-01214 (Patent RE45,230 E)
IPR2017-01219 (Patent RE45,230 E)

Before DAVID P. RUSCHKE, *Chief Administrative
Patent Judge*, SCOTT R. BOALICK, *Deputy Chief
Administrative Patent Judge*, JACQUELINE
WRIGHT BONILLA, SCOTT C. WEIDENFELLER,
Vice Chief Administrative Patent Judges, JENNIFER

S. BISK, ROBERT J. WEINSCHENK, and CHARLES J. BOUDREAU, *Administrative Patent Judges*.

Opinion for the Board filed by *Chief Administrative Patent Judge* RUSCHKE.

Opinion Concurring filed by *Administrative Patent Judge* BISK.

ORDER

Denying Patent Owner's Motion to Dismiss
37 C.F.R. §§ 42.5, 42.71

I. INTRODUCTION

Regents of the University of Minnesota (“Patent Owner”) filed a Motion to Dismiss (Paper 8,¹ “Motion” or “Mot.”) the Petition for an *inter partes* review (Paper 1, “Petition” or “Pet.”) in this proceeding. Specifically, Patent Owner contends that it is entitled to avoid this proceeding entirely because it is a sovereign that is immune to our authority under the Eleventh Amendment to the U.S. Constitution. Mot. 1, 2, 15. Ericsson Inc. and Telefonaktiebolaget LM Ericsson (collectively, “Petitioner”) filed an Opposition to the Motion (Paper 10, “Opposition” or “Opp.”), to which Patent Owner filed a Reply in Support of the Motion (Paper 11, “Reply”). For the reasons discussed below, the Motion is *denied*.

II. PANEL EXPANSION

Our standard operating procedures provide the Chief Judge with discretion to expand a panel to

¹ IPR2017-01186, IPR2017-01197, IPR2017-01200, IPR2017-01213, IPR2017-01214, and IPR2017-01219 include similar papers and exhibits. Accordingly, all citations are to IPR2017-01186 unless otherwise noted.

include more than three judges. PTAB SOP 1, 2-5 (§§ II, III) (Rev. 14); *see id.* at 2 (introductory language explaining that the Director has delegated to the Chief Judge the authority to designate panels under 35 U.S.C. § 6); *see also In re Alappat*, 33 F.3d 1526, 1532 (Fed. Cir. 1994) (*abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008)) (providing that Congress “expressly granted the [Director] the authority to designate expanded Board panels made up of more than three Board members.”). The Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party in a post-issuance review created by the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), such as an *inter partes* review. *Id.* at 3-4; *see also Apple Inc. v. Rensselaer Polytechnic Inst.*, Case IPR2014-00319, slip op. at 2 n.1 (PTAB Dec. 12, 2014) (Paper 20) (expanded panel) (*per curiam*).

The standard operating procedure sets forth some of the reasons for which the Chief Judge may expand a panel. PTAB SOP 1, 3-4 (§ III.A). For example, an expanded panel may be appropriate when “[t]he proceeding or AIA Review involves an issue of exceptional importance.” *Id.* (§ III.A.1). An expanded panel may also be appropriate when “necessary to secure and maintain uniformity of the Board’s decisions.” *Id.* (§ III.A.2).

In this case, the Chief Judge has considered whether expansion is warranted, and has decided to expand the panel due to the exceptional nature of the

issues presented.² As we discuss further below, the issues of whether a State can claim Eleventh Amendment immunity and whether such immunity may be waived have been raised in this proceeding. These issues are of an exceptional nature. The Eleventh Amendment immunity issue continues to be raised in multiple cases before the Board. We have not had occasion to address the waiver issue before, but it has been raised in multiple cases before the Board. The Chief Judge also has determined that an expanded panel is warranted to ensure uniformity of the Board's decisions involving these issues.

III. ANALYSIS

Petitioner does not dispute that Patent Owner is a State entity that can claim sovereign immunity under the Eleventh Amendment, at least with respect to this Motion. *See* Mot. 8-11; Opp. 1-2. The parties disagree, though, about whether Eleventh Amendment immunity can be invoked in an *inter partes* review. Mot. 2-8; Opp. 13-15. We agree with Patent Owner that an “IPR is an adjudicatory proceeding of a federal agency from which state entities are immune.” Mot. 7-8 (*citing Covidien LP v. Univ. of Fla. Research Found., Inc.*, Case IPR2016-01274 (PTAB Jan. 25, 2017) (Paper 21) and *NeoChord, Inc. v. Univ. of Md., Balt.*, Case IPR2016-00208 (PTAB May 23, 2017) (Paper 28)). Nevertheless, we determine, for the reasons discussed below, that

² Consistent with the standard operating procedure, the Judges on the merits panel in this case have been designated as part of the expanded panel, and the Chief Judge, Deputy Chief Judge, and Vice Chief Judges Bonilla and Weidenfeller have been added to the panel. PTAB SOP 1, 4 (§ III.E).

Patent Owner has waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement of the patent being challenged in this proceeding.

A. Patent Owner May Assert Eleventh Amendment Immunity

The Board has previously determined that Eleventh Amendment immunity is available to States as a defense in an *inter partes* review proceeding. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, Case IPR2016-01914 (PTAB July 13, 2017) (Paper 36) (granting in part motion to dismiss and dismissing Regents of the University of Minnesota from an *inter partes* review proceeding); *NeoChord, Inc. v. Univ. of Md., Balt.*, Case IPR2016-00208 (PTAB May 23, 2017) (Paper 28) (granting motion to dismiss and terminating an *inter partes* review); *Covidien LP v. Univ. of Fla. Research Found. Inc.*, Case IPR2016-01274 (PTAB Jan. 25, 2017) (Paper 21) (granting motion to dismiss and dismissing three Petitions requesting an *inter partes* review). We agree.

The Supreme Court has held that the rules and practice of procedure of the Federal Maritime Commission are sufficiently similar to civil litigation for the State of South Carolina to raise Eleventh Amendment immunity as a defense to participation in a proceeding seeking damages and injunctive relief against the South Carolina State Ports Authority. *See Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 757-58, 765-66 (2002) (“*FMC*”). Applying *FMC*, the Federal Circuit has held that Eleventh Amendment immunity is available in interference proceedings before the Board of Patent Appeals and

Interferences (the predecessor of the PTAB) because interferences are sufficiently similar in procedure to civil litigation, i.e., they 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. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1381-82 (Fed. Cir. 2007).

Patent Owner asserts that *inter partes* reviews are sufficiently similar in procedure to interferences and other adjudicatory proceedings such that Eleventh Amendment immunity is available as a defense in both types of proceedings. *See* Mot. 3-8. We agree with Patent Owner. In keeping with *Vas-Cath*, we determine that *inter partes* reviews, like interferences, are similar to court proceedings inasmuch as they involve adverse parties, examination of witnesses, cross-examination by deposition, findings by an impartial adjudicator, power to implement the adjudicator's decision, the ability of the adjudicator to set a time for filing motions and for discovery, and application of the Federal Rules of Evidence. *See generally NeoChord*, slip op. at 6-7 (Paper 28). Patent Owner, therefore, is entitled to rely on its Eleventh Amendment immunity in *inter partes* reviews, as appropriate.³ That

³ As the Supreme Court and my concurring colleague correctly note, in many “significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016). Indeed, we rely on the differences between court and agency proceedings in reaching our determination that

determination, however, does not end our inquiry in this case.

B. Patent Owner Waived its Eleventh Amendment Immunity

We must now decide whether, and in what circumstances, a State may waive its Eleventh Amendment immunity before us. Previous Board decisions have not involved a State that filed an action in federal court alleging infringement of the same patent being challenged in the petition for an *inter partes* review. Here, Patent Owner has filed such an action, and, accordingly, Petitioner argues that Patent Owner waived its Eleventh Amendment immunity by filing such an action. Opp. 2-13. We agree with Petitioner that the filing of an action in federal court alleging infringement effectively waives Patent Owner's Eleventh Amendment immunity defense.

A State's waiver of Eleventh Amendment immunity in one action does not necessarily extend to a separate action, even if the separate action involves the same parties and the same subject matter. *Biomedical Patent Mgmt. Corp. v. Cal., Dep't of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir. 2007) ("*BPMC*"). But there is not "a bright-line rule whereby a State's waiver of sovereign immunity can never extend to a

Patent Owner has waived its Eleventh Amendment immunity in this matter. *See infra* at 9-10. We respectfully disagree, nevertheless, that those differences alone provide a sufficient basis to conclude that "Congress had the power to compel States to surrender their sovereign immunity" wholesale in a proceeding that so closely resembles court proceedings. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 635 (1999).

. . . separate lawsuit.” *Id.* Instead, the rule governing waiver of immunity by litigation conduct rests on the need to avoid unfairness and inconsistency, and to prevent a State from selectively using its immunity to achieve a litigation advantage. *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002); *BPMC*, 505 F.3d at 1340.

The facts presented here are similar to those in *Regents of Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1125-26 (Fed. Cir. 2003) (“*Knight*”), where a State was found to have waived its Eleventh Amendment immunity as to compulsory counterclaims. Specifically, the Federal Circuit explained that “because a state as plaintiff can surely anticipate that a defendant will have to file any compulsory counterclaims or *be forever barred from doing so*, it is not unreasonable to view the state as having consented to such counterclaims.” *Id.* at 1126 (emphasis added). Similarly, a party served with a patent infringement complaint in federal court must request an *inter partes* review of the asserted patent within one year of service of that complaint or *be forever barred from doing so*. See 35 U.S.C. § 315(b). Thus, it is reasonable to view a State that files a patent infringement action as having consented to an *inter partes* review of the asserted patent.⁴ See *Knight*, 321 F.3d at 1126. That is particularly true where, as here,

⁴ We do not conclude that an *inter partes* review is a compulsory counterclaim under Fed. R. Civ. P. 13(a). Rather, we determine that the rationale given in *Knight*, 321 F.3d at 1126, for holding that a State waived its Eleventh Amendment immunity as to a compulsory counterclaim similarly supports determining that Patent Owner waived its Eleventh Amendment immunity as to this proceeding.

the State filed its patent infringement action well after the AIA was enacted. *See, e.g.*, Mot. 2 (indicating that Patent Owner filed suit in November, 2014).

Further, when a State files a patent infringement action in federal court, it is the State's litigation conduct that triggers the one-year statutory bar for an *inter partes* review. *See* 35 U.S.C. § 315(b). It would be unfair and inconsistent to allow a State to avail itself of the federal government's authority by filing a patent infringement action in federal court, but then selectively invoke its sovereign immunity to ensure that a defendant is barred from requesting an *inter partes* review of the asserted patent from a different branch of that same federal government. *See Lapidés*, 535 U.S. at 619-20; *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335, 1341-42 (Fed. Cir. 2006) (emphasizing the need "to look to the substantive charge, not to the procedure for obtaining relief" in order to avoid the "seriously unfair results' [that] could result if a state were permitted to file suit in a federal court and at the same time claim immunity against the defendant's claims arising from the same conduct" (quoting *Knight*, 321 F.3d at 1125)).

In fact, Patent Owner acknowledged as much in its motion to dismiss in *Reactive Surfaces*. IPR2016-01914, Paper 23, 18-20. In that case, Patent Owner addressed a hypothetical (as of the date of this decision) scenario in which a patent assertion entity ("PAE") assigned ownership of a patent to a State in order to invoke Eleventh Amendment immunity and avoid an *inter partes* review. *Id.* at 18. Patent Owner acknowledged that the State would have to join any infringement action, and that "[b]y voluntarily invoking federal jurisdiction in the infringement

litigation, the [S]tate entity could be deemed to have waived its sovereign immunity to the IPR process, which would deprive the PAE of any litigation advantage it might have hoped for.” *Id.* at 19-20. Patent Owner attempts to distinguish that hypothetical scenario from this case because it involved a State acting together with a PAE. Reply 4. We fail to see, though, how a State selectively asserting its sovereign immunity to achieve a litigation advantage for itself, rather than a PAE, is less unfair to a defendant.

The crux of Patent Owner’s argument in this proceeding is that any waiver of Eleventh Amendment immunity should be limited to the venue where Patent Owner filed its action. Mot. 12-15 (citing *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1219-20 (Fed. Cir. 2010); *Tegic*, 458 F.3d at 1342, 1344-45); Reply 3-4. Although waiver is generally limited in this way in our court system, which is arranged geographically, it is not a bright-line rule. *BPMC*, 505 F.3d at 1339. Indeed, “[a]n animating principle of *Lapides* is that a state should not reap litigation advantages through its selection of a forum and subsequent assertion of sovereign immunity as a defense.” *Bd. of Regents of Univ. of Wis. Sys. v. Phoenix Int’l Software, Inc.*, 653 F.3d 448, 466 (7th Cir. 2011). And the authority on which Patent Owner relies does not address waiver with respect to separate proceedings in a single forum created by Congress, such as the post-issuance review proceedings under the AIA.

In any event, the cases cited by Patent Owner are distinguishable. In those cases, a private party was not permitted to assert claims against a State in a different forum from the one in which the State filed

its action. *A123 Sys.*, 626 F.3d at 1219-20; *Tegic*, 458 F.3d at 1342-44. The private party, however, did not suffer any substantial unfairness from that result because the private party could still assert the exact same claims in the forum where the State filed its action. *A123 Sys.*, 626 F.3d at 1216 (“A123 had an adequate remedy because UT has waived Eleventh Amendment immunity in the Northern District of Texas.”); *Tegic*, 458 F.3d at 1344 (“It has not been shown . . . that the adjudication of Tegic’s claims of noninfringement and invalidity is not available in the Texas action.”).

In contrast, here, Petitioner cannot seek an *inter partes* review in the district court where Patent Owner filed its patent infringement action. We recognize that Petitioner may be able to assert a defense and/or counterclaim challenging the validity of the asserted patent in the district court where Patent Owner filed its action. But, even though an *inter partes* review has characteristics that are similar to district court litigation, the proceedings are not the same. *See Cuozzo*, 136 S. Ct. at 2143-44. Therefore, allowing Patent Owner to assert its Eleventh Amendment immunity in this proceeding selectively so as to bar Petitioner from obtaining the benefits of an *inter partes* review of the asserted patent would result in substantial unfairness and inconsistency.⁵ *See Lapidus*, 535 U.S. at 620.

For the foregoing reasons, we determine that Patent Owner has waived its Eleventh Amendment

⁵ Patent Owner filed patent infringement actions against Petitioner’s customers, and then later consented to Petitioner joining those actions as an intervenor. Ex. 1015, 2-3; Ex. 1052, 2-3.

64a

immunity by filing an action in federal court alleging infringement of the patent being challenged in this proceeding.

ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner's Motion to Dismiss is *denied*.

* * *

BISK, *Administrative Patent Judge*, concurring.

I write separately to express my view that a state university, having availed itself of Patent Office procedures to secure patent rights from the public, may not subsequently invoke sovereign immunity as a shield against reconsideration by the Patent Office in an *inter partes* review proceeding of whether the agency improvidently granted a patent monopoly in the first instance.¹

Sovereign immunity has been found to attach to administrative proceedings where those actions resemble civil litigation. *See Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 753-761 (2002) (“*FMC*”). *Inter partes* review cannot be said, however, to bear the same marks of civil litigation as previously considered administrative matters. Obvious differences exist, for example, between the U.S. Patent and Trademark Office’s review of a patent procured from that agency by a State, and the Federal Maritime Commission’s review of a State’s refusal to berth a cruise ship at port facilities within the sovereign borders of a State that are managed by a State authority. *See FMC*, 535 U.S. at 748-49. The adjudication at issue in *FMC*, after all, implicated a power with unmistakably sovereign characteristics—the ability of a State to control access to its territory.

¹ I am mindful that resolution of the instant motion requires us to address important constitutional issues that “are unsuited to resolution in administrative hearing procedures,” *Califano v. Sanders*, 430 U.S. 99, 109 (1977), and further highlight that “access to the courts is essential to the decision of such questions.” *Id.*

Far removed from any question of territorial control, *inter partes* review represents no more than the Patent Office's reconsideration of its initial decision to "take[] from the public rights of immense value, and bestow[] them upon the patentee" in the form of a patent grant. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888). As the Supreme Court has explained, the "basic purpose[]" of *inter partes* review is "to reexamine an earlier agency decision," and thereby "help[] 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) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)); see also *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015) (explaining that "patent rights are public rights," and "their validity [is] susceptible to review by an administrative agency."). Allowing a State to secure monopoly rights from the Patent Office, while simultaneously foreclosing Patent Office reappraisal of that decision via *inter partes* review, would thwart "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

The essential nature of *inter partes* review as a reevaluation by the Patent Office of its decision to grant a patent, rather than as an administrative analog to civil litigation, is evident from the relief available, which differs both in degree and in kind from that afforded in federal district court. At its core, *inter partes* review is a circumscribed *in rem* proceeding, in which the Patent Office exercises

jurisdiction over the patent challenged, rather than the parties named; “it does not implicate States’ sovereignty to nearly the same degree as other kinds of jurisdiction.” *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 362 (2006). Such proceedings are authorized solely to address whether the Patent Office should “cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 [of the Patent Act] and only on the basis of prior art consisting of patents or printed publications.” 35 U.S.C. § 311(b). Once *inter partes* review is commenced, the patent owner may, as a matter of right, “file 1 motion to amend the patent,” 35 U.S.C. § 316(d)—“just what he would do in the examination process.” *Cuozzo*, 136 S. Ct. at 2145 (citing 35 U.S.C. § 316(d) (2012)). No equivalent procedure is available in the federal district courts, which assess the validity only of static patent claims.

The ultimate remedy available from *inter partes* review likewise mirrors the patent examination process more closely than it does federal district court litigation, where a patent monopoly may be enforced through charges of patent infringement. Without resort to the damages or injunctive relief that may be awarded when infringement is proved in federal court, the lone remedy issuable by the Patent Office in an *inter partes* review proceeding is the publication, by the Director, of a certificate canceling, confirming, or amending the challenged claims. 35 U.S.C. § 318(b). In addition, the freedom of the Director to “stay, transfer, consolidat[e], terminat[e],” or otherwise determine how either matter should proceed when a patent is concurrently subject to an *inter partes* review and another action in the Office, 35 U.S.C. § 315(d),

further differentiates *inter partes* review from civil litigation.

Inter partes review does not seek to resolve relationships between parties, or even require that the petitioner have Article III standing to proceed. *See* 35 U.S.C. § 311(a). Indeed, notwithstanding the absence of an existing legal dispute concerning the patent-in-question, so long as a prospective petitioner “is not the owner of [that] patent,” that party is eligible, subject to additional statutory provisions, to file a petition for *inter partes* review. 35 U.S.C. § 311(a). Consistent with this focus on the patent, rather than on the parties, participation by the parties subsequent to institution is not required for an *inter partes* review to go forward. 35 U.S.C. § 317(a) (“If no petitioner remains in the *inter partes* review, the Office may terminate the review or proceed to a final written decision under section 318(a).”). Even in the event of settlement between the parties, the Board remains free to “independently determine any question of jurisdiction, patentability, or Office practice.” 37 C.F.R. § 42.74(a). Similarly, the Patent Office “may intervene in a later judicial proceeding” to defend its cancellation of an improperly granted patent, “even if the private challengers drop out.” *Cuozzo*, 136 S. Ct. at 2144 (emphasis omitted); *see* 35 U.S.C. § 143.

Indeed, the Supreme Court has emphasized these aspects of *inter partes* review in its recognition that in “significant respects, *inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo*, 136 S. Ct. at 2143; *see also Achates Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652, 657-58 (Fed. Cir. 2015) (holding that procedural limits placed on when certain parties must file for

review do not relate to the Board's ultimate authority to invalidate a patent); 35 U.S.C. § 303(a) ("On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302.").

To my eye, therefore, far from implicating the sovereignty or dignity of the states, *inter partes* review simply provides a streamlined, specialized mechanism by which the Patent Office may reconsider a patent grant and correct any mistake. Accordingly, because *inter partes* review neither "walks, talks, [nor] squawks" like a lawsuit, *FMC*, 535 U.S. at 757 (internal quotation omitted), I conclude that sovereign immunity does not bar the Patent Office from conducting *inter partes* review of a patent owned by a state university. Thus, while I agree with my colleagues that Patent Owner's Motion to Dismiss should be denied, I reach that conclusion for markedly different reasons.

APPENDIX D

The Eleventh Amendment to the United States Constitution provides:

The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.

35 U.S.C. § 143 provides:

§ 143. Proceedings on appeal

With respect to an appeal described in section 142, the Director shall transmit to the United States Court of Appeals for the Federal Circuit a certified list of the documents comprising the record in the Patent and Trademark Office. The court may request that the Director forward the original or certified copies of such documents during pendency of the appeal. In an ex parte case, the Director shall submit to the court in writing the grounds for the decision of the Patent and Trademark Office, addressing all of the issues raised in the appeal. The Director shall have the right to intervene in an appeal from a decision entered by the Patent Trial and Appeal Board in a derivation proceeding under section 135 or in an inter partes or post-grant review under chapter 31 or 32. The court shall, before hearing an appeal, give notice of the time and place of the hearing to the Director and the parties in the appeal.

35 U.S.C. § 311 provides:

§ 311. Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, 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. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review 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 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

35 U.S.C. § 312 provides:

§ 312. Petitions

(a) REQUIREMENTS OF PETITION.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and (4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) PUBLIC AVAILABILITY.—As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

35 U.S.C. § 313 provides:

§ 313. Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based

upon the failure of the petition to meet any requirement of this chapter.

35 U.S.C. § 314 provides:

§ 314. Institution of inter partes review

(a) THRESHOLD.—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) TIMING.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) NOTICE.—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) NO APPEAL.—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

35 U.S.C. § 315 provides:

§ 315. Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging

infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim

in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

35 U.S.C. § 316 provides:

§ 316. Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) ADDITIONAL MOTIONS.—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) SCOPE OF CLAIMS.—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) EVIDENTIARY STANDARDS.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

35 U.S.C. § 317 provides:

§ 317. Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

35 U.S.C. § 318 provides:

§ 318. Decision of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and

incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

35 U.S.C. § 319 provides:

§ 319. Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

37 C.F.R. § 42.2 provides:

§ 42.2 Definitions.

The following definitions apply to this part:

Affidavit means affidavit or declaration under § 1.68 of this chapter. A transcript of an *ex parte* deposition or a declaration under 28 U.S.C. 1746 may be used as an affidavit.

Board means the Patent Trial and Appeal Board. Board means a panel of the Board, or a member or employee acting with the authority of the Board, including:

(1) For petition decisions and interlocutory decisions, a Board member or employee acting with the authority of the Board.

(2) For final written decisions under 35 U.S.C. 135(d), 318(a), and 328(a), a panel of the Board.

Business day means a day other than a Saturday, Sunday, or Federal holiday within the District of Columbia.

Confidential information means trade secret or other confidential research, development, or commercial information.

Final means final for the purpose of judicial review to the extent available. A decision is final only if it disposes of all necessary issues with regard to the party seeking judicial review, and does not indicate that further action is required.

Hearing means consideration of the trial.

Involved means an application, patent, or claim that is the subject of the proceeding.

Judgment means a final written decision by the Board, or a termination of a proceeding.

Motion means a request for relief other than by petition.

Office means the United States Patent and Trademark Office.

Panel means at least three members of the Board.

Party means at least the petitioner and the patent owner and, in a derivation proceeding, any applicant or assignee of the involved application.

Petition is a request that a trial be instituted.

Petitioner means the party filing a petition requesting that a trial be instituted.

Preliminary Proceeding begins with the filing of a petition for instituting a trial and ends with a written decision as to whether a trial will be instituted.

Proceeding means a trial or preliminary proceeding.

Rehearing means reconsideration.

Trial means a contested case instituted by the Board based upon a petition. A trial begins with a written decision notifying the petitioner and patent owner of the institution of the trial. The term trial specifically includes a derivation proceeding under 35 U.S.C. 135; an *inter partes* review under Chapter 31 of title 35, United States Code; a post-grant review under Chapter 32 of title 35, United States Code; and a transitional business-method review under section 18 of the Leahy-Smith America Invents Act. Patent interferences are administered under part 41 and not under part 42 of this title, and therefore are not trials.

37 C.F.R. § 42.51 provides:

§ 42.51 Discovery.

(a) *Mandatory initial disclosures.*

(1) *With agreement.* Parties may agree to mandatory discovery requiring the initial disclosures set forth in the Office Patent Trial Practice Guide.

(i) The parties must submit any agreement reached on initial disclosures by no later than the filing of the patent owner preliminary response or the expiration of the time period for filing such a response. The initial disclosures of the parties shall be filed as exhibits.

(ii) Upon the institution of a trial, parties may automatically take discovery of the information identified in the initial disclosures.

(2) *Without agreement.* Where the parties fail to agree to the mandatory discovery set forth in paragraph (a)(1), a party may seek such discovery by motion.

(b) *Limited discovery.* A party is not entitled to discovery except as provided in paragraph (a) of this section, or as otherwise authorized in this subpart.

(1) *Routine discovery.* Except as the Board may otherwise order:

(i) Unless previously served or otherwise by agreement of the parties, any exhibit cited in a paper or in testimony must be served with the citing paper or testimony.

(ii) Cross examination of affidavit testimony prepared for the proceeding is authorized within such time period as the Board may set.

(iii) Unless previously served, a party must serve relevant information that is inconsistent with a position advanced by the party during the proceeding concurrent with the filing of the documents or things that contains the inconsistency. This requirement does not make discoverable anything otherwise protected by legally recognized privileges such as attorney-client or attorney work product. This requirement extends to inventors, corporate officers, and persons involved in the preparation or filing of the documents or things.

(2) *Additional discovery.* (i) The parties may agree to additional discovery between themselves. Where the parties fail to agree, a party may move for additional discovery. The moving party must show that such additional discovery is in the interests of justice, except in post-grant reviews where additional discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding (*see* § 42.224). The Board may specify conditions for such additional discovery.

(ii) When appropriate, a party may obtain production of documents and things during cross examination of an opponent's witness or during authorized compelled testimony under § 42.52.

(c) *Production of documents.* Except as otherwise ordered by the Board, a party producing documents and things shall either provide copies to the opposing party or make the documents and things available for inspection and copying at a reasonable time and location in the United States.

37 C.F.R. § 42.52 provides:

§ 42.52 Compelling testimony and production.

(a) *Authorization required.* A party seeking to compel testimony or production of documents or things must file a motion for authorization. The motion must describe the general relevance of the testimony, document, or thing, and must:

(1) In the case of testimony, identify the witness by name or title; and

(2) In the case of a document or thing, the general nature of the document or thing.

(b) *Outside the United States.* For testimony or production sought outside the United States, the motion must also:

(1) *In the case of testimony.* (i) Identify the foreign country and explain why the party believes the witness can be compelled to testify in the foreign country, including a description of the procedures that will be used to compel the testimony in the foreign country and an estimate of the time it is expected to take to obtain the testimony; and

(ii) Demonstrate that the party has made reasonable efforts to secure the agreement of the witness to testify in the United States but has been unsuccessful in obtaining the agreement, even though the party has offered to pay the travel expenses of the witness to testify in the United States.

(2) *In the case of production of a document or thing.* (i) Identify the foreign country and explain why the party believes production of the document or thing can be compelled in the foreign country,

including a description of the procedures that will be used to compel production of the document or thing in the foreign country and an estimate of the time it is expected to take to obtain production of the document or thing; and

(ii) Demonstrate that the party has made reasonable efforts to obtain the agreement of the individual or entity having possession, custody, or control of the document or thing to produce the document or thing in the United States but has been unsuccessful in obtaining that agreement, even though the party has offered to pay the expenses of producing the document or thing in the United States.

37 C.F.R. § 42.53 provides:

§ 42.53 Taking testimony.

(a) *Form.* Uncompelled direct testimony must be submitted in the form of an affidavit. All other testimony, including testimony compelled under 35 U.S.C. 24, must be in the form of a deposition transcript. Parties may agree to video-recorded testimony, but may not submit such testimony without prior authorization of the Board. In addition, the Board may authorize or require live or video-recorded testimony.

(b) *Time and location.* (1) Uncompelled direct testimony may be taken at any time to support a petition, motion, opposition, or reply; otherwise, testimony may only be taken during a testimony period set by the Board.

(2) Except as the Board otherwise orders, during the testimony period, deposition testimony may be taken at any reasonable time and location within the United States before any disinterested official authorized to administer oaths at that location.

(3) Uncompelled deposition testimony outside the United States may only be taken upon agreement of the parties or as the Board specifically directs.

(c) *Duration.* (1) Unless stipulated by the parties or ordered by the Board, direct examination, cross-examination, and redirect examination for compelled deposition testimony shall be subject to the following time limits: Seven hours for direct examination, four hours for cross-examination, and two hours for redirect examination.

(2) Unless stipulated by the parties or ordered by the Board, cross-examination, redirect examination, and re-cross examination for uncompelled direct testimony shall be subject to the follow time limits: Seven hours for cross-examination, four hours for redirect examination, and two hours for re-cross examination.

(d) *Notice of deposition.* (1) Prior to the taking of deposition testimony, all parties to the proceeding must agree on the time and place for taking testimony. If the parties cannot agree, the party seeking the testimony must initiate a conference with the Board to set a time and place.

(2) Cross-examination should ordinarily take place after any supplemental evidence relating to the direct testimony has been filed and more than a

week before the filing date for any paper in which the cross-examination testimony is expected to be used. A party requesting cross-examination testimony of more than one witness may choose the order in which the witnesses are to be cross-examined.

(3) In the case of direct deposition testimony, at least three business days prior to the conference in paragraph (d)(1) of this section, or if there is no conference, at least ten days prior to the deposition, the party seeking the direct testimony must serve:

(i) A list and copy of each document under the party's control and on which the party intends to rely; and

(ii) A list of, and proffer of reasonable access to, anything other than a document under the party's control and on which the party intends to rely.

(4) The party seeking the deposition must file a notice of the deposition at least ten business days before a deposition.

(5) *Scope and content*—(i) For direct deposition testimony, the notice limits the scope of the testimony and must list:

(A) The time and place of the deposition;

(B) The name and address of the witness;

(C) A list of the exhibits to be relied upon during the deposition; and

(D) A general description of the scope and nature of the testimony to be elicited.

(ii) For cross-examination testimony, the scope of the examination is limited to the scope of the direct testimony.

(iii) The notice must list the time and place of the deposition.

(iv) Where an additional party seeks to take direct testimony of a third party witness at the time and place noticed in paragraph (d)(5) of this section, the additional party must provide a counter notice that lists the exhibits to be relied upon in the deposition and a general description of the scope and nature of the testimony to be elicited.

(6) *Motion to quash*—Objection to a defect in the notice is waived unless the objecting party promptly seeks authorization to file a motion to quash.

(e) *Deposition in a foreign language*. If an interpreter will be used during the deposition, the party calling the witness must initiate a conference with the Board at least five business days before the deposition.

(f) *Manner of taking deposition testimony*.

(1) Before giving deposition testimony, each witness shall be duly sworn according to law by the officer before whom the deposition is to be taken. The officer must be authorized to take testimony under 35 U.S.C. 23.

(2) The testimony shall be taken with any questions and answers recorded in their regular order by the officer, or by some other disinterested person in the presence of the officer, unless the

presence of the officer is waived on the record by agreement of all parties.

(3) Any exhibits used during the deposition must be numbered as required by § 42.63(c), and must, if not previously served, be served at the deposition. Exhibits objected to shall be accepted pending a decision on the objection.

(4) All objections made at the time of the deposition to the qualifications of the officer taking the deposition, the manner of taking it, the evidence presented, the conduct of any party, and any other objection to the deposition shall be noted on the record by the officer.

(5) When the testimony has been transcribed, the witness shall read and sign (in the form of an affidavit) a transcript of the deposition unless:

- (i) The parties otherwise agree in writing;
- (ii) The parties waive reading and signature by the witness on the record at the deposition; or
- (iii) The witness refuses to read or sign the transcript of the deposition.

(6) The officer shall prepare a certified transcript by attaching a certificate in the form of an affidavit signed and sealed by the officer to the transcript of the deposition. Unless the parties waive any of the following requirements, in which case the certificate shall so state, the certificate must state:

- (i) The witness was duly sworn by the officer before commencement of testimony by the witness;

(ii) The transcript is a true record of the testimony given by the witness;

(iii) The name of the person who recorded the testimony, and if the officer did not record it, whether the testimony was recorded in the presence of the officer;

(iv) The presence or absence of any opponent;

(v) The place where the deposition was taken and the day and hour when the deposition began and ended;

(vi) The officer has no disqualifying interest, personal or financial, in a party; and

(vii) If a witness refuses to read or sign the transcript, the circumstances under which the witness refused.

(7) Except where the parties agree otherwise, the proponent of the testimony must arrange for providing a copy of the transcript to all other parties. The testimony must be filed as an exhibit.

(8) Any objection to the content, form, or manner of taking the deposition, including the qualifications of the officer, is waived unless made on the record during the deposition and preserved in a timely filed motion to exclude.

(g) *Costs*. Except as the Board may order or the parties may agree in writing, the proponent of the direct testimony shall bear all costs associated with the testimony, including the reasonable costs associated with making the witness available for the cross-examination.

37 C.F.R. § 42.62 provides:

§ 42.62 Applicability of the Federal rules of evidence.

(a) *Generally.* Except as otherwise provided in this subpart, the Federal Rules of Evidence shall apply to a proceeding.

(b) *Exclusions.* Those portions of the Federal Rules of Evidence relating to criminal proceedings, juries, and other matters not relevant to proceedings under this subpart shall not apply.

(c) *Modifications in terminology.* Unless otherwise clear from context, the following terms of the Federal Rules of Evidence shall be construed as indicated:

Appellate court means United States Court of Appeals for the Federal Circuit.

Civil action, civil proceeding, and action mean a proceeding before the Board under part 42.

Courts of the United States, U.S. Magistrate, court, trial court, trier of fact, and judge mean Board.

Hearing means, as defined in Federal Rule of Evidence 804(a)(5), the time for taking testimony.

Judicial notice means official notice.

Trial or hearing in Federal Rule of Evidence 807 means the time for taking testimony.

(d) In determining foreign law, the Board may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence.

37 C.F.R. § 42.64 provides:

§ 42.64 Objection; motion to exclude.

(a) *Deposition evidence.* An objection to the admissibility of deposition evidence must be made during the deposition. Evidence to cure the objection must be provided during the deposition, unless the parties to the deposition stipulate otherwise on the deposition record.

(b) *Other evidence.* For evidence other than deposition evidence:

(1) *Objection.* Any objection to evidence submitted during a preliminary proceeding must be filed within ten business days of the institution of the trial. Once a trial has been instituted, any objection must be filed within five business days of service of evidence to which the objection is directed. The objection must identify the grounds for the objection with sufficient particularity to allow correction in the form of supplemental evidence.

(2) *Supplemental evidence.* The party relying on evidence to which an objection is timely served may respond to the objection by serving supplemental evidence within ten business days of service of the objection.

(c) *Motion to exclude.* A motion to exclude evidence must be filed to preserve any objection. The motion must identify the objections in the record in order and must explain the objections. The motion may be filed without prior authorization from the Board.

37 C.F.R. § 42.70 provides:

§ 42.70 Oral argument.

(a) *Request for oral argument.* A party may request oral argument on an issue raised in a paper at a time set by the Board. The request must be filed as a separate paper and must specify the issues to be argued.

(b) Demonstrative exhibits must be served at least seven business days before the oral argument and filed no later than the time of the oral argument.

37 C.F.R. § 42.72 provides:

§ 42.72 Termination of trial.

The Board may terminate a trial without rendering a final written decision, where appropriate, including where the trial is consolidated with another proceeding or pursuant to a joint request under 35 U.S.C. 317(a) or 327(a).

37 C.F.R. § 42.73 provides:

§ 42.73 Judgment.

(a) A judgment, except in the case of a termination, disposes of all issues that were, or by motion reasonably could have been, raised and decided.

(b) *Request for adverse judgment.* A party may request judgment against itself at any time during a proceeding. Actions construed to be a request for adverse judgment include:

- (1) Disclaimer of the involved application or patent;

(2) Cancellation or disclaimer of a claim such that the party has no remaining claim in the trial;

(3) Concession of unpatentability or derivation of the contested subject matter; and

(4) Abandonment of the contest.

(c) *Recommendation*. The judgment may include a recommendation for further action by an examiner or by the Director.

(d) *Estoppel*. (1) *Petitioner other than in derivation proceeding*. A petitioner, or the real party in interest or privy of the petitioner, is estopped in the Office from requesting or maintaining a proceeding with respect to a claim for which it has obtained a final written decision on patentability in an *inter partes* review, post-grant review, or a covered business method patent review, on any ground that the petitioner raised or reasonably could have raised during the trial, except that estoppel shall not apply to a petitioner, or to the real party in interest or privy of the petitioner who has settled under 35 U.S.C. 317 or 327.

(2) *In a derivation*, the losing party who could have properly moved for relief on an issue, but did not so move, may not take action in the Office after the judgment that is inconsistent with that party's failure to move, except that a losing party shall not be estopped with respect to any contested subject matter for which that party was awarded a favorable judgment.

(3) *Patent applicant or owner*. A patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in any patent:

(i) A claim that is not patentably distinct from a finally refused or canceled claim; or

(ii) An amendment of a specification or of a drawing that was denied during the trial proceeding, but this provision does not apply to an application or patent that has a different written description.

37 C.F.R. § 42.74 provides in part:

§ 42.74 Settlement.

(a) *Board role.* The parties may agree to settle any issue in a proceeding, but the Board is not a party to the settlement and may independently determine any question of jurisdiction, patentability, or Office practice.

* * *

37 C.F.R. § 42.107 provides:

§ 42.107 Preliminary response to petition.

(a) The patent owner may file a preliminary response to the petition. The response is limited to setting forth the reasons why no *inter partes* review should be instituted under 35 U.S.C. 314 and can include supporting evidence. The preliminary response is subject to the word count under § 42.24.

(b) *Due date.* The preliminary response must be filed no later than three months after the date of a notice indicating that the request to institute an *inter partes* review has been granted a filing date. A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response.

(c) [Reserved]

(d) *No amendment.* The preliminary response shall not include any amendment.

(e) *Disclaim Patent Claims.* The patent owner may file a statutory disclaimer under 35 U.S.C. 253(a) in compliance with § 1.321(a) of this chapter, disclaiming one or more claims in the patent. No *inter partes* review will be instituted based on disclaimed claims.

37 C.F.R. § 42.108 provides in part:

§ 42.108 Institution of *inter partes* review.

* * *

(c) *Sufficient grounds.* *Inter partes* review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an *inter partes* review. A petitioner may seek leave to file a reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

37 C.F.R. § 42.120 provides:

§ 42.120 Patent owner response.

(a) *Scope.* A patent owner may file a response to the petition addressing any ground for unpatentability not already denied. A patent owner response is filed as an opposition and is subject to the page limits provided in § 42.24.

(b) *Due date for response.* If no time for filing a patent owner response to a petition is provided in a Board order, the default date for filing a patent owner response is three months from the date the *inter partes* review was instituted.