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# PATENTLY UNJUST: TRIBAL SOVEREIGN IMMUNITY AT THE U.S. PATENT OFFICE

CHRISTOPHER B. PHILLIPS\*

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\*. Editor-in-Chief, *Southern California Law Review*, Volume 92; J.D. Candidate 2019, University of Southern California Gould School of Law; M.S. Mechanical Engineering 2013, University of Minnesota; B.A. Physics 2012, Saint John's University. I am eternally grateful to my incredible wife, Margaret, for her endless love, support, and patience over the last three years. Thank you to my parents, Jim and Teri, for all their encouragement and support. In addition, thank you to Professor Sam Erman for his guidance, time, and input as I worked through many versions of this Note. Finally, thank you to Katie Schmidt, Karen Blevins, Kevin Ganley, and the rest of the talented *Southern California Law Review* editors for their great work.

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## INTRODUCTION

The Indian Commerce Clause of the United States Constitution grants Congress plenary power to regulate Native American tribes.<sup>1</sup> In the absence of congressional action, a “dual sovereign” structure exists whereby the tribes are allowed—subject to constraints imposed by Congress—to exist and regulate their own affairs independently of the states and the Federal Government.<sup>2</sup> As a benefit of sovereignty, tribes possess sovereign immunity—an immunity similar to the immunity granted to states under the Eleventh Amendment.<sup>3</sup> Sovereign immunity as a doctrine is based in the common law and allows the sovereign to avoid being sued without its consent.<sup>4</sup> Tribal sovereign immunity, unlike state sovereign immunity,<sup>5</sup> is subject to congressional abrogation, meaning Congress can decide the circumstances whereby tribes are subject to suit without their consent.<sup>6</sup>

1. U.S. CONST. art. I, § 8, cl. 3; *see also* Matthew L.M. Fletcher, *A Short History of Indian Law in the Supreme Court*, HUM. RTS., Spring 2015, at 3, 3, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2616802](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2616802).

2. *See* Gregory Ablavsky, *Tribal Sovereign Immunity and Patent Law*, SLS BLOGS: LEGAL AGGREGATE (Sept. 13, 2017), <https://law.stanford.edu/2017/09/13/tribal-sovereign-immunity-and-patent-law/> (“Congress can readily use its plenary power to abrogate tribal sovereign immunity in patent law.”).

3. Fletcher, *supra* note 1; *see also* U.S. CONST. amend. XI. There is an academic debate over the precise contours of state sovereign immunity under the Eleventh Amendment and whether or not it actually enshrines state sovereign immunity. *See, e.g.*, William A. Fletcher, *A Historical Interpretation of the Eleventh Amendment: A Narrow Construction of an Affirmative Grant of Jurisdiction Rather Than a Prohibition Against Jurisdiction*, 35 STAN. L. REV. 1033, 1035 (1982). This Note does not opine on this issue.

4. *Sovereign Immunity*, BLACK’S LAW DICTIONARY (6th ed. 1990).

5. *See infra* Section I.B for further discussion of state sovereign immunity’s meaning and the Supreme Court’s jurisprudence on the subject.

6. *Id.* The differences between tribal sovereign immunity and state sovereign immunity are discussed *infra* Part III. However, at the outset, it is important to remember that state sovereign immunity

In September 2017, Allergan Pharmaceuticals (“Allergan”) made news when, in the middle of a challenge to its Restasis<sup>7</sup> patent’s validity in Inter Partes Review (“IPR”), it assigned its patent rights in the drug to upstate New York’s Saint Regis Mohawk Tribe (“Saint Regis”).<sup>8</sup> After receiving the patent rights, Saint Regis quickly licensed the Restasis patent back to Allergan for an immediate payment of \$13.75 million, coupled with an additional \$15 million per year in royalties.<sup>9</sup> Because the transaction gave Saint Regis ownership of the patent, the tribe became the patent’s defender in the IPR proceeding. The tribe moved to have the IPR terminated, asserting their immunity from suit under the doctrine of tribal sovereign immunity.

An IPR is an adversarial post-grant proceeding located in the United States Patent and Trademark Office (“USPTO”); it is overseen by a panel of Administrative Patent Judges.<sup>10</sup> Third parties utilize this forum to challenge the validity of patents that they believe were improperly granted.<sup>11</sup>

The deal between Allergan and Saint Regis ignited a public relations firestorm. Critics allege that Allergan acted in bad faith. They claim Allergan “rented” Saint Regis’s sovereign immunity to gain an improper protection from IPRs.<sup>12</sup> Former Senator Claire McCaskill of Missouri sponsored legislation to abrogate tribal sovereign immunity by eliminating it as an IPR

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is based on the Eleventh Amendment of the Constitution, while tribal sovereign immunity is not enshrined in a specific constitutional amendment; rather, it is federal common law. *See* *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 764–65 (1998) (Stevens, J., dissenting).

7. Restasis is most commonly used to treat dry eye but can also be used to treat more serious medical conditions. *See* Allergan, *About RESTASIS® and RESTASIS MultiDose®*, RESTASIS, <https://www.restasis.com/about-restasis-and-restasis-multidose> (last visited Mar. 29, 2019); *Restasis Patient Information Including Side Effects*, RXLIST, <https://www.rxlist.com/restasis-drug/patient-images-side-effects.htm> (last visited Apr. 18, 2019).

8. Katie Thomas, *How to Protect a Drug Patent? Give It to a Native American Tribe*, N.Y. TIMES (Sept. 8, 2017), <https://www.nytimes.com/2017/09/08/health/allergan-patent-tribe.html>.

9. Press Release, Allergan, Allergan and Saint Regis Mohawk Tribe Announce Agreements Regarding RESTASIS® Patents (Sept. 8, 2017), <https://www.allergan.com/news/news/thomson-reuters/allergan-and-saint-regis-mohawk-tribe-announce-agr>. The Restasis patent expires in 2024, and its value has been estimated at \$1.5 billion. *Id.*; Jan Wolfe, *Allergan Ruling Casts Doubt on Tribal Patent Strategy*, REUTERS (Oct. 17, 2017, 3:10 PM), <https://www.reuters.com/article/us-allergan-patents-analysis/allergan-ruling-casts-doubt-on-tribal-patent-strategy-idUSKBN1CM369>.

10. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review> (last visited Mar. 29, 2019) [hereinafter *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF.]; *Inter Partes Review Replaces Inter Partes Reexamination*, TAFT, STETTINIUS & HOLLISTER LLP (Oct. 5, 2012), <https://www.taftlaw.com/news-events/law-bulletins/inter-partes-review-replaces-inter-partes-reexamination>.

11. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., *supra* note 10.

12. Wolfe, *supra* note 9 (discussing a quote from Judge William Bryson of the Federal Circuit that casts the legality of “rent[ing]” a tribe’s sovereign immunity into doubt).

defense.<sup>13</sup> In response to criticism, Allergan and other defenders of the deal, tried to shift public focus from the deal to an IPR system that they allege inadequately protects patent owners.<sup>14</sup>

The deal's critics countered by arguing that IPRs are essential to the intellectual property system because IPRs provide a forum in which disputes over patents are resolved in a quick, cost-effective manner by experts in the field.<sup>15</sup> The alternative to IPRs is litigation in federal district court, which can be costly. In addition, IPRs are overseen by patent law experts, while district court litigation is in front of a judge who may have no familiarity with the complexities of patent law. Moreover, IPRs provide a final check on the USPTO's grant of a patent by reviewing the granting decision; thus, it can be viewed as a last-chance mechanism by which the USPTO can ensure it has properly granted a patent. Thus, the proceeding's purpose is to prevent unpatentable material from gaining patent protection which can harm the patent owner's competitors and hinder further innovation.<sup>16</sup>

On the other hand, the deal has upsides.<sup>17</sup> The tribe received much-needed funds, leading attorneys for the tribe to advocate similar deals as a solution for Saint Regis, other tribes, and state universities in need of revenue.<sup>18</sup> Additionally, some proponents of stronger patent rights condemn IPR proceedings as patent "death squad[s],"<sup>19</sup> so engaging in workarounds of this kind is necessary for patent owners to protect their hard-earned and valuable patent rights.<sup>20</sup>

Nearly one year after the Allergan-Saint Regis deal was announced, on July 20, 2018, the Federal Circuit decided that tribal sovereign immunity

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13. S. 1948, 115th Cong. (2017).

14. See *infra* Section II.A.

15. Lawrence Hoffman, *Inter Partes Review: Good or Bad for Patent Owners*, EHRlich & FENSTER (Dec. 18, 2016), <http://www.ipatent.co.il/inter-partes-review-good-or-bad-for-patent-owners>.

16. The Supreme Court affirmed the constitutionality of the IPR process in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1370 (2018). The case challenged IPR constitutionality because IPRs extinguish private property rights (patents) through a non-Article III venue. *Id.* at 1372–73. The precise details of this case are beyond the scope of this Note; however, the key takeaway is that IPRs are constitutional.

17. For a more detailed discussion of the deal's upsides, see *infra* Part II.

18. See Susan Decker, *Tribal Lawyer Shops Patent-Shielding Idea to State Universities*, BLOOMBERG L. (Oct. 19, 2017, 1:11 PM), <https://news.bloomberglaw.com/corporate-law/triballawyer-shops-patent-shielding-idea-to-state-universities>.

19. *Id.*

20. It is important to keep in mind that while deals like this prevent patents from being invalidated by IPR, such patents may still be challenged when asserted in district court litigation. In nearly all patent litigation, the alleged infringer argues that the patent being asserted against them is invalid. In such cases, the patent owner will not be able to assert tribal sovereign immunity as they will have been deemed to have waived their immunity by entering the forum through litigation.

does not apply in IPRs, rejecting Saint Regis's assertion of the doctrine.<sup>21</sup> Therefore, unless the Supreme Court steps in to reverse this decision, the Allergan-Saint Regis deal, and any others like it, is dead.

Part I of this Note covers the history of tribal sovereign immunity, its close relationship to state sovereign immunity, the applicability of state sovereign immunity in intellectual property disputes and administrative proceedings, and the purposes of sovereign immunity. Part II proceeds by evaluating why the Allergan-Saint Regis deal was attractive enough to its participants that they were willing to endure the negative press in order to reap its benefits—patent owners get greater protection of their patents, while tribes receive much-needed funds for little to no cost.<sup>22</sup> The Allergan-Saint Regis deal existed because of concerns that IPRs do not adequately protect patent owners. Congress could take the chance to address these issues, so counterproductive end-runs—even unsuccessful ones—are no longer sought out by patent owners.<sup>23</sup>

Part III analyzes the various legal decisions rendered in the Allergan-Saint Regis matter. First, it reviews and evaluates the Patent Trial and Appeal Board (“PTAB”)<sup>24</sup> decision from February 2018, finding the it filled with legal error. Next, it evaluates the July 2018 Federal Circuit decision, again finding legal error in refusing to apply tribal sovereign immunity in IPRs. Contra these decisions, tribal sovereign immunity should apply in IPR proceedings, even if this may cause issues from a policy standpoint. These policy issues can be addressed by Congress<sup>25</sup> and, even so, do not outweigh the importance of maintaining tribal sovereign immunity. Therefore, the Supreme Court should take up the issue and reverse the Federal Circuit by

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21. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322, 1325 (Fed. Cir. 2018); *see also* Gene Quinn, *Federal Circuit Rules Tribal Sovereign Immunity Cannot Be Asserted in IPRs*, IPWATCHDOG (July 20, 2018), <https://www.ipwatchdog.com/2018/07/20/federal-circuit-tribal-sovereign-immunity-cannot-asserted-iprs/id=99504>.

22. States could engage in these deals in addition to tribes. Therefore, even if the Federal Circuit decision finding that tribal sovereign immunity does not apply in IPRs is upheld, Congress may still face pressure to address this issue because it could become widespread if a few cash-needy states engage in these deals.

23. However, actual proposals for improving the IPR system go beyond the scope of this Note, which focuses on the application of tribal sovereign immunity to IPR proceedings.

24. The Patent Trial and Appeals Board (“PTAB”) hears IPR challenges and is located inside the USPTO. 35 U.S.C. § 6(a)–(b) (2012). The USPTO is part of the federal government’s executive branch.

25. Many of these issues stem from issues with the IPR proceeding itself. While an evaluation of the IPR proceeding is beyond the scope of this Note, if IPRs are part of the problem, a good congressional response would be to reform the IPR proceeding, thus reducing incentives for patent owners to engage in these deals. This approach would leave tribal sovereign immunity in place as a defense in IPRs (which as this Note argues *infra* Parts III and IV is normatively desirable), while focusing on reforming the IPR system such that it may no longer be considered a “death trap” for patent owners.

finding that tribal sovereign immunity applies in IPRs.

In fact, the Supreme Court would likely reverse the Federal Circuit if it takes the case because its recent decisions have generally protected tribal sovereign immunity.<sup>26</sup> These recent decisions have been rooted in the reasons for the doctrine, such as promoting the dignity of sovereigns, protecting sovereign resources, and protecting a sovereign's unique culture. Given these purposes, the Court has been extremely hesitant to curtail tribal sovereign immunity without clear Congressional direction to do so. Rather, the Court generally defers to Congress on the issue. Recent cases showcase the Supreme Court giving explicit direction to Congress that it must take ownership over any fixes to problems arising from the assertion of tribal sovereign immunity. Reversal is made even more likely because the Supreme Court has found that state sovereign immunity applies in administrative proceedings and patent litigation. Further, PTAB precedent allows state sovereign immunity to be invoked in IPRs, giving even more reason for the Supreme Court to find that tribal sovereign immunity applies in IPRs, thus preventing unequal treatment of the two sovereigns.

Part IV builds on this contention by evaluating how making tribal immunity inapplicable in IPRs erodes tribal sovereign immunity's status relative to state sovereign immunity given that state sovereign immunity has typically been allowed to apply in IPRs—and administrative proceedings more generally. In fact, Supreme Court jurisprudence over the past several decades has become more protective of state sovereign immunity through the Eleventh Amendment. Therefore, the Federal Circuit decision in this case leaves tribal sovereign immunity out of line with state sovereign immunity in the context of administrative proceedings. Such incongruence should be remedied. This Note argues the best remedy to this issue is for tribal immunity to be brought in line with state immunity in IPRs, thus allowing tribal sovereign immunity to apply in IPR proceedings.

## I. SOVEREIGN IMMUNITY

Sovereign immunity is “[a] judicial doctrine which precludes bringing suit against the government without its consent. Founded on the ancient principle that ‘the King can do no wrong,’ it bars holding the government or its political subdivisions liable . . . unless such immunity is expressly waived . . . .”<sup>27</sup>

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26. See *infra* Section I.A.

27. *Sovereign Immunity*, *supra* note 4.

## A. TRIBAL SOVEREIGN IMMUNITY

The Indian Commerce Clause of the United States Constitution provides that Congress has the authority “to regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.”<sup>28</sup> By placing Indian tribes alongside states and foreign nations, the United States “recognized tribes among the family of sovereigns.”<sup>29</sup> Chief Justice Marshall classified tribes as “domestic dependent nations.”<sup>30</sup> The Court also has declared that tribes “are in many respects . . . foreign and independent nation[s],” so courts have no “power . . . to arrest the public representatives or agents of Indian nations . . . [or] compel them to pay the debts of their nation.”<sup>31</sup>

Today, the Supreme Court recognizes that “Indian tribes have long been recognized as possessing the common-law immunity from suit traditionally enjoyed by sovereign powers.”<sup>32</sup> In this respect, the Court firmly grounds tribal sovereign immunity in the “inherent powers of a limited sovereignty which has never been extinguished.”<sup>33</sup> In other words, tribal sovereign immunity predates the Constitution and continues to have effect. However, the enactment of the Constitution did place limitations on the immunity—consistent with tribes’ new status as domestic dependent nations—as Congress has the authority to abrogate the immunity through the Indian Commerce Clause.<sup>34</sup> But to do so, Congress must speak clearly, as “courts will not lightly assume that Congress in fact intends to undermine Indian self-government.”<sup>35</sup>

Congress’s power to abrogate tribal sovereign immunity has played a key role in the outcome of several cases. It is worth discussing two of these cases to provide a better understanding of how the Supreme Court approaches tribal sovereign immunity. This Section will conclude with a

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28. U.S. CONST. art. I, § 8, cl. 3.

29. William Wood, *It Wasn’t an Accident: The Tribal Sovereign Immunity Story*, 62 AM. U. L. REV. 1587, 1625 (2013).

30. *Cherokee Nation v. Georgia*, 30 U.S. (5 Pet.) 1, 17 (1831).

31. Wood, *supra* note 29, at 1641 (quoting *Parks v. Ross*, 52 U.S. (11 How.) 362, 374 (1850) (second alteration in original)).

32. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978) (holding a tribe was immune from an action taken to enforce the Indian Civil Rights Act in federal court through declaratory and injunctive relief). Additionally, in *Santa Clara Pueblo*, the Supreme Court elaborated on reasons for this immunity such as the financial burdens that being subject to suit could impose on the “financially disadvantaged” tribes. *Id.* at 64.

33. *United States v. Wheeler*, 435 U.S. 313, 322 (1978) (emphasis omitted).

34. *Id.* at 323 (discussing Congress’s plenary power to regulate the conduct of tribes).

35. *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 790 (2014).

brief discussion of the Court's most recent tribal sovereign immunity case, *Upper Skagit Indian Tribe v. Lundgren*. The Court in *Lundgren* avoided establishing any new rules for tribal sovereign immunity—the Supreme Court found that the lower courts had not yet had an opportunity to opine on legal issues of immense significance to the case, and since the Supreme Court is not generally a court of first impression, the justices remanded the case to the lower courts.<sup>36</sup> However, the dispute in that case concerned proceedings that could be viewed as similar to IPRs, so its various opinions and dicta are instructive.

1. *Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc.*

In *Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc.*, the Supreme Court held that tribal sovereign immunity can be invoked by tribes when engaged in off-reservation, commercial activity.<sup>37</sup> The underlying dispute in *Kiowa* involved stock purchased by a tribal entity from the plaintiff.<sup>38</sup> As part of the transaction, a promissory note was signed in the name of a tribe by which the tribe agreed to pay the plaintiff \$285,000 plus interest in exchange for stock.<sup>39</sup> When the tribe defaulted on its payments, an action was commenced in Oklahoma state court. Once in court, the tribe moved to dismiss the case because its sovereign immunity insulated it from suit; however, both the state trial court and the Oklahoma Court of Civil Appeals ruled in favor of the creditor because they reasoned that tribal sovereign immunity should not apply to breaches of contract that involve “off-reservation commercial conduct.”<sup>40</sup> After the Oklahoma Supreme Court declined to hear an appeal, the United States Supreme Court granted certiorari. Justice Kennedy began the majority opinion by reviewing the general principles of tribal sovereign immunity: “[a]s a matter of federal law, an Indian tribe is subject to suit only where Congress has authorized the suit or the tribe has waived its immunity.”<sup>41</sup>

A key factual dispute in the case was whether the promissory note was signed on Indian territory or “beyond the Tribe’s lands;”<sup>42</sup> however, Justice Kennedy dismissed this issue because tribal sovereign immunity does not depend “on where the tribal activities occurred.”<sup>43</sup> Without Congressional

36. *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1654–55 (2018).

37. *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 760 (1998).

38. *Id.* at 753–54.

39. *Id.*

40. *Id.* at 754.

41. *Id.*

42. *Id.* at 753–54.

43. *Id.* at 754.

abrogation of tribal sovereign immunity for off-reservation, economic conduct, the Supreme Court held for the tribe, allowing them to invoke their sovereign immunity from suit.

Justice Kennedy proceeded to lay out what the Court viewed as the shaky foundation of tribal sovereign immunity, given that it “developed almost by accident.”<sup>44</sup> The majority believed that “[t]here are reasons to doubt the wisdom of perpetuating the doctrine” of tribal sovereign immunity because the it can economically “harm those who are unaware that they are dealing with a tribe” or have no awareness of tribal sovereign immunity.<sup>45</sup> However, the Court was not moved enough by these arguments to reverse, or even limit, the doctrine. Rather, the Supreme Court put the impetus on Congress to abrogate tribal sovereign immunity in situations where they find it necessary because “Congress is in a position to weigh and accommodate the competing policy concerns and reliance interests.”<sup>46</sup> Therefore, tribes enjoy sovereign immunity protections even when engaging in economic activity outside of reservations. The Supreme Court had the opportunity to reconsider this issue again in 2014. The result remained the same.

## 2. *Michigan v. Bay Mills Indian Community*

When the Supreme Court decided *Michigan v. Bay Mills Indian Community* in 2014, it reaffirmed the basic holding from *Kiowa* that tribal sovereign immunity applies to commercial activity outside of Indian lands unless otherwise abrogated by Congress.<sup>47</sup> Michigan had asked the Supreme Court to find the federal statute at issue authorized their suit and abrogated tribal sovereign immunity, or alternatively, reverse *Kiowa*'s holding that tribal sovereign immunity applies to commercial activity on non-Indian lands.<sup>48</sup>

The Supreme Court first engaged in statutory construction and found that the statute did not clearly express a Congressional intent to abrogate tribal sovereign immunity in the context at issue.<sup>49</sup> The Court then noted that

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44. *Id.* at 756. Justice Kennedy explains this phenomenon in his opinion by arguing that *Turner v. United States*, 248 U.S. 354, 355 (1919), the case cited for the proposition that tribes enjoy immunity from suit, did not originally stand for this particular proposition. Rather, Justice Kennedy believes that tribal sovereign doctrine only came to exist through the Court's subsequent decision in *United States v. U.S. Fidelity & Guaranty Co.*, 309 U.S. 506 (1940). *But see* Wood, *supra* note 29, at 1587 (criticizing Kennedy's historical analysis of the doctrine's development).

45. *Kiowa*, 523 U.S. at 758.

46. *Id.* at 758–59.

47. *See* *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 788–90 (2014).

48. *Id.* at 791.

49. *Id.* at 791–804 (evaluating Indian Gaming Regulatory Act provisions).

Michigan could have negotiated a waiver of the tribe's immunity at the outset of their dealings and, in fact, had significant leverage to do so.<sup>50</sup> Therefore, this was not a situation where parties dealing with tribes were left with no recourse. It is important to remember that parties remain free to negotiate waivers of sovereign immunity, thus protecting themselves in the event future litigation is required in the matter.<sup>51</sup>

Next, the *Bay Mills* Court turned its attention to reviewing the *Kiowa* decision and the arguments made in favor of overruling its basic holding. The Court made four arguments under *stare decisis* that counted against overturning its precedent. First, the decision in *Kiowa* was only one decision of many in a long line of precedent upholding tribal sovereign immunity.<sup>52</sup> Second, the Supreme Court had relied on the *Kiowa* precedent as a basis for subsequent rulings. Third, the Court noted that tribes, as well as individuals and entities doing business with them, have relied on the *Kiowa* precedent when structuring their business dealings. Finally, the Court reiterated that the law places the power in Congress to abrogate tribal sovereign immunity—not in the Court. Therefore, in order “[t]o overcome all these reasons for [the] Court to stand pat, Michigan . . . need[ed] an ace up its sleeve.”<sup>53</sup>

Michigan produced no ace, leaving the Court to explain that Michigan was simply rehashing the same functional arguments promoted by *Kiowa*'s plaintiff—because tribal business activities have become more detached from tribal governmental interests, sovereign immunity should no longer apply to a tribe's commercial activity.<sup>54</sup> In *Kiowa*, the Court was sympathetic to these functional arguments, but still rejected them in favor of tribal

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50. *Id.* at 796–97. The Court explained its reasoning as follows:

If a State really wants to sue a tribe for gaming outside Indian lands, the State need only bargain for a waiver of immunity. . . . States have more than enough leverage to obtain such terms because a tribe cannot conduct class III gaming on its lands without a compact . . . and cannot sue to enforce a State's duty to negotiate a compact in good faith . . . . So as Michigan forthrightly acknowledges, 'a party dealing with a tribe in contract negotiations has the power to protect itself by refusing to deal absent the tribe's waiver of sovereign immunity from suit.' . . . And many States have taken that path.

*Id.* (citations omitted).

51. This reasoning would not apply in the Allergan-Saint Regis case. There, waiver of sovereign immunity would not be negotiable by third parties as the third parties by definition were not present when the licensing deal was made. It is interesting though that when Allergan made this deal with Saint Regis, it secured a limited waiver of the Tribe's immunity as it related to any potential litigation arising from the deal. *See Mylan Pharm., Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*10 (P.T.A.B. Feb. 23, 2018) (denying Saint Regis's motion to terminate the proceeding).

52. *Bay Mills*, 572 U.S. at 798 (explaining that the *Kiowa* Court positioned itself as simply following well-established precedent that tribal immunity does not have “any exceptions for commercial or off-reservation conduct”).

53. *Id.* at 799.

54. *Id.* at 798–801.

sovereign immunity; the *Bay Mills* Court did the same.<sup>55</sup>

Importantly, after the *Kiowa* decision, Congress expressly considered abrogating tribal sovereign immunity in the context of commercial activity on non-Indian lands, but rejected a law that overturned *Kiowa*'s holding.<sup>56</sup> Therefore, Congress had spoken directly on the issue, leading the Court to defer to Congress's decision and uphold tribal sovereign immunity for commercial activities taking place outside of tribal land.<sup>57</sup> Deferring to Congress kept *Bay Mills* in line with Justice Kennedy's *Kiowa* opinion, which rested its holding on the fact that Congress had the authority to abrogate tribal sovereign immunity and was better positioned to do so, since it could weigh the competing policy concerns. *Bay Mills* demonstrates the uneasiness the Supreme Court feels towards abrogating tribal sovereign immunity without clear congressional abrogation.

### 3. *Upper Skagit Indian Tribe v. Lundgren*

In May 2018, the Supreme Court decided *Upper Skagit Indian Tribe v. Lundgren*.<sup>58</sup> The dispute concerned tribal land that the Upper Skagit Indian Tribe's neighbors (the Lundgrens) claimed to have adverse possessed.<sup>59</sup> The Lundgrens "launched a quiet title lawsuit against the Upper Skagit tribe . . . after the tribe attempted to assert ownership over a strip of land . . . the Lundgrens claim[ed] belong[ed] to them."<sup>60</sup> The Tribe responded to this action by invoking their sovereign immunity. Washington State courts resolved the issue in favor of the Lundgrens, holding that "the case could go forward under in rem jurisdiction," even though the court did not have jurisdiction over the Tribe due to sovereign immunity.<sup>61</sup>

This state court holding created a new exception to the doctrine of tribal sovereign immunity. On review, the Supreme Court remanded the case to the state court for further review, ultimately ignoring the tribal sovereign immunity issues—though it did touch on those issues in dicta and dissenting and concurring opinions.<sup>62</sup> The Court remanded the case on a procedural grounds because the lower court decisions improperly interpreted a Supreme

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55. *Id.*

56. *Id.* at 802–03.

57. *Id.*

58. *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649 (2018).

59. Andrew Westney, *Justices May Cinch Immunity Loophole in Upper Skagit Case*, LAW360 (Feb. 1, 2018), <https://www.law360.com/articles/1008098/justices-may-cinch-immunity-loophole-in-upper-skagit-case>.

60. *Id.*

61. *Id.*

62. *Upper Skagit*, 138 S. Ct. at 1654–55.

Court precedent;<sup>63</sup> thus, the parties in the case were asking the Supreme Court to answer a legal question that had not yet been addressed by the lower courts. Namely, the parties wanted the Court to find an “immovable property” exception to the doctrine of tribal sovereign immunity.<sup>64</sup> In remanding the case, the Court noted that it was the importance of the question that lead them to refrain from answering the “immovable property” exception question—“[d]etermining the limits on the sovereign immunity held by Indian tribes is a grave question; the answer will affect all tribes, not just the one before us.”<sup>65</sup> Therefore, whether an immovable property exception exists is an open question. Due to the similarity of the issues, the eventual resolution of this case will be instructive for the application of tribal sovereign immunity in IPRs and must be watched closely.

Justice Thomas filed a strongly worded dissent arguing that the “immovable property” exception was strongly established, thus no need to remand existed.<sup>66</sup> He found the idea that an entity (in this case, a tribe) could assert immunity in a suit over land situated inside another sovereign’s jurisdiction ridiculous. Further, “[a]llowing the judge-made doctrine of tribal immunity to intrude on such a fundamental aspect of state sovereignty contradicts the Constitution’s design.”<sup>67</sup> In making such an argument, Justice Thomas articulates a view of tribal sovereign immunity that would naturally be extended to prevent the doctrine’s assertion in IPR proceedings—since patents are historically the jurisdiction of the federal government, allowing tribal sovereign immunity there may “intrude” on the federal government’s sovereignty.<sup>68</sup>

## B. STATE SOVEREIGN IMMUNITY

Another set of sovereigns recognized by the Constitution is the states.<sup>69</sup> However, the basis for state sovereign immunity is explicitly recognized in a constitutional amendment.<sup>70</sup> The Eleventh Amendment says “[t]he 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

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63. *See id.* at 1651–53.

64. *See id.* at 1654.

65. *Id.*

66. *Id.* at 1661–63 (Thomas, J., dissenting).

67. *Id.* at 1663.

68. However, as will be discussed *infra* Part III, neither PTAB or the Federal Circuit relied on reasoning similar to Justice Thomas’s to decide that tribal immunity does not apply in IPR.

69. U.S. CONST. art. I, § 8, cl. 3 (“[R]egulate commerce with foreign nations, and among the several states, and with the Indian tribes.”).

70. *See* U.S. CONST. amend. XI.

Citizens of another State, or by Citizens or Subjects of any Foreign State.”<sup>71</sup>

A few years after the Eleventh Amendment’s enactment, the Supreme Court, in *Hans v. Louisiana*, held that the amendment imposed a broad understanding of state sovereign immunity.<sup>72</sup> This broad understanding of state sovereign immunity has largely been reaffirmed by the Supreme Court.<sup>73</sup> Thus, unlike tribal sovereign immunity, which can be abrogated by Congress, states enjoy sovereign immunity as a Constitutional right.<sup>74</sup>

In patent cases, the Supreme Court has held that states cannot be subject to suit for patent infringement due to their sovereign immunity.<sup>75</sup> The Supreme Court has not addressed whether a state is immune from a direct challenge to the validity of its patents as would occur if a state-owned patent was challenged in an IPR proceeding.<sup>76</sup> However, the USPTO has opined on the issue. Several 2017 PTAB decisions hold that state-owned patents are not subject to IPR challenges due to state sovereign immunity. But these holdings are subject to the condition that sovereign immunity would be deemed waived if the state had asserted the patent in litigation against the IPR petitioner. Both the Supreme Court case and these PTAB decisions are discussed in more detail below.

1. *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*

In *Florida Prepaid*, the Supreme Court considered whether Congress could abrogate state sovereign immunity by allowing private suits against state entities that were infringing patents under the Patent Act.<sup>77</sup> At issue was the Patent Act’s clear abrogation of state sovereign immunity: “[a]ny State . . . shall not be immune, under the [E]leventh [A]mendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court . . . for infringement of a patent.”<sup>78</sup>

To address this issue, the Supreme Court first discussed its holding in

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71. *Id.*

72. *Hans v. Louisiana*, 134 U.S. 1, 18–20 (1890) (holding that despite clear textual language to the contrary, citizens of a state are not allowed to sue the state of which they are a citizen).

73. *See, e.g., Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 56–57 (1996).

74. As mentioned *supra* note 3, the specific nuances of state sovereign immunity are beyond the scope of this Note.

75. *See Seminole Tribe*, 517 U.S. at 72.

76. A holding on this issue would be instructive for the Allergan-Saint Regis case because Allergan’s patent was having its validity challenged in IPR when the deal took place.

77. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 630 (1999).

78. *Id.* at 632 (citation omitted) (providing the statute at issue’s language, which clearly abrogated state sovereign immunity).

*Seminole Tribe of Florida v. Florida* from only a few years prior. *Seminole Tribe* reaffirmed that Congress is not able to use its Article I powers to abrogate state sovereign immunity.<sup>79</sup> Rather, the only way state sovereign immunity could be abrogated is if Congress properly acted through its Fourteenth Amendment enforcement powers (“Section 5 enforcement powers”).<sup>80</sup> Because a patent is property for the purposes of the Fourteenth Amendment’s Due Process Clause, Congress could have theoretically used its Section 5 enforcement powers to abrogate state sovereign immunity.<sup>81</sup> However, since Section 5 enforcement powers are remedial, Congress can only use them when the Fourteenth Amendment’s substantive provisions are being violated and Congress needs to step in to prevent further violation of the substantive provisions.<sup>82</sup> Therefore, the question became whether this was a proper use of Congress’s enforcement power. After engaging in a thorough analysis under the *City of Boerne v. Flores*<sup>83</sup> Section 5 enforcement test, the Supreme Court found the Patent Act’s abrogation of state sovereign immunity was not a proper exercise of Congress’s Section 5 enforcement power.<sup>84</sup>

While *Florida Prepaid* addressed a state entity’s alleged infringement of a private party’s patent, it is instructive for its discussion of state sovereign immunity’s interplay with patent rights—allowing states to assert their sovereign immunity if made a defendant in a patent suit. A natural extension from this holding would be that state-owned patents cannot have their validity directly challenged.<sup>85</sup> Such a challenge to a state-owned patent’s validity would have to be in an IPR proceeding because if a state asserts their patent in an infringement suit, the suit will suffice as a waiver of the state’s sovereign immunity such that the alleged infringer would be able to

79. *Id.* at 636–37 (discussing *Seminole Tribe*, 517 U.S. at 59).

80. *See Seminole Tribe*, 517 U.S. at 59 (discussing *Fitzpatrick v. Bitzer*, 427 U.S. 445, 452–56 (1976)).

81. *Fla. Prepaid*, 527 U.S. at 636–37 (discussing *Seminole Tribe*, 517 U.S. at 59–60).

82. *Id.*

83. *City of Boerne v. Flores*, 521 U.S. 507, 520 (1997).

84. *Fla. Prepaid*, at 646–47. The Court evaluated the various requirements introduced in *City of Boerne*. *See City of Boerne*, 521 U.S. at 520. A deeper discussion of these requirements is beyond the scope of this Note.

85. There are two ways a state’s patent could be challenged. First, the patent could be challenged in a post-grant proceeding at the Patent Office such as an IPR proceeding. Second, in a case where the state is the plaintiff, the defendant (that is, the alleged infringer) could challenge the patent’s validity during district court litigation. *See David Carnes, How to Challenge a Patent*, LEGALZOOM, <https://info.legalzoom.com/challenge-patent-21969.html> (last visited Mar. 31, 2019). IPRs are the only venue in which sovereign immunity could be helpful because by filing suit against an alleged infringer, the sovereign would be deemed to have waived its immunity for the purposes of that litigation.

challenge the patent's validity as a defense to patent infringement.<sup>86</sup> Although no federal appellate court has decided if direct challenges to state-owned patents are barred by sovereign immunity, PTAB decisions in 2017 have found that state sovereign immunity protects state-owned entities from having their patents attacked in IPR proceedings.<sup>87</sup> A general overview of these decisions is provided in this next Section.

## 2. The Eleventh Amendment in Administrative Proceedings: State-Owned Patents and PTAB IPR Rulings

*Federal Maritime Commission v. South Carolina State Ports Authority* (“FMC”) extends a state's Eleventh Amendment immunity beyond just Article III proceedings, covering administrative proceedings as well.<sup>88</sup> Additionally, in *Vas-Cath, Inc. v. Curators of University of Missouri*, the Federal Circuit<sup>89</sup> held that Eleventh Amendment immunity applies to interference proceedings<sup>90</sup> at the USPTO.<sup>91</sup> Building on this Supreme Court and Federal Circuit precedent, PTAB issued several decisions in 2017 regarding the applicability of state sovereign immunity in IPRs.<sup>92</sup>

In *Covidien LP v. University of Florida Research Foundation, Inc.*,<sup>93</sup>

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86. See *Biomedical Patent Mgmt. Corp. v. California*, 505 F.3d 1328, 1343 (Fed. Cir. 2007).

87. Catherine Garza & Paula Heyman, *Sovereign Immunity Protects State-Funded Patent Owners from Post-Grant Proceedings*, LEXOLOGY: PTAB TRIALS BLOG (Apr. 11, 2017), <https://www.lexology.com/library/detail.aspx?g=d1a3c68b-efdc-4c16-bae8-d5fdd2b6feba> (noting that neither the Supreme Court nor the Federal Circuit has addressed this question).

88. *Fed. Mar. Comm'n v. S.C. State Ports Auth. (FMC)*, 535 U.S. 743, 760 (2002) (holding that a state entity was immune from an adjudication at the Federal Maritime Commission because of the similarities that such proceedings have with civil litigation).

89. Appeals of PTAB decisions are reviewed by the Federal Circuit. *Court Jurisdiction*, U.S. COURT OF APPEALS FOR THE FED. CIRCUIT, <http://www.cafc.uscourts.gov/the-court/court-jurisdiction> (last visited Mar. 31, 2019). The Federal Circuit has exclusive appellate jurisdiction over all patent cases that occur in federal district court. Federal Circuit decisions, along with Supreme Court decisions, are binding in the realm of patent law on PTAB and federal district courts. See *id.*

90. In interference proceedings, the Patent Office seeks to settle a dispute over which party invented the patented product or method first. See *Introduction to USPTO Patent Interference Practice*, MCNEELY, HARE & WAR LLP, <http://www.patentek.com/patent-interference-overview> (last visited Mar. 31, 2019). This proceeding was necessary because the United States patent system granted a patent to the first inventor. However, in 2011, Congress passed the America Invents Act, which eliminated interferences as a part of patent law in the United States. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 290 (2011). This is because the law altered the patent system to a first-to-file system, where the first entity to file for a patent is granted the patent, regardless of who invented it first. See *Introduction to USPTO Patent Interference Practice, supra*.

91. *Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, 473 F.3d 1376, 1382 (Fed. Cir. 2007) (holding that the reasoning in *FMC* applied to interference proceedings because they “bear ‘strong similarities’ to civil litigation, . . . can indeed be characterized as a lawsuit”).

92. Garza & Heyman, *supra* note 87.

93. See *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-1274, 2017 WL 4015009,

PTAB relied on *FMC* and *Vas-Cath* to hold that state sovereign immunity is a defense in IPR proceedings.<sup>94</sup> But to directly apply these two precedents, PTAB needed to address a few things. First, they dealt with the argument that since patents are “public rights” they can be subject to any statutory conditions—such as being subject to review in an IPR proceeding to ensure that the patent was properly granted.<sup>95</sup> PTAB rejected this argument outright as “unpersuasive” because there had been no “case law, or persuasive authority” holding that “a state’s Eleventh Amendment immunity may be limited or abrogated by a public rights exception.”<sup>96</sup> Second, PTAB also rejected the argument that sovereign immunity is irrelevant in IPRs because the “proceedings are directed to the patent itself,” and therefore, are not a private claim against the state.<sup>97</sup> In so deciding, PTAB asserted that the primary function of protecting a sovereign from suit is not monetary, though that is one purpose, but is according them “the respect owed . . . as joint sovereigns.”<sup>98</sup> This tracks recent Supreme Court decisions, the details of which are covered in Section I.C. Additionally, PTAB conceived of the IPR proceeding as a suit between parties rather than as a challenge directed solely to the patent.<sup>99</sup> Therefore, PTAB concluded that it is proper to apply the *FMC* framework in IPRs.<sup>100</sup>

Applying the *FMC* framework to IPRs, PTAB began by reaffirming the fact that “immunity applies regardless of whether a private plaintiff’s suit is for monetary damages or some other type of relief.”<sup>101</sup> Therefore, the “absence of monetary and injunctive relief” was irrelevant to the

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at \*1 (P.T.A.B. Jan. 25, 2017).

94. Garza & Heyman, *supra* note 87.

95. *Covidien*, 2017 WL 4015009, at \*5.

96. *Id.*

97. *Id.* at \*6 (presenting the argument from the party challenging the patent).

98. *Id.* at \*6 (quoting *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 765 (2002)).

99. *Id.* Note that this conception of IPR means that the ultimate disposition of *Upper Skagit*, discussed *supra* Section I.A.3., would not be applicable. That case concerns whether the “immovable property” exception applies to tribal sovereign immunity. *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1654 (2018). The point of that exception, as noted by Justice Thomas in dissent, is that sovereign immunity should not extend to actions over property within another sovereign’s jurisdiction. *Upper Skagit*, 138 S. Ct. at 1661–63 (Thomas, J., dissenting). Here, given the Patent Clause of the Constitution, exclusive jurisdiction is given to the federal government over patents. *See* U.S. CONST. art. I, § 8, cl. 8. This means that patents are a property exclusively of federal jurisdiction, much like a physical property is exclusively within a state’s jurisdiction. Therefore, extending Justice Thomas’s view to the IPR case, would mean that sovereign immunity should not apply in IPRs due to the fact that patents are exclusively within federal jurisdiction. However, since PTAB views IPRs as adversarial in *Covidien*, this type of analysis is inapplicable.

100. *Covidien*, 2017 WL 4015009, at \*8. The *FMC* approach is used to determine whether sovereign immunity applies in administrative proceedings. IPRs are an administrative proceeding.

101. *Id.* at \*9 (emphasis omitted) (quoting *FMC*, 535 U.S. at 765).

determination of whether state sovereign immunity could be invoked.<sup>102</sup> Next, PTAB considered the nature of IPRs. While noting that there were some differences in procedure and substance between IPRs and civil litigation, PTAB focused on the fact that IPRs are “adversarial” and intended to “resemble civil litigation in federal courts.”<sup>103</sup> Therefore, PTAB held that Eleventh Amendment immunity could be invoked in IPRs.<sup>104</sup>

However, PTAB went further in order to address the patent challenger’s policy argument that allowing a state to assert sovereign immunity in IPR would lead to regrettable outcomes.<sup>105</sup> PTAB conceded that the practical effect of the ruling would mean that states and state-owned entities no longer need to worry about having their patents challenged in the proceeding; however, the PTAB panel pointed out that exempting states from suit is exactly the point of the Eleventh Amendment.<sup>106</sup> The amendment, in fact, explicitly places state dignity as a sovereign above other practical considerations that may merit subjecting the state to suit.<sup>107</sup> Moreover, PTAB pointed out that “there is no evidence that . . . harm to the patent system . . . will come to pass.”<sup>108</sup>

In December 2017, PTAB convened an expanded panel of Administrative Patent Judges to hear another IPR case involving state sovereign immunity.<sup>109</sup> In this case, *Ericsson Inc. v. Regents of the University of Minnesota*,<sup>110</sup> PTAB’s “Chief Judge Ruschke expanded the panel from the normal three administrative patent judges to seven judges, including himself and the Deputy and Vice Chief Administrative Patent

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102. *Id.*

103. *Id.* The PTAB decision extensively details all the ways that IPRs resemble civil litigation in federal courts. *See id.* at \*9–11.

104. *Id.* at \*12.

105. *Id.* at \*11 (“Petitioner additionally argues that immunizing patents owned by alleged state entities from IPR proceedings would have harmful and far-reaching consequences.” (internal citation omitted)).

106. *Id.* at \*11.

107. *Id.*

108. *Id.* at \*12. There is still no evidence available which shows that allowing state sovereign immunity to be asserted in IPRs causes any harm to the patent system. It seems possible, however, that this harm could surface if states begin setting up their own deals with patent owners who wish to take advantage of state sovereign immunity, much like the Allergan-Saint Regis deal. In fact, in light of the Federal Circuit’s refusal to allow tribal sovereign immunity in IPRs, it is possible patent owners may begin seeking deals with states or state-owned entities, thus, “renting” their sovereign immunity.

109. Anthony Blum, *PTAB Offers Clarification on Inter Partes Review and State Sovereign Immunity*, THOMPSON COBURN LLP (Dec. 22, 2017), <https://www.thompsoncoburn.com/insights/publications/item/2017-12-22/ptab-offers-clarification-on-inter-partes-review-and-sovereign-immunity> (noting that seven administrative patent judges heard this case in contrast to the usual three judges).

110. *Ericsson Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at \*1 (P.T.A.B. Dec. 19, 2017) (expanded panel).

Judges” and wrote the opinion himself.<sup>111</sup> As such, the resulting decision can be understood as PTAB’s authoritative position on the applicability of state sovereign immunity in IPRs. The expanded panel reaffirmed the prior PTAB holdings by concluding that state sovereign immunity can be invoked in IPR proceedings.<sup>112</sup> In coming to this conclusion, they followed *Covidien’s* reasoning.<sup>113</sup>

However, this expanded PTAB panel placed some limits on a state’s ability to invoke its sovereign immunity. The issue before the expanded panel was whether the state-entity waived its sovereign immunity by filing a patent infringement action in federal district court against the party that had instituted the IPR proceeding.<sup>114</sup> The state-entity argued that waiver of sovereign immunity ought to be limited to the forum in which any waiver occurred.<sup>115</sup> PTAB disagreed, holding that the state waived its sovereign immunity for the purposes of subsequent IPR proceedings when it brought the patent infringement suit.<sup>116</sup>

This holding could prove to be a slight limitation on the usefulness of deals similar to the one between Allergan and Saint Regis—however, as will be discussed in Part III, in light of *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*,<sup>117</sup> the deal would be between a patent owner and a state entity rather than a tribe. This is because a party who has been sued for patent infringement in district court could simply initiate IPR review of the asserted patent. The state entity would then be barred from asserting its sovereign immunity as it would be deemed waived by the commencement of the infringement suit against the party who is challenging the patent in the IPR. However, observers of the patent system believe that *Ericsson’s* holding on waiver could prove to be “controversial on appeal.”<sup>118</sup> This is because “[w]aivers of sovereign immunity . . . are typically forum specific, and [PTAB] did not cite any direct precedent for its ruling” that extended the waiver doctrine to encompass litigation in a separate forum.<sup>119</sup> How this issue is resolved should be watched carefully as it could have far-reaching consequences for patent owners wishing to assert sovereign immunity in

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111. Blum, *supra* note 109.

112. *Ericsson*, 2017 WL 6517563, at \*2.

113. *Id.* PTAB also utilized the *FMC* holding that state sovereign immunity can be invoked in administrative proceedings.

114. *Id.*

115. *Id.* at \*2–3.

116. *Id.* at \*4.

117. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018).

118. *See, e.g.*, Blum, *supra* note 109.

119. *Id.*

IPRs.<sup>120</sup>

While these PTAB decisions have not authoritatively settled the question of state sovereign immunity as a defense in IPR, they provide examples of legal reasoning that may indicate how state sovereign immunity will be dealt with in IPRs if the Federal Circuit opines on the issue.<sup>121</sup> This is because the Federal Circuit is likely to affirm PTAB's legal analysis.

Through January 15, 2018, the Federal Circuit has affirmed PTAB on every issue raised in cases related to the IPR process just under seventy-four percent of the time.<sup>122</sup> Moreover, the PTAB decisions in *Covidien* and *Ericsson* follow what the Federal Circuit held in *Vas-Cath*. In addition, the Supreme Court's recent state sovereign immunity cases have viewed sovereign immunity's primary purpose as protecting the respect due to sovereigns. Because PTAB's decision rests on similar reasoning, it is likely PTAB will be upheld in the event the decision somehow made it to the Supreme Court.

### C. SOVEREIGN IMMUNITY'S PURPOSES

Sovereign immunity as a historical doctrine developed out of the idea that “the King c[ould] do no wrong.”<sup>123</sup> This was justified on the grounds that the “King” created the law within a nation or state, and therefore could not act illegally.<sup>124</sup> However, this justification fell out of vogue in America in the late eighteenth century and was replaced with “a rationale emphasizing the doctrine's benefit to society.”<sup>125</sup> This newer strain of thought stressed that the doctrine was necessary to protect the “sovereign's funds.”<sup>126</sup> Sovereigns use their money to provide services to their people, and if forced to compensate every person with a claim, sovereigns would have less money to spend on providing social services, among other necessary governmental

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120. At the time of writing, no appeals were pending on this issue.

121. In *Saint Regis Mohawk Tribe v. Mylan Pharmaceutical, Inc.*, the Federal Circuit noted that it had not opined on state sovereign immunity's application in IPRs, saying in its decision that made tribal sovereign immunity inapplicable that “we are only deciding whether tribal immunity applies in IPR. While we recognize there are many parallels, we leave for another day the question of whether there is any reason to treat state sovereign immunity differently.” *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018).

122. David C. Seastrunk et al., *Federal Circuit PTAB Appeal Statistics – January 15, 2018*, FINNEGAN LLP (Feb. 6, 2018) <https://www.finnegan.com/en/insights/blogs/america-invents-act/federal-circuit-ptab-appeal-statistics-January-15-2018.html>.

123. Thomas P. McLish, *Tribal Sovereign Immunity: Searching for Sensible Limits*, 88 COLUM. L. REV. 173, 174 (1988) (alteration in original) (citation omitted).

124. *Id.*

125. *Id.*

126. *Id.*

services. While the protection of sovereign funds has been mostly abandoned as a reason to protect states and the federal government via sovereign immunity,<sup>127</sup> it still provides a normative basis for tribal sovereign immunity.<sup>128</sup>

### 1. Tribal Sovereign Immunity's Justifications

Tribal sovereign immunity can be justified with a variety of functional considerations. First, it allows tribes to protect their economic interests, so they can be self-sufficient—in other words, tribal resources will be better protected. Justice Sotomayor espoused this view in her *Bay Mills* concurring opinion. She wrote in concurrence to provide normative reasons supporting the outcome that reasserted the doctrine of tribal sovereign immunity because she viewed the doctrine as under attack, with even the majority opinion questioning the doctrine's normative foundations.<sup>129</sup>

Justice Sotomayor bolstered the argument in favor of tribal sovereign immunity with an in-depth discussion of the unique issues facing tribes and the ways sovereign immunity helps. First, she pointed out that while some tribes have become “substantial and successful commercial actors,” most tribes do not participate in “lucrative commercial activity.”<sup>130</sup> Furthermore, “[a] key goal of the Federal Government is to render Tribes more self-sufficient, and better positioned to fund their own sovereign functions, rather than relying on federal funding.”<sup>131</sup> The idea is to promote tribal self-sufficiency by allowing them space to operate in the commercial arena so they can make money to perform basic functions expected of sovereigns. These functions include providing schools, roads, police, among other services.

Promoting tribal self-sufficiency is an important goal because tribes are uniquely situated compared to the other sovereigns in the United States when it comes to raising revenue to fund their government. This is because tribes

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127. *Id.* at 174–75 (noting a large majority of the states have either completely or partially waived their sovereign immunity from suit).

128. *See Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 804–07 (2014) (Sotomayor, J., concurring).

129. *Id.*; *see also supra* Sections I.A.1. and I.A.2. (discussing *Bay Mills* and its doctrinal underpinnings in detail). Justice Sotomayor agreed with the majority opinion's application of sovereign immunity on *stare decisis* grounds but concurred to provide normative justifications for the doctrine to address critics of who no longer saw it serving any purpose.

130. *Id.* at 809 (internal quotation marks omitted) (noting that nearly half of all tribes in the United States do not operate casinos and that among the tribes that do operate casinos only a small percentage of them reap most of the profits).

131. *Id.* at 810.

face significant hurdles in imposing taxes. “[T]ribes have no power to impose taxes on non-Indian owners of land inside the reservation even if the tribe provides significant services to the owner.”<sup>132</sup> Additionally, tribes are deprived “of the usual means of raising government funds” as they are significantly limited in their ability to impose property taxes.<sup>133</sup> Tribal governments are not allowed to impose “real property tax on trust lands, which are owned by the federal government.”<sup>134</sup> In some reservations, trust land is equal to all of the tribe’s land.<sup>135</sup> Finally, raising revenue through means such as income taxes is unrealistic because “proportionally more Indians qualify for negative income taxes,” which means they actually pay less in taxes than they receive in benefits.<sup>136</sup> Rather, tribes’ main source of income comes from “federal transfers, which are widely acknowledged to be inadequate . . . and . . . tribe-owned enterprises.”<sup>137</sup> These enterprises suffer from less competitive pricing, lower productivity, and worse profitability when compared to privately owned enterprises.<sup>138</sup>

Given these limitations on a tribe’s ability to raise money through taxation, its funds could be significantly depleted if it is expected to pay out on every claim against it. This is especially true for tribes because they are smaller sovereigns acting within much larger sovereigns—the U.S. federal government as well as state governments. As smaller sovereigns, tribes have less money to work with and therefore can be economically crippled if they end up in a situation where they are forced to pay many judgements. To illustrate, imagine a tribe consisting of several thousand people. The tribe could be engaged in economic activity with thousands of people, and if those individuals with whom they are engaged in business have claims against them, the tribe could be wiped out. For this reason, sovereign immunity is essential to maintaining the financial well-being—and independence—of tribes which directly impacts their ability to govern themselves.

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132. Joseph P. Kalt & Joseph William Singer, *Myths and Realities of Tribal Sovereignty: The Law and Economics of Indian Self-Rule* 17 (Harvard Univ. John F. Kennedy Sch. of Gov’t Faculty Research Working Papers Series, Paper No. RWP04-016, 2004) (discussing the holding of *Atkinson Trading Co. v. Shirley*, 532 U.S. 645 (2001)).

133. Kelly S. Croman & Jonathan B. Taylor, *Why Beggar Thy Indian Neighbor? The Case for Tribal Primacy in Taxation in Indian Country* 5 (Joint Occasional Papers on Native Affairs, JOPNA 2016-1, 2016), [http://nni.arizona.edu/application/files/8914/6254/9090/2016\\_Croman\\_why\\_beggar\\_thy\\_Indian\\_neighbor.pdf](http://nni.arizona.edu/application/files/8914/6254/9090/2016_Croman_why_beggar_thy_Indian_neighbor.pdf).

134. *Id.*

135. *Id.* Croman and Taylor also note that reservations are subject to state property taxes within the boundaries of the reservation unless they have been given an exemption under state law. *Id.*

136. *Id.*

137. *Id.*

138. *Id.*

In addition to promoting self-sufficiency through stronger economic development, tribal sovereign immunity promotes “Tribal Self-Government.”<sup>139</sup> This idea comes from the place tribes hold in the United States. Tribes are placed alongside foreign nations and states in the United States Constitution’s Commerce Clause and are treated, in Chief Justice Marshall’s words, as “domestic dependent nations.” As this status indicates, tribes govern their own territories. Therefore, they ought to be granted the same dignity afforded to other sovereigns—namely, immunity from suit in the absence of a waiver or congressional abrogation.<sup>140</sup> It is a matter of respect for them to be treated like other sovereigns in the United States.<sup>141</sup>

Finally, tribal sovereign immunity preserves tribal cultural identity.<sup>142</sup> While maintaining a distinct culture in this interconnected world may be difficult, sovereign immunity assists tribes accomplish this by preventing outside forces from imposing foreign rules and values.<sup>143</sup> Because sovereign immunity prevents tribes from being subject to suit in non-Indian tribunals, the tribe does not need to alter its behavior to conform with outside legal and social norms, thus allowing the tribe to chart its own path regarding the law. To the extent law is influenced by culture rather than the reverse,<sup>144</sup> tribal sovereign immunity provides a way for tribes to control their own culture by being free from the influence of another sovereign’s laws.<sup>145</sup>

## 2. State Sovereign Immunity’s Justifications

Like tribal sovereign immunity, state sovereign immunity rests on justifications such as protecting state resources and promoting sovereign dignity. The Eleventh Amendment was passed due to concern with

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139. Note, *In Defense of Tribal Sovereign Immunity*, 95 HARV. L. REV. 1058, 1069 (1982). In addition, this idea can be related back to the idea that the “King” does “no wrong.” See *supra* Section I.C.

140. Remember that tribes are “domestic dependent nations” and, as such, the scope of tribal sovereignty is limited by the sovereign on which they depend: the federal government. The limitations placed on tribal sovereign immunity give meaning to the tribe’s “dependent” status by recognizing that they are, in a sense, inferior to the federal government.

141. Obviously, the dependent status of tribes still exists in the United States, but to the extent possible, tribes should be treated as a sovereign.

142. See *In Defense of Tribal Sovereign Immunity*, *supra* note 139, at 1069–70.

143. See *id.*

144. While there is debate about this point, law can be conceptualized as—at least partly—reflecting the culture from which it springs. See, e.g., Iris I. Varner & Katrin Varner, *The Relationship Between Culture and Legal Systems and the Impact on Intercultural Business Communication*, 3 GLOBAL ADVANCES BUS. & COMM. CONF. & J., no. 1, 2014, at 1, 2–3.

145. There will be some crossover as tribes are “domestic dependent nations” that are subject to the constraints of the United States Constitution and laws passed by Congress. However, sovereign immunity still provides some level of protection in this area. Evaluating how much protection is beyond the scope of this Note.

protecting state resources after the Revolutionary War because most states had accumulated large debts.<sup>146</sup> Recently, the Supreme Court has focused on the “preeminent purpose” of promoting sovereign dignity.<sup>147</sup> However, because state sovereign immunity exists as a constitutional right, it is unlike tribal sovereign immunity, in which the purposes of the doctrine loom larger because Congress can abrogate it at any time.

## II. REASONS FOR THE ALLERGAN-SAINT REGIS DEAL

The basic idea behind Allergan’s action is simple. The deal made Saint Regis the owner of the Restasis patent, which should leave the Tribe to defend the patent’s validity in any IPR proceeding. In defending the Restasis patent in the IPR, Saint Regis’s Motion to Terminate the proceeding argued: “[t]he tribe is a sovereign government that cannot be sued unless Congress unequivocally abrogates its immunity or the tribe expressly waives it. Neither of these exceptions apply here.”<sup>148</sup> Saint Regis is correct that the tribe’s sovereign immunity has not been abrogated by Congress for IPRs and that Saint Regis has not waived its immunity. In fact, in IPR decisions from 2017, PTAB validated this approach in the context of state sovereign immunity by claiming lack of jurisdiction over a proceeding involving a state-owned patent. As a result, it appeared that by slightly extending PTAB’s logic from its 2017 state sovereign immunity decisions, the Restasis patent would be safe from being challenged in the IPR. However, as will be discussed in Part III, both PTAB and the Federal Circuit disagreed and held that tribal sovereign immunity does not apply in IPR proceedings.

Even so, the motives for the Allergan-Saint Regis deal are still important to understand. As discussed in Section I.B.2, states and state-owned entities are still able to assert sovereign immunity in IPR proceedings, which could lead to patent owners seeking deals with those entities as possible protection for their patents. Therefore, it is possible—though perhaps unlikely—that these sorts of deals could proliferate.

### A. ARE THESE GOOD DEALS FOR PARTICIPANTS?

Yes. The deals are extremely attractive for tribes, states, and patent owners. They would allow patent owners to evade challenges to their patents in IPR proceedings, which is extremely valuable due to high invalidation

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146. See Wood, *supra* note 29, at 1619.

147. *Id.* at 1619–20 (noting additionally that protecting a state’s treasury was still a meaningful purpose of the Eleventh Amendment).

148. Carlos Quijada, *Patents and Tribal Sovereign Immunity*, UNIV. OF UTAH S.J. QUINNEY COLL. OF LAW: LABS BLOG (Oct. 23, 2017), <https://www.law.utah.edu/patents-and-tribal-sovereign-immunity>.

rates of patents in IPRs. Independent analysis of invalidation in IPRs finds that anywhere between 62% to 92% of the patents challenged are invalidated, depending upon the technology at issue.<sup>149</sup> Moreover, a recent review found that fifty-eight patents had been invalidated by PTAB on the exact same grounds with which a district court had previously upheld their validity, thus demonstrating PTAB's "slanted playing field."<sup>150</sup> In addition, challenged patents represent a substantial asset for the patent owner. In Allergan's case, the Restasis patent is valued at \$1.5 billion.<sup>151</sup> The price of having such a valuable patent invalidated is steep. Allergan prepared for such a possibility by announcing it would layoff over 1,000 employees, costing the company an expected \$125 million just in severance expenses.<sup>152</sup> Companies, therefore, have strong incentives to adopt measures to protect their intellectual property.<sup>153</sup> Paying several million dollars to "rent" a tribe's or state's sovereign immunity is a small price to pay to protect the patent's validity.<sup>154</sup>

For tribes, deals like these provide a good way to earn much-needed money.<sup>155</sup> The Saint Regis Mohawk Tribe has 15,600 members and is geographically centered in upstate New York.<sup>156</sup> Saint Regis planned to put this money to use by enhancing government services such as "health, welfare, education, housing and other services."<sup>157</sup> As discussed in Section I.C, tribes have a hard time raising revenue because they have a limited tax-base. Therefore, tribes must get creative to raise money. While casinos are a lucrative option for some tribes, a large majority of tribes have not been able

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149. Dan Schneider & James Edwards, *Open Letter from Conservatives: What's at Stake in Oil States v. Greene's Energy Group*, IPWATCHDOG (Nov. 28, 2017), <http://www.ipwatchdog.com/2017/11/28/conservatives-open-letter-oil-states-v-greenes-energy-group/id=90579>.

150. Steve Brachmann & Gene Quinn, *58 Patents Upheld in District Court Invalidated by PTAB on Same Grounds*, IPWATCHDOG (Jan. 8, 2018), <http://www.ipwatchdog.com/2018/01/08/58-patents-upheld-district-court-invalidated-ptab/id=91902>.

151. Wolfe, *supra* note 9.

152. Michael Erman, *Allergan to Cut Over 1,000 Jobs as It Works to Cut Costs*, REUTERS (Jan. 3, 2018, 8:59 AM), <https://www.reuters.com/article/us-allergan-layoffs/allergan-to-cut-over-1000-jobs-as-it-works-to-cut-costs-idUSKBN1ESIHN>.

153. Patents such as Restasis also represent the reward after substantial investment by the company.

154. Again, while the Federal Circuit has said that tribal immunity does not apply, these numbers are emblematic of the massive economic incentive that patent owners have to engage in these types of workarounds.

155. These deals help protect and grow tribal resources, which is one of the purposes of tribal sovereign immunity.

156. Quijada, *supra* note 148.

157. SAINT REGIS MOHAWK TRIBE, FREQUENTLY ASKED QUESTIONS ABOUT NEW RESEARCH AND TECHNOLOGY (PATENT) BUSINESS 3 (2017), [https://www.srmt-nsn.gov/\\_uploads/site\\_files/Office-of-Technology-Research-and-Patents-FAQ.pdf](https://www.srmt-nsn.gov/_uploads/site_files/Office-of-Technology-Research-and-Patents-FAQ.pdf).

to tap into casinos for any meaningful amount of revenue.<sup>158</sup> Providing this service to pharmaceutical and technology companies who have patents being challenged in IPRs would provide substantial revenue raising opportunities for tribes that desperately need it.<sup>159</sup>

#### B. ARE SUCH DEALS A GOOD THING?

No. In the case of Allergan and Saint Regis, the two parties use Saint Regis's sovereign immunity to escape a procedure by which Allergan's Restasis patent may be invalidated through a mechanism designed by Congress. This violates common notions of fairness by engaging in a "sham" transaction through which Allergan keeps a potentially improperly granted patent because they had the money to "rent" Saint Regis's sovereign immunity. The deal acts as a loophole through which a big pharmaceutical company—that has access to expensive lawyers—has exploited a process in a way that is completely unavailable to patent owners who possess fewer resources.

Arguments made on behalf of Saint Regis and Allergan, while satisfying on the surface, ultimately stumble under scrutiny. An argument supporting this deal notes that IPRs have been deemed a patent "death squad" as most patents are invalidated by the process.<sup>160</sup> Critics of IPRs have noted that by engaging in deals like the one between Allergan and Saint Regis, economically valuable patents may be better protected, thus stimulating more investment in research and development on products that improve people's lives.

Yet this argument is satisfactory only to the extent that it highlights needed reforms to IPRs. While the IPR process may be flawed, those flaws should not be cured by creating an end run around the Patent Office. Doing it this way diminishes the credibility of the entire system, misallocates money by paying millions of dollars to lawyers and tribes to make the deal, and only benefits companies with resources to pay for the expensive licensing agreement and the lawyers who structure it. Therefore, any fixes to

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158. See *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 809–10 (2014) (Sotomayor, J., concurring).

159. Similar reasons exist for states to engage in such deals, even if, as noted in Section I.C.2, states possess stronger mechanisms for raising money. That being said, it is easy to envision poorer states engaging in such deals as another source of revenue. The biggest obstacle to states doing such a thing, it seems, would be potential political pressure. In addition, given how the Federal Circuit ruled in *Saint Regis*, see *infra* Section III.B., it is possible state sovereign immunity may no longer be found to apply in IPRs.

160. See *supra* Section II.A.; see also Decker, *supra* note 18 (explaining that IPRs act as patent "death squad[s]").

the IPR process should be done by Congress—not by private actors.<sup>161</sup>

Others find the deal appealing because it provides a much-needed revenue source to economically struggling tribes.<sup>162</sup> However, while it does enhance tribal economic independence, it accomplishes that goal by disrupting the congressionally-designed patent system. Where tribes need to find more funding sources, steps should be taken independently of the patent system. Addressing one problem while undermining an unrelated government program is not a sustainable way to fix anything.

Furthermore, while this could boost funding for a small class of tribes, the actual benefit to most tribes will likely be marginal. Money received in these ventures could be difficult to rely on as the amount may vary dramatically over time. In fact, the appeal of such a deal could hurt early participants the most. As more sovereigns<sup>163</sup> recognize the upside, benefits could become more widely spread, thus leading to fewer benefits for all recipients as the funding sources are spread across a larger number of entities.<sup>164</sup> In addition, if the practice does not become widespread, that means tribes who need the revenue are not reaping the benefits, thus further limiting the benefit of these deals as a solution to tribal revenue issues.

As a panacea for tribal funding, then, this is a poorly targeted program. Either only a select few tribes will benefit, leaving many unable to obtain its benefits, or many will take advantage of these deals, meaning the benefit to each tribe will be small and the amount received will shrink over time as more sovereign actors take advantage of the practice. The problems faced by tribes in the financial sphere is something that should be addressed. However, promoting more deals like the one between Allergan and Saint Regis is not an efficacious solution because these deals will provide only a marginal benefit, at best.<sup>165</sup>

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161. However, as will be discussed *infra* Part III, these shortcomings do not justify the outcomes reached by the Federal Circuit and PTAB in the Allergan-Saint Regis case. Rather, reforms should focus on improving the patent system, while respecting tribal sovereign immunity.

162. See, e.g., SAINT REGIS MOHAWK TRIBE, *supra* note 157, at 3; *cf. Bay Mills*, 572 U.S. at 809–10 (Sotomayor, J., concurring) (arguing that “not all Tribes are engaged in highly lucrative commercial activity” and that even if they were, this fact alone “would not justify the commercial-activity exception urged by the principal dissent”).

163. States could do this as well. See *supra* Section I.B.2.

164. While such benefit spreading could be a good thing, it most likely will harm sovereigns, such as Saint Regis, who pioneered these deals only to have companies go to other sovereigns who offer better deals. This could cause harm to some tribes as revenue sources dry up and previously relied upon services must go away due to lack of funding.

165. This Note takes no position on how to best handle the financial situation of tribes. It just recognizes that relying on a system like the one used by Allergan and Saint Regis could be very counterproductive.

### III. DECISIONS IN THE ALLERGAN-SAINT REGIS IPR

Since the deal was made in September 2017, litigation has proceeded over the applicability of tribal sovereign immunity of IPRs, resulting in opinions from both PTAB and the Federal Circuit Court of Appeals. Both opinions found tribal sovereign immunity does not apply in IPRs. As will be discussed below, a proper reading of PTAB, Federal Circuit, and Supreme Court precedent demonstrates that these decisions were incorrect.

#### A. PATENT TRIAL AND APPEAL BOARD 2018 DECISION

##### 1. PTAB Does Not Apply Tribal Sovereign Immunity in IPRs

On February 23, 2018, PTAB denied Saint Regis's Motion to Terminate IPR proceedings due to tribal sovereign immunity.<sup>166</sup> After going through the history of the deal between Allergan and Saint Regis, PTAB rejected that the Supreme Court's decision in *FMC*<sup>167</sup>—which allowed state sovereign immunity to be invoked in administrative proceedings—had any bearing on the application of tribal sovereign immunity in administrative proceedings.<sup>168</sup> Moreover, it distinguished its own decisions allowing state sovereign immunity to be invoked in IPRs because “the immunity possessed by Indian Tribes is not co-extensive with that of the states”<sup>169</sup> and “there are reasons to doubt the wisdom of perpetuating the . . . doctrine.”<sup>170</sup>

PTAB further based its decision on Congress's plenary control over tribal sovereign immunity and noted that the Patent Act is a generally applicable statute that places conditions on the grant of a patent, which includes the possibility of being subject to IPR proceedings.<sup>171</sup> PTAB relied on a variety of circuit court decisions, noting that only in limited circumstances do generally applicable laws not apply to tribes, then found

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166. See *Mylan Pharm., Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*2 (P.T.A.B. Feb. 23, 2018) (denying Saint Regis's motion to terminate the proceeding).

167. See *supra* Section I.B.2. for a discussion of *FMC* and its holdings on state sovereign immunity in administrative proceedings.

168. *Mylan Pharm.*, 2018 WL 1100950, at \*3–4 (discussing *Federal Maritime Commission v. South Carolina State Ports Authority (FMC)*, 535 U.S. 743 (2002), in which the Supreme Court held that state sovereign immunity could be invoked in administrative proceedings). PTAB also rejected in this portion of the opinion decisions by other administrative agencies which had found that tribal sovereign immunity could be invoked in administrative proceedings. *Id.* at \*3 (discussing *Kanj v. Viejas Band of Kumeyaay Indians*, No. 06-074, 2007 WL 1266963 (U.S. Dep't of Labor Adm. Rev. Bd. Apr. 27, 2007)), which noted that no prior cases prevented tribes from asserting sovereign immunity in administrative adjudications). It should be noted that PTAB provided no reasons for treating states and tribes differently in this context.

169. *Id.* at \*4 (citation omitted).

170. *Id.* (citation omitted).

171. *Id.* at \*4–5.

that IPR proceedings do not meet these limited circumstances.<sup>172</sup> PTAB also relied on prior cases in which government administrative enforcement actions against tribes were deemed not to have implicated tribal sovereign immunity because “tribes cannot impose sovereign immunity to bar the federal government from exercising its trust obligations.”<sup>173</sup> Moreover, IPRs are “not the type of suit to which an Indian tribe would traditionally enjoy immunity under the common law.”<sup>174</sup>

PTAB concluded this section of the opinion by noting that it does “not exercise personal jurisdiction over the patent owner,” rather, it is over “the challenged patent in an *inter partes* review proceeding.”<sup>175</sup> In a footnote, the opinion rejects characterizing the proceedings as *in rem* because they could find no “controlling precedent” for that proposition.<sup>176</sup>

Finally, PTAB concluded that even if tribal sovereign immunity applied in IPRs, the proceeding may continue because Allergan still effectively owns the patent.<sup>177</sup> Allergan is found to be a “patent owner” because the license from Saint Regis to Allergan “transferred ‘all substantial rights’ in the challenged patents”—including the “right to sue for infringement,” the “right to make, use, and sell products or services under the patents,” the “right to sublicense,” the “reversionary rights in patents,” the “right to litigation or licensing proceeds,” among others.<sup>178</sup> In addition, the “tribe is not an indispensable party” to the proceeding, thus, PTAB allowed the IPR to continue without the Tribe.<sup>179</sup> This decision was appealed by Saint Regis and Mohawk to the Federal Circuit.<sup>180</sup>

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172. See, e.g., *id.* at \*5 (discussing *San Manuel Indian Bingo & Casino v. NLRB*, 475 F.3d 1306, 1312–13 (D.C. Cir. 2007), which said “when a tribal government goes beyond matters of internal self-governance and enters into off-reservation business transaction[s] with non-Indians, its claim of sovereignty is at its weakest.”). This underlying idea is directly at odds with the Supreme Court’s approach in *Bay Mills*, which found tribal sovereign immunity is only abrogated where Congress clearly intends, even if there may be negative consequences from the immunity’s applicability. PTAB did not discuss *Bay Mills* in its analysis. For further discussion of *Bay Mills*, see Section I.A.

173. *Mylan Pharm.*, 2018 WL 1100950, at \*5 (quoting *Quileute Indian Tribe v. Babbitt*, 18 F.3d 1456, 1459 (9th Cir. 1994)). The tribes attempted to distinguish these cases on the basis that IPRs include a third party initiating and remaining involved in the entire proceeding; however, PTAB rejected this argument. *Id.* at \*6.

174. *Id.* (internal quotation marks omitted). It is unclear then why PTAB thinks state sovereign immunity can be invoked in IPRs.

175. *Id.* (discussing how patent owners are not required to participate in IPR proceedings).

176. *Id.* at \*6 n.6.

177. *Id.* at \*7–8.

178. *Id.* at \*8, \*10–12.

179. *Id.* at \*13–15 (noting that the Federal Rules of Procedure do not apply to administrative proceedings).

180. Kevin E. Noonan, *St. Regis Mohawk Tribe and Allergan Appeal Denial of Motion to Dismiss on Sovereign Immunity Grounds*, PATENT DOCS: PATENT LAW WEBLOG (Mar. 1, 2018, 10:04 PM),

## 2. Issues with the PTAB Decision

PTAB's decision suffered from numerous flaws that should have made it a prime candidate for reversal on appeal. First, its rejection of state sovereign immunity precedent dealing with the doctrine's applicability in administrative proceedings because tribal immunity is "not co-extensive with that of the States"<sup>181</sup> dramatically misunderstands the Supreme Court's tribal sovereign immunity case law. This quote from *Kiowa*, when read in context, actually stands for the proposition that tribal sovereign immunity is broader than state sovereign immunity in some respects.<sup>182</sup> Yet PTAB relied on it for just the opposite proposition; the panel's fundamental misunderstanding of *Kiowa* is evident throughout the rest of its opinion.

Other than this out-of-context quote from *Kiowa*, PTAB provided no reasons for holding that tribal sovereign immunity is situated differently from state sovereign immunity in IPRs or other administrative proceedings. PTAB did not attempt to distinguish other administrative adjudications that found tribal sovereign immunity applicable; rather, it dismissed them all as non-binding and simply asserted that tribal sovereign immunity is so different from state sovereign immunity that it must not apply.

The remaining arguments from PTAB hold up just as poorly under scrutiny. PTAB asserted that only in limited circumstances do generally applicable laws not apply to tribes. However, this misunderstands the issue, which is whether the tribe can assert its sovereign immunity from suit—not whether the tribe must follow a particular law. As PTAB decided in *Covidien*, which followed *FMC* and held that state sovereign immunity applies in IPR proceedings, IPRs are adversarial in nature and modeled on civil litigation.<sup>183</sup> *Covidien* explicitly found that IPRs are properly conceived of as a civil suit between two parties, rather than as an administrative

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<http://www.patentdocs.org/2018/03/st-regis-mohawk-tribe-and-allergan-appeal-denial-of-motion-to-dismiss-on-sovereign-immunity-grounds.html>. The decision can be appealed under the collateral order doctrine which allows for immediate appeal of denials of sovereign immunity. *See, e.g., Burlington N. & Santa Fe Ry. Co. v. Vaughn*, 509 F.3d 1085, 1094 (9th Cir. 2007).

181. *See Mylan Pharm.*, 2018 WL 1100950, at \*4 (discussing *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998)).

182. *See Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 755–56 (1998). The Court "noted, however, that the immunity possessed by Indian tribes is not coextensive with that of the States," distinguishing "state sovereign immunity from tribal sovereign immunity," because "tribes were not at the Constitutional Convention." *Id.* Accordingly, the tribes were "not parties to the 'mutuality of . . . concession' that 'makes the States' surrender of immunity from suit by sister States plausible.'" *Id.* (quoting *Blatchford v. Native Village of Noatak*, 501 U.S. 775, 782 (1991) (alteration in original)).

183. *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-1274, 2017 WL 4015009, at \*13 (P.T.A.B. Jan. 25, 2017).

enforcement proceeding.<sup>184</sup> PTAB's holding in the Saint Regis case is directly at odds with its own holding in *Covidien* and *Ericsson*—the latter being PTAB's authoritative view on state sovereign immunity in IPRs given the make-up of the expanded panel that decided it. Framing the IPR component of the Patent Act as an enforcement proceeding (rather than an adjudicative proceeding) is incorrect according to PTAB's own decisions. Rather, as *Covidien* held, IPRs are modeled as a civil suit, which is the type of proceeding in which tribes historically have sovereign immunity protection.<sup>185</sup>

PTAB also argued its jurisdiction in IPRs is over “the challenged patent,” rather than over the tribe itself.<sup>186</sup> However, *Covidien*, again, is instructive as it reached the exact opposite conclusion when state sovereign immunity was at issue. PTAB's *Covidien* decision applied state sovereign immunity because sovereign immunity's “central purpose is to accord the States the respect owed them as joint sovereigns.”<sup>187</sup> Moreover, PTAB in *Covidien* pointed to the adversarial nature of the proceeding, the parties' involvement in it, and the procedure imposed on PTAB's authority to review the challenged patents as reasons the proceeding should be understood as having jurisdiction over the patent owner, rather than the patent itself.<sup>188</sup> PTAB in the Saint Regis case does not attempt to explain why it reaches precisely the opposite result in the tribal sovereign immunity context.<sup>189</sup>

PTAB reaffirmed *Covidien*'s basic holding in *Ericsson*.<sup>190</sup> There, PTAB convened an expanded panel in which PTAB's Chief Judge Ruschke wrote the opinion.<sup>191</sup> After *Ericsson*, it can be reasonably concluded that the authoritative PTAB view applies state sovereign immunity in IPR proceedings for the reasons provided in *Covidien*. By adopting *Covidien*'s reasoning on the applicability of state sovereign immunity to IPRs, the

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184. *Id.*

185. *See Kiowa*, 523 U.S. at 754–55.

186. *Mylan Pharm.*, 2018 WL 1100950, at \*6.

187. *Covidien*, 2017 WL 4015009, at \*6.

188. *Id.* at \*9–11.

189. *Upper Skagit Indian Tribe v. Lundgren*, discussed *supra* Section I.A.3, almost answered whether tribal sovereign immunity applies to in rem jurisdiction, where lower courts have claimed the jurisdiction is over the property instead of the tribe, thus allowing the lower courts to find tribal immunity not applicable in the proceeding. In rem jurisdiction is like IPRs because the proceeding can be construed to be about the patent itself—not the patent owner. However, the Supreme Court avoided answering whether tribal immunity applies to in rem cases, leaving the question for another day. *See generally* *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649 (2018).

190. *Ericsson Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at \*2 (P.T.A.B. Dec. 19, 2017) (expanded panel).

191. Blum, *supra* note 109.

*Ericsson* holding rests upon conclusions of law that the Saint Regis panel directly contradicts without providing any explanation.

In the Saint Regis proceeding, PTAB simply asserted that tribal immunity is different and moved on. However, tribal sovereign immunity is not different from state sovereign immunity in this context. Both doctrines promote the dignity of the sovereign, while helping protect the sovereign's economic well-being—the latter reason being even more compelling for tribal sovereign immunity given the economic difficulties tribes experience compared to states. The better result would have been to extend *Ericsson* and *Covidien* to find that tribal sovereign immunity applies in IPRs. Unfortunately, the decision appeared to be motivated by a desire to stop deals like one between Allergan and Saint Regis from becoming an option for patent owners.<sup>192</sup> The main difference between the state proceedings and the tribal proceeding is that the tribal proceeding garnered significant negative press. Unfortunately, simply shutting down the Allergan-Saint Regis deal ignores the negative impacts on tribal sovereign immunity going forward.

#### B. THE FEDERAL CIRCUIT DECISION TO NOT APPLY TRIBAL SOVEREIGN IMMUNITY IN AN IPR PROCEEDING

The Federal Circuit approached the question of whether tribal sovereign immunity applies in IPRs in much the same way as PTAB did, also finding that tribal sovereign immunity does not apply in IPRs.<sup>193</sup> After briefly discussing the case's procedural history, the Federal Circuit began by laying out the rules of tribal sovereign immunity. It noted that “[g]enerally, immunity does not apply where the federal government . . . engages in an investigative action or pursues an adjudicatory agency action,” while acknowledging the *FMC* rule that immunity can “apply in federal agency proceedings.”<sup>194</sup> The court described the *FMC* rule as allowing immunity in “adjudicative proceedings brought . . . by a private party,” but not allowing immunity in “agency-initiated enforcement proceedings.”<sup>195</sup> Therefore, the key question in front of the Federal Circuit was which of these two types proceedings is most analogous to IPRs.<sup>196</sup>

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192. Which, as discussed *supra* Section II.B., is a valid concern. However, abrogating tribal sovereign immunity where it should not be is not the proper response. Rather, the onus should be on Congress to address the issue as they are better situated to do so.

193. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322, 1325 (Fed. Cir. 2018).

194. *Id.* at 1325–26.

195. *Id.* at 1326.

196. Remember, as discussed *supra* Section I.B.2., the PTAB had previously decided that for the purposes of state sovereign immunity, IPR should be treated as an adjudicative action rather than a traditional enforcement action.

However, answering this question was not straightforward for the Federal Circuit, as it noted IPRs are complicated, “hybrid proceeding[s]” that combine both traditional adjudicatory aspects with characteristics similar to “specialized agency proceeding[s].”<sup>197</sup> The Federal Circuit reviewed “several factors” that led it to determine that “IPR[s] [are] more like an agency enforcement action than a civil suit.”<sup>198</sup>

First, IPRs are only instituted if the USPTO Director decides to grant review, much like a traditional enforcement action. While it is a private party that requests the review, the Director has “broad discretion in deciding whether to institute review.”<sup>199</sup> Therefore, IPRs are unlike the agency in *FMC*, which could not refuse to adjudicate private complaints. This means that a federal official is the one deciding to haul a sovereign into “court,” rather than a private party. Second, even though most IPRs are conducted in an adversarial nature between two private parties, the USPTO retains the ability to “continue review even if [a party] chooses not to participate.”<sup>200</sup>

Next, the Federal Circuit pointed to the “substantial” differences between IPR procedures and the Federal Rules of Civil procedure.<sup>201</sup> It noted the far greater extent of discovery in district court litigation, the opportunity for live testimony at trial, and various differences in pleadings, with the Federal Rules being more liberal in allowing changes. Finally, the Federal Circuit noted that despite the USPTO having options for reexamination that are more inquisitorial than IPR proceedings—in which even the tribe acknowledged sovereign immunity would not apply under *FMC*—the existence of these options does not make IPRs adjudicatory proceedings. Rather “[w]hile IPR[s] present a closer case for the application of tribal immunity than reexamination, [the Federal Circuit] nonetheless conclude[d] that tribal immunity does not extend to these . . . reconsideration decisions.”<sup>202</sup> In deciding this, the court noted that IPRs are intended to “reexamine . . . agency decision[s].”<sup>203</sup>

This decision suffers from many of the same issues that the PTAB decision suffered from, which will not be rehashed here. Further issues with the decision will be discussed in Part IV—with a particular focus on how the

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197. *Saint Regis*, 896 F.3d at 1326 (citation omitted).

198. *Id.* at 1327.

199. *Id.*

200. *Id.* at 1328. While this is true as a rule, most often IPRs proceed as would litigation, with the patent owner arguing for patent validity and a variety of private challengers arguing the patent is invalid.

201. *Id.*

202. *Id.* at 1329.

203. *Id.* (citation omitted).

Federal Circuit incorrectly conceived of IPRs as agency enforcement actions rather than administrative adjudications. In addition to the faulty legal analysis, the bigger issue is the effect of this decision: tribal sovereign immunity cannot be invoked during IPRs, while state sovereign immunity can be. This creates a sort of second-class immunity for the very sovereigns that need the immunity most.

#### IV. TRIBAL SOVEREIGN IMMUNITY'S UNEQUAL STATUS WITH STATE SOVEREIGN IMMUNITY

With its decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals, Inc.*, the Federal Circuit established that tribal sovereign immunity does not apply in IPRs.<sup>204</sup> However, as discussed in Section I.B.2, PTAB decisions have previously found that states can invoke their sovereign immunity from suit when having their patents challenged in an IPR proceeding. The reason for this comes from inconsistent legal positions on how to conceive IPRs—that is, treating them as either adjudicatory agency actions or as agency enforcement actions. This inconsistency will be discussed below in Section IV.A.2, which contemplates how to address this inconsistency, while Section IV.A.1 argues that in addition to this inconsistency being based on legal error, this inequality in immunity is normatively undesirable for the way that it negatively impacts tribes, ultimately depriving them of a benefit bestowed on other sovereigns for no just reason.

##### A. THE INCONSISTENCY

In *Saint Regis*, the Federal Circuit explicitly did not decide whether state sovereign immunity applies in IPRs; instead, it only explained that tribal sovereign immunity.<sup>205</sup> By leaving this question unanswered, prior PTAB decisions allowing states to invoke their sovereign immunity IPR proceedings were left on shaky footing.<sup>206</sup> This inconsistency in whether states and tribes are allowed to invoke their sovereign immunities in IPRs stems from the conception of the IPR proceeding itself as either adjudicative or enforcement-based. Currently, states can assert their sovereign immunity in IPR proceedings because IPRs are allegedly similar to adjudicative actions, while tribes may not assert their sovereign immunity in IPR

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204. See *supra* Section III.B. for a discussion of the ruling.

205. *Saint Regis*, 896 F.3d at 1329 (“In this case [the Federal Circuit] only decid[ed] whether tribal immunity applies in IPR. While [it] recognize[d] there are many parallels, [it] le[ft] for another day the question of whether there is any reason to treat state sovereign immunity differently.”).

206. See *Ericsson Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at \*2 (P.T.A.B. Dec. 19, 2017) (expanded panel); *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-1274, 2017 WL 4015009, at \*12 (P.T.A.B. Jan. 25, 2017).

proceedings because IPRs are supposedly more similar to enforcement actions.<sup>207</sup>

### 1. This Inconsistency Matters and Should Be Fixed

At a basic level, this inconsistency matters because it stems from an inconsistent legal position taken on the conception of IPRs—adjudicative versus enforcement—rather than a real, substantive differences between tribal and state sovereign immunity.<sup>208</sup>

This inconsistent treatment of the nature of IPRs should be addressed, and the proper resolution should be that IPRs are similar to district court litigation such that, under *FMC*, sovereign immunity should apply.<sup>209</sup> First, In the USPTO’s own words, IPRs are “trial proceeding[s]” adjudicated before PTAB.<sup>210</sup> They are very similar to civil litigation in that they are an adversarial process with discovery, deadlines, and binding decisions. As discussed by PTAB in both *Covidien* and *Ericsson*, IPRs share a number of similarities with district court patent litigation.<sup>211</sup> IPRs are initiated by a third party, typically a competitor of the patent owner.<sup>212</sup> Moreover, the proceeding contains many of the safeguards for its participants that district court litigation does, including the prevention of harassment, clear pleading rules, and impartial, politically-insulated decisionmakers.<sup>213</sup>

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207. For a discussion of PTAB rulings on state sovereign immunity’s applicability in IPRs, including *Covidien* and *Ericsson*, see *supra* Section I.B.2. In those cases, PTAB focused on the similarity between IPRs and district court litigation on its way to finding that state sovereign immunity applies. See *supra* Part III for further discussion of PTAB’s and the Federal Circuit’s decisions finding that tribal sovereign immunity does not apply in an IPR proceeding because of its dissimilarity to district court litigation.

208. While PTAB’s original holding that tribal sovereign immunity does not apply in IPRs focused on the difference between tribal and state sovereign immunity, the Federal Circuit’s decision did not.

209. For PTAB’s proper analysis of why IPR is similar to district court litigation, see *supra* Section I.B.2.

210. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., *supra* note 10.

211. See *supra* Section I.B.2.

212. *Inter Partes Review*, U.S. PAT. & TRADEMARK OFF., *supra* note 10 (presenting, on the government’s own website, the procedure for how this “trial proceeding” is conducted); see also Peter Harter & Gene Quinn, *How IPR Gang Tackling Distorts PTAB Statistics*, IPWATCHDOG (Apr. 5, 2017), <https://www.ipwatchdog.com/2017/04/05/ipr-gang-tackling-distorts-ptab-statistics/id=81816> (explaining the process by which third parties can initiate IPR proceedings).

213. See 35 U.S.C. §§ 311–314 (2012) (revealing the adversarial nature of the proceeding); 37 C.F.R. § 42.51–.52 (2018) (laying out IPR discovery procedures); Alex Chan, *Are Administrative Patent Judges Properly Appointed Under the Appointments Clause?*, AM. B. ASS’N (Feb. 15, 2019), <https://www.americanbar.org/groups/litigation/committees/minority-trial-lawyer/articles/2019/are-administrative-patent-judges-properly-appointed-under-the-appointments-clause> (“PTAB judges exercise significant independent discretion, are not removable from the competitive service except for cause.”); see also *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-1274, 2017 WL 4015009, at \*8–11 (P.T.A.B. Jan. 25, 2017) (“[C]onsidering the nature of inter partes review and civil

Further, the Code of Federal Regulations even provides IPR practitioners with a “trial practice” guide for when they appear “before the patent trial and appeal board,”<sup>214</sup> further indicating the specific design of IPR practice to be modeled on civil litigation. A review of the legislative history surrounding the creation of IPRs is consistent with this. The framers of the process envisioned IPRs as adjudicative proceedings, not an enforcement proceeding.<sup>215</sup> Congressional intent appears to have been that “IPRs [are] to serve as a substitute for district court litigation with respect to the key issue of validity.”<sup>216</sup> Based on the similarities of IPR and district court litigation, the *FMC* framework should apply, meaning that sovereign immunity can be invoked in an IPR from a legal standpoint.<sup>217</sup>

Beyond just the improper conception of IPRs adopted by PTAB and the Federal Circuit in this case, state and tribal sovereign immunity do not differ enough for this result. In fact, while there are legal differences between tribal and state sovereign immunity, any legal difference between the doctrines should actually break in favor of tribal immunity for both legal and normative reasons.

First, tribes were not present at the original Constitutional Convention. While they were considered during the drafting of the Constitution and by the early U.S. governments in treaty discussions,<sup>218</sup> tribes did not have any actual input into either the drafting or the ratification of the Constitution. This is quite unlike states, which played an essential role in both drafting and ratification.<sup>219</sup> Given states’ roles in the drafting of the Constitution, a state sovereign immunity doctrine has developed which says that states can be

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litigation, [PTAB] conclude[d] that the considerable resemblance between the two is sufficient to implicate the immunity afforded to the States by the Eleventh Amendment.”)

214. See 37 C.F.R. § 42 (2018) (laying out the procedure for a PTAB trial).

215. See 157 CONG. REC. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (“One important structural change made by the present bill is that inter partes reexamination is converted into an adjudicative proceeding in which the petitioner, rather than the [USTPO], bears the burden of showing unpatentability.”).

216. Joel Sayres & Julie Wahlstrand, *To Stay or Not to Stay Pending IPR? That Should Be a Simpler Question*, 17 CHI.-KENT J. INTELL. PROP., no. 3, 2018, at 52, 59.

217. It is true that there are some dissimilarities between IPRs and civil litigation as well, but these dissimilarities are limited to procedures, rather than the main substance between them, and largely reflect the somewhat more limited nature of the IPR proceeding. It is then important to note that per PTAB, “there is no requirement that the two types of proceedings be identical for sovereign immunity to apply to an administrative proceeding.” *Covidien*, 2017 WL 4015009, at \*11.

218. See, e.g., *Relations with Native Americans*, LIBRARY OF CONG., <https://www.loc.gov/collections/continental-congress-and-constitutional-convention-from-1774-to-1789/articles-and-essays/to-form-a-more-perfect-union> (last visited Apr. 3, 2019).

219. See, e.g., *The Constitutional Convention of 1787*, UNIV. OF MO.-KANSAS CITY SCH. L., <http://law2.umkc.edu/faculty/projects/ftrials/conlaw/convention1787.html> (last visited Apr. 3, 2019).

found to have given up their immunity in some contexts in the “plan of the convention.”<sup>220</sup> While this is a limited doctrine in the state sovereign immunity context—state sovereign immunity case law is largely grounded in the Eleventh Amendment—it does not apply to tribes. Tribes were not present at the convention and, thus, cannot be said to have waived any immunity in the “plan of the convention.” Therefore, in many respects, tribal sovereign immunity is broader than state.<sup>221</sup>

Second, the Supreme Court, in both *Kiowa* and *Bay Mills*, has made it clear that absent actual waiver by a tribe, tribal sovereign immunity does not apply only when Congress has clearly decided to abrogate it. Here, no abrogation occurred, despite former Senator Claire McCaskill introducing legislation to do so. When introducing her legislation, she expressed outrage that it was “one of the most brazen and absurd loopholes I’ve ever seen, and it should be illegal.”<sup>222</sup> However, since the bill was introduced in October 2017, it has not made any progress in Congress. This possibly reflects its status a low priority item for a Congress that has issues passing legislation higher on its priority list. In addition, Congress has been hesitant in the past to abrogate tribal sovereign immunity. As mentioned in *Bay Mills*, Congress considered abrogating tribal sovereign immunity in the context of commercial, off-reservation activity, but declined to act despite the potentially bad consequences of allowing tribes to engage in such commercial activity without the possibility of being held accountable in court. Given congressional silence in the face of knowing about the problem, courts should be wary of taking actions that fly in the face of Congress’s decision, especially given the Supreme Court’s emphasis on deferring to Congress on issues of tribal sovereign immunity.

Yet beyond these legal issues, there are normative reasons to be concerned about as well. First, courts should be wary of abrogating tribal sovereignty because they should wish to show tribes their due respect as sovereigns. Courts should not want to damage the financial health of the tribes; statistics show poor economic health in tribal territory. For example, “[f]ive of the poorest [ten] counties in the United States are in Indian

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220. See, e.g., *Blatchford v. Native Vill. of Noatak*, 501 U.S. 775, 779 (1991) (“[A] State will therefore not be subject to suit in federal court unless it has consented to suit, either expressly or in the ‘plan of the convention.’” (citation omitted)).

221. Of course, this is only true in those areas where tribal sovereign immunity has not been abrogated.

222. Meg Tirrell, *More Scrutiny for Allergan over Native American Tribe Deal*, CNBC (Oct. 2, 2017, 6:31 PM), <https://www.cnbc.com/2017/10/02/more-scrutiny-for-allergan-over-native-american-tribe-deal.html>.

country.”<sup>223</sup> Therefore, courts should tread lightly when considering any action that could economically cripple a tribe, including taking away their tribal sovereign immunity in IPRs, which puts them at a disadvantage compared to states. States are still able to take advantage of their sovereign immunity in IPRs and, thus, as discussed in Section II.A, would have strong incentives to engage in these deals with patent owners.

Further, a key reason to promote the doctrine of sovereign immunity is to show the sovereign the respect that it is owed as a sovereign. Treating tribes and states differently here sends the message that tribes are lesser sovereigns than states. Given a long history of tribal oppression in the United States, effort should be made to foster respect owed to these sovereign entities. Legal rules that do the opposite should be renounced or, at least, reconsidered.

## 2. Addressing the Inconsistency

The Supreme Court should review and reverse the Federal Circuit ruling, allowing tribal sovereign immunity to apply in IPRs. In late 2018, Saint Regis appealed the Federal Circuit ruling to the Supreme Court.<sup>224</sup> There is a possibility that “[t]his case is headed for the Supreme Court,”<sup>225</sup> where it will likely be reversed. This is the most desirable option available because it accomplishes several things. First, it puts tribes and states back on an even playing field when it comes to IPR sovereign immunity. This is beneficial because being able to assert sovereign immunity in an IPR proceeding is an economic benefit, as evidenced by how the Saint Regis tribe and others began to eagerly promote this service.<sup>226</sup> In addition, it reinstates tribes as equal sovereigns to states, thus allowing them to regain respect that is owed to them as sovereigns.

In the absence of Supreme Court intervention, PTAB and the Federal Circuit could reverse their view on state sovereign immunity.<sup>227</sup> This

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223. Juana Summers, *Looming Trump Budget Cuts Deepen Distress on Pine Ridge*, CNN (May 28, 2017, 10:49 AM), <https://www.cnn.com/2017/05/27/politics/indian-reservation-trump-budget/index.html>.

224. Petition for Writ of Certiorari, *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.* (No. 18-899) (U.S. Jan. 11, 2019); *St. Regis Mohawk Tribe Appeals Loss in Patent Case to Supreme Court*, INDIANZ.COM (Jan. 16, 2019), <https://www.indianz.com/News/2019/01/16/st-regis-mohawk-tribe-appeals-loss-in-pa.asp>.

225. Gene Quinn, *Federal Circuit Rules Tribal Sovereign Immunity Cannot Be Asserted in IPRs*, IPWATCHDOG (July 20, 2018), <https://www.ipwatchdog.com/2018/07/20/federal-circuit-tribal-sovereign-immunity-cannot-asserted-iprs/id=99504>.

226. See, e.g., *supra* note 155 and accompanying text.

227. This assumes that neither plan on reversing course on tribal sovereign immunity. The Federal Circuit denied a petition to rehear the case en banc. Matthew W. Johnson, *PTAB Denies Stay Pending*

alternative response would require PTAB to reverse course and disallow state sovereign immunity from applying in IPRs. While this is not normatively desirable, this would be the response most consistent with the Federal Circuit's approach in *Saint Regis*, given how it framed IPRs as an enforcement proceeding.<sup>228</sup> However, the Federal Circuit's *Saint Regis* opinion suffers from serious flaws in how it conceives of IPRs—it is also flawed because it largely ignores tribal sovereign immunity case law—and, therefore, its legal error should be reversed rather than extended, making this an undesirable option even though it has the benefit of putting tribes and states on an even playing field in IPRs.

### CONCLUSION

In order to ensure that tribes are respected as co-sovereigns, tribal sovereign immunity should be found to apply in IPRs. There has been no congressional abrogation and state sovereign immunity has typically applied in such proceedings. As such, the Allergan-Saint Regis deal should be upheld. The Supreme Court should reverse the Federal Circuit decision preventing Saint Regis from asserting its immunity for several reasons—the Federal Circuit misunderstood the essential adversarial nature of IPR proceedings, the Supreme Court's jurisprudence on state and tribal sovereign immunity, and the reasons underlying the sovereign immunity doctrine. This incorrect result is fundamentally unjust, treating sovereign tribes as lesser than states for no good reason. This improper ruling calls for immediate Supreme Court intervention and reversal.

In addition, the Allergan-Saint Regis deal highlighted many issues of pressing importance. Going forward, these issues are in need of more public debate—on topics such as the financial situation of tribes and issues patent owners have with IPR proceedings. Each problem requires further study, thought, and innovation to be properly solved. However, as a first step, the Supreme Court should step in and fix the errors of PTAB and the Federal Circuit, restoring the proper respect owed to tribe sovereigns.

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*Sovereign Immunity Cert Petition*, LEXOLOGY: PTAB LITIG. BLOG (Dec. 26, 2018), <https://www.lexology.com/library/detail.aspx?g=a28cb7cc-76b1-47ea-8364-0cf8d618ba1d>.

228. See *supra* Section III.B. (discussing the Federal Circuit's decision in the Saint Regis case).