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Federal Circuit Declares Tribal Sovereign Immunity Cannot Be Asserted In *Inter Partes* Review Proceedings



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OVERVIEW

U.S. Court of Appeals for the Federal Circuit affirmed a U.S. Patent Trial and Appeal Board (PTAB) decision finding that tribal sovereign immunity does not apply to *Inter Partes* Review (IPR) proceedings. In so holding, the Court recognized a distinction between adjudicative proceedings brought against a state by a private party and agency-initiated enforcement proceedings.

In *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, the Federal Circuit recently held that the Saint Regis Mohawk Tribe cannot claim tribal sovereign immunity to avoid an *Inter Partes* Review (IPR) proceeding. To reach that decision, the Court had to determine whether IPRs are closer to agency enforcement action or to an adjudicative proceeding brought against the state by a private party. If an IPR is closer to an agency enforcement action, then tribal sovereign immunity is not available as a shield to IPRs.

In this case, Mylan Pharmaceuticals, Inc, joined by Teva Pharmaceuticals USA, Inc.*, and Akorn, Inc., petitioned for IPR of various patents owned by Allergan, Inc., relating to its dry eye treatment Restasis. While the IPR was pending, Allergan transferred title of the patents to the Saint Regis Mohawk Tribe. Saint Regis then claimed tribal sovereign immunity and sought dismissal of the IPR proceedings.¹

In denying the motion to dismiss, the PTAB determined that there was no controlling precedent or statutory basis for the application of tribal sovereign immunity in IPR proceedings. It then found that Allergan was effectively still the patent owner based on the Tribe's license back to the drug maker—allowing for the continued control of the sale of Restasis.

Saint Regis immediately appealed the Board decision under 28 U.S.C. § 1295(a)(4)(A), relying on the “collateral order doctrine” since the Board's decisions were not otherwise eligible for appellate review. The Board stayed the IPR pending the appeal per the Court's order granting a stay.

In upholding the Board's decision, the Federal Circuit first determined that tribal sovereign immunity does not apply where the federal government acting through an agency engages in an investigative action or pursues an adjudicatory agency action. See, e.g., *Pauma v. NLRB*, 888 F.3d 1066 (9th Cir. 2018). To determine whether IPR proceedings fall under the scope of *Pauma*, and thus not subject to a claim of tribal sovereign immunity, the Court had to distinguish the U.S. Supreme Court's decision in *Fed. Maritime Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 754–56 (2002) (“*FMC*”). In *FMC*, the Supreme Court determined

that the rules and discovery procedures in FMC proceedings had significant similarities with civil litigation in federal courts. It thus found that sovereign immunity was available as a shield to the proceeding.

For IPR proceedings, the Federal Circuit reached the opposite conclusion. It found three key reasons why IPRs are closer to agency enforcement actions than to adjudications of private disputes in civil litigations:

1. The Director has broad and complete discretion regarding whether to institute review under § 314.

The Court first noted that the Director bears the political responsibility of determining which IPRs should or should not proceed—highlighting that the Director has the wide authority to not only deny petitions on the merits, but also due to other reasons, such as administrative efficiency or based on a party's status as a sovereign. See *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1372 (Fed. Cir. 2018) (en banc).

The Court thus found that IPRs are more akin to cases where an agency chooses whether to institute a proceeding on information supplied by a private party.

2. An IPR proceeding may continue without Petitioner or Patent Owner

Second, the Court noted that the Board may choose to continue an IPR proceeding or participate in appeals even if the petitioner chooses not to participate. 35 U.S.C. § 317(a); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016); see also 35 U.S.C. § 143 (granting the Director the right to intervene in appeals of Board decisions in IPRs). And in a similar manner, the Board may continue an IPR proceeding even in the absence of patent owner participation.

In the Court's view, the Board's ability to continue proceedings absent one or more parties, reinforces the view that IPR proceedings are an act by the agency in reconsidering its own grant of a public franchise.

3. IPR procedures limit discovery, typically preclude live testimony in oral hearings, and do not mirror the Federal Rules of Civil Procedure.

Finally, the Court found that while there are similarities between an IPR and a civil litigation, the differences are substantial and demonstrate that IPRs are adjudicative proceedings where tribal sovereign immunity does not apply. Some of those differences include:

- The inability of Petitioners to substantively modify an IPR petition. In contrast, the Federal Rules of Civil Procedure allow a plaintiff to make significant amendments to its complaint.
- A patent owner in an IPR may seek to amend its patent claims during the proceedings—an opportunity that is not available in civil litigation. 35 U.S.C. § 316(d).
- IPRs do not have many of the preliminary proceedings that exist in civil litigation, such as a claim construction hearing.
- Since the Federal Rules of Civil Procedure do not apply to IPR proceedings, the discovery mechanisms in IPRs are severely limited when compared to civil litigation.

In summary, the Court determined that IPR proceedings are sufficiently different from district patent trials—both functionally and procedurally. Rather, IPR proceedings are much closer to an agency-initiated enforcement proceeding where tribal sovereign immunity is not available as shield. In closing, the Court made it clear that its decision is limited to whether tribal sovereign immunity is applicable to IPRs. While recognizing many similarities between *tribal* sovereign immunity and state sovereign immunity (i.e., Universities), the Court refused to take a position on whether state sovereign immunity should be treated any differently with respect to IPRs. Thus, we can expect this question to arise and be answered by the Court in the future.²

* *In the matter Saint Regis Mohawk Tribe v. Mylan Pharm. Inc., Teva Pharmaceuticals USA, Inc.* is represented by John Christopher Rozendaal, Michael E. Joffre, William H. Milliken, Pauline Pelletier and Ralph Wilson Powers III of Sterne, Kessler, Goldstein & Fox.

¹ As “domestic dependent nations,” Indian tribes possess “inherent sovereign immunity,” and suits against them are generally barred “absent a clear waiver by the tribe or congressional abrogation.” *Okla. Tax Comm’n v. Citizen Band Potawatomi Indian Tribe of Okla.*, 498 U.S. 505, 509 (1991).

² In a concurring opinion by Circuit Judge Timothy B. Dyk, he reviewed the history of reexamination procedures and stated that: “*Inter partes* review is not fundamentally different from other reexamination procedures. Rather, *inter partes* review is a direct successor to *ex parte* and *inter partes* reexamination. It shares many of the same procedural features and is designed to address the same problems. And like the reexaminations from which it descends, it is fundamentally agency reconsideration, assisted by third parties, rather than agency adjudication of a private dispute.”

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