

EYE SEE WHAT YOU'RE DOING: AN ANALYSIS OF ALLERGAN'S USE OF TRIBAL SOVEREIGN IMMUNITY TO EVADE IPR OF THEIR EYE PRODUCT, RESTASIS

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I. INTRODUCTION

In 2018, the Federal Circuit decided *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals (Allergan)*.¹ This case considered the applicability of tribal sovereign immunity as a defense during inter partes review (IPR) of a patent, and was a matter of first impression for the Patent Trial and Appeal Board (PTAB) and the Federal Circuit. Allergan, a pharmaceutical company and owner of the Restasis patents, sued generic pharmaceutical companies for patent infringement. The generic companies in turn petitioned for IPR of the Restasis patents and Allergan, to escape IPR, transferred their patents to the Saint Regis Mohawk Tribe (“Tribe”) for \$13.75 million, along with an annual \$15 million payment to the Tribe for exclusive license of the patents.² The patent transfer allowed Allergan to theoretically exploit sovereign immunity defenses and avoid IPR.

Before the cases were decided, Allergan’s actions were heavily criticized because it allowed Allergan to exploit sovereign immunity for financial gain. A Texas federal judge stated that “sovereign immunity should not be treated as a monetizable commodity.”³ Members of Congress criticized the deal and

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1. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018). This Note will refer to this case as the *Allergan* decision for clarity purposes because Allergan Plc. is the original owner of the Restasis patents.

2. Adam Davidson, *Why Is Allergan Partnering With The St. Regis Mohawk Tribe?*, NEW YORKER (Nov. 20, 2017), <https://www.newyorker.com/magazine/2017/11/20/why-is-allergan-partnering-with-the-st-regis-mohawk-tribe> [<https://perma.cc/B7MB-SPRJ>].

3. This judge invalidated some of the Restasis patents. *Id.*

called for the “abrogation of Native American sovereign immunity in patent-claim cases.”⁴

The loophole was ultimately unsuccessful and IPR was initiated. The PTAB later found that tribal sovereign immunity is not an acceptable defense during IPR. Allergan and the Tribe appealed the case and the Federal Circuit affirmed the PTAB’s decision.

When the Federal Circuit announced its decision, many commentators felt that the court reached the correct outcome.⁵ However, even though the court likely reached the optimal decision, there are many problems with the opinion. First, the Federal Circuit reached its outcome based on a state sovereign immunity case. Second, it created unclear precedent that was only recently clarified in *University of Minnesota v. LSI Corp. (LSI Corp.)*, which decided whether state sovereign immunity was an acceptable IPR defense.

This Note will explore these issues. Part I will discuss sovereign immunity, its forms, and the differing histories of state and tribal sovereign immunity. Part II will describe the *Allergan* case and the variances between the PTAB and Federal Circuit decisions. Part III will analyze *Allergan* and discuss why sovereign immunity is allowed as a defense in *some* agency adjudications. This Part will explore the history of sovereign immunity defenses and ask whether *Allergan* should fall under this category. It will then conclude by discussing discrete issues within the *Allergan* decision, including differences between state and sovereign immunity doctrines and controversial case law mentioned in the Federal Circuit’s opinion. Part IV will discuss *Covidien LP v. University of Florida Research Foundation Inc. (Covidien)*,⁶ *NeoChord, Inc. v. University of Maryland, Baltimore (NeoChord)*,⁷ and *LSI Corp. Covidien* and *NeoChord* are 2017 PTAB decisions where the Board allowed the use of state sovereign immunity as a

4. *Id.* Judge Jimmie Reyna stated that replication of Allergan’s actions “could harm the review procedures set up by Congress in 2011.” *Id.* Mark Freeman, a lawyer for the Department of Justice, called Allergan’s actions a shell game and advocated for IPR, despite Allergan’s argument of tribal sovereign immunity. *See* Decker, *supra* note 1.

5. *See* Alex Moss, *Federal Circuit Rejects Pharmaceutical Company’s Attempt to Dodge Review of its Patents*, ELECTRONIC FRONTIER FOUND. (July 23, 2018), <https://www EFF.org/deeplinks/2018/07/federal-circuit-rejects-pharmaceutical-companys-attempt-dodge-review-its-patents> [https://perma.cc/H3QK-JUJK]; *see* Decker, *supra* note 1.

6. *See generally* *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-01274, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017) (finding that state sovereign immunity is a valid defense during IPR based on *Federal Maritime Commission v. South Carolina State Ports Authority (FMC)*, a Supreme Court case stating when sovereign immunity is acceptable during agency adjudications).

7. *See generally* *NeoChord, Inc. v. Univ. of Md., Baltimore*, No. IPR2016-00208 (P.T.A.B. May 23, 2017) (finding that the Patent Act did not abrogate state sovereign immunity and that state sovereign immunity is an acceptable defense during IPR).

defense during IPR.⁸ *LSI Corp.* overturned *Covidien* and *NeoChord* and found that state sovereign immunity is not an acceptable IPR defense.⁹ *LSI Corp.* relied heavily on *Allergan* in reaching its decision without much analysis of state sovereign immunity. It also did not address how state sovereign immunity is similar to or varies from tribal immunity.¹⁰ Part IV will then conclude by looking at the “Additional Views” section in *LSI Corp.*, which discusses in rem proceedings. Part V will conclude the Note and highlight the complexity of *Allergan* and *LSI Corp.* In the quest to close loopholes, the Federal Circuit opened a sort of Pandora’s box. Even though two discrete questions were answered, (i.e., does tribal or state sovereign immunity apply in IPR), it opened the court up to many questions about the applicability of sovereign immunity in different types of proceedings. Many of these questions may be answered if the Supreme Court accepts the University of Minnesota’s writ of certiorari in *LSI Corp.* However, until that case or a similar case is taken up on appeal, we are left with two answers and many open questions.

II. BACKGROUND ON SOVEREIGN IMMUNITY

Sovereign immunity is a complicated doctrine that underlies the entire *Allergan* opinion. To provide background on the case and the issues in both *Allergan* and *LSI Corp.*, which relies heavily on *Allergan*’s analysis, this Part will give a brief background on tribal and state sovereign immunity. This background will discuss the history of both doctrines and why state and tribal sovereign immunity may be treated differently. It will also elucidate how state sovereign immunity has become, in some ways, stronger than tribal sovereign immunity and how this affects the *Allergan* decision.

A. SOVEREIGN IMMUNITY

“Sovereign immunity is a government’s right not to be haled into court without its consent.”¹¹ It is a principle “derived from English law, which assumes that ‘the King can do no wrong.’”¹² In modern times, U.S. legal

8. These cases are relevant because *Covidien* lays out the framework established by *FMC*, a case relied on in the *Allergan* decision, and uses this framework in reaching its conclusion. *NeoChord*, on the other hand, relies on an analysis of the Patent Act in reaching its decision. These are issues that come up in the PTAB and Federal Circuit *Allergan* decisions. *See id.*; *Covidien*, 2017 WL 4015009.

9. *See* Univ. of Minn. v. LSI Corp., 926 F.3d 1327 (Fed. Cir. 2019).

10. *See id.*

11. William Baude, *Sovereign Immunity and the Constitutional Test*, 103 VA. L. REV. 1, 4 (2017).

12. Erwin Chemerinsky, *Against Sovereign Immunity*, 53 STAN. L. REV. 5, 1201 (2001).

scholars have justified its current existence under both common law and the Constitution.¹³

B. TRIBAL SOVEREIGN IMMUNITY

Tribal immunity is a subset of sovereign immunity law available to Indian nations because of their sovereign status. It arises under federal common law and grants “immunity from suit traditionally enjoyed by sovereign powers.”¹⁴ This power immunizes Indian nations “from lawsuits or court processes in both state and federal court” and protects tribes from lawsuits initiated by states.¹⁵ However, this power is not omnipotent and tribes can become parties in a lawsuit in three ways. First, tribes are not protected in suits initiated by the United States.¹⁶ Second, tribes can waive sovereign immunity.¹⁷ Waiver must be sufficiently clear and can occur voluntarily or through clauses in certain documents.¹⁸ But, waiver does not necessarily apply indefinitely or to all proceedings. Tribes may still maintain immunity with respect to other claims, even if they participated in a case where they previously waived immunity.¹⁹ For example, a tribe’s decision to participate in administrative law proceedings does not preclude them from claiming immunity if another party seeks review of the agency’s decision.²⁰

Third, Congress can abrogate sovereign immunity.²¹ Since 1891, Congress has authorized lawsuits against Indian nations through explicit pieces of legislation that abrogate immunity powers.²² To do this, Congress must unequivocally express its desire to abrogate tribal sovereign immunity through legislation.²³ It is important to note that abrogation of tribal immunity operates

13. See Baude, *supra* note 11, at 4–8 (arguing multiple justifications for sovereign immunity).

14. COHEN’S HANDBOOK OF FEDERAL INDIAN LAW, § 7.05(1)(a) (Nell Jessup Newton ed., 2017) [hereinafter Cohen’s Handbook].

15. *Id.*

16. *Id.*

17. *Id.* at § 7.05(1)(c).

18. *Id.* Waiver was first established in *C & L Enterprises v. Citizen Band Potawatomi Indian Tribe*, where the Supreme Court allowed a tribe to enter a lawsuit because the tribe’s waiver of sovereign immunity was sufficiently clear. In addition to the waiver in *C & L*, which occurred through an arbitration clause, tribes can voluntarily waive their immunity. See Cohen’s Handbook, at § 7.05(1)(c); see generally *C & L Enters. v. Citizen Band Potawatomi Indian Tribe*, 532 U.S. 411 (2001) (finding that the tribe waived its sovereign immunity because it had agreed to a binding arbitration clause and therefore could not argue sovereign immunity).

19. *Id.*

20. *Id.*

21. *Id.* at § 7.05(1)(b).

22. *Id.*

23. *Id.*

similarly to abrogation of state immunity.²⁴ Controversially, some scholars argue that it is one of the few areas of the judicial system that has not increased the restrictions placed on Indian nations.²⁵

C. STATE SOVEREIGN IMMUNITY

Similar to tribal sovereign immunity, state sovereign immunity allows states not to be haled into court against their will because of their sovereign status.²⁶ However, unlike tribal immunity, state immunity has both common law and constitutional (Eleventh Amendment) underpinnings.²⁷

Like tribes, states can still be parties in litigation. This can occur through waiver²⁸ or abrogation via legislation.²⁹ To abrogate a state's sovereign immunity, Congress must unmistakably and clearly state in a statute that they intend to abrogate a state's rights.³⁰ This language appears to be stricter than congressional abrogation of tribal immunity. In practice, scholars argue that the bar for abrogating state immunity is *much* higher than that for tribes.³¹ Thus, it is harder for Congress to regulate states. This is an important distinction because states, unlike tribes, chose to give up their sovereignty.

24. *See id.* at § 7.05(2). Both state and tribal sovereign immunity must be abrogated through Congressional legislation. The legislation requires express intent by Congress to abrogate immunity.

25. *See* Gregory Ablavsky, *Tribal Sovereign Immunity and Patent Law*, STAN. L. SCH. BLOGS (Sept. 13, 2017), <https://law.stanford.edu/2017/09/13/tribal-sovereign-immunity-and-patent-law/> [<https://perma.cc/W29W-C6F3>]. *But see It's Not About Federalism #16: Tribal Sovereign Immunity*, BRENNAN CTR. FOR JUSTICE AT NYU SCH. OF L., https://www.brennancenter.org/sites/default/files/legacy/d/inaf_16.pdf [<https://perma.cc/4YFH-RQCW>] (last visited Dec. 16, 2018).

26. Baude, *supra* note 11, at 4.

27. It is important to highlight that state sovereign immunity is a controversial doctrine. Unlike tribes, states chose to give up their sovereignty when they entered the union of the United States. Thus, by joining, states freely gave up sovereign power. This is different from Indian nations, who did not willingly give up sovereignty to the United States. This fact is important for understanding the ethical issues at play in scenarios where state and tribal immunity are treated differently. *See id.* at 4–6.

28. *Sovereign Immunity*, CORNELL LEGAL INFO. INST., https://www.law.cornell.edu/wex/sovereign_immunity [<https://perma.cc/F4ZV-54ZA>] (last visited Dec. 14, 2018).

29. Cohen's Handbook, *supra* note 14, at § 7.05(2).

30. *Id.*

31. The term 'unequivocal' is used for describing the level of intent required by Congress to abrogate tribal sovereign immunity. However, for states, the term 'unmistakably' is used. *See id.* at § 7.05(1)(a); *see also id.* at § 7.05(2); BRENNAN CTR. FOR JUSTICE AT NYU SCH. OF L., *supra* note 25 ("It therefore seems a bit odd that states' sovereign immunity should be impervious even to explicit abrogation under a law that is indisputably within Congress's enumerated powers, while Congress can revoke Indian tribes' sovereign immunity at will under a nontextual "plenary power" over Indian affairs.").

III. THE *ALLERGAN* DECISION

A. PTAB'S DECISION

The case at the heart of this Note is *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, which was a controversial issue of first impression for the PTAB and Federal Circuit. This decision arises from a multi-faceted dispute between Allergan, the patent owner of the eye treatment Restasis, and multiple generic drug manufacturers.³² In 2015, Allergan sued appellees Teva Pharmaceuticals, Mylan Pharmaceuticals, and Akorn, Inc. (generic companies) for patent infringement.³³ This came after the companies filed Abbreviated New Drug Applications (ANDAs) for the Restasis patents.³⁴ In June 2016, Mylan, followed by Teva and Akorn, petitioned for IPR of Allergan's patents.³⁵ Before the oral hearings occurred, Allergan entered into an agreement with the Saint Regis Mohawk Tribe ("Tribe"), which transferred the Restasis patents from Allergan to the Tribe.³⁶ As part of the Patent License Agreement, the Tribe was given \$13.75 million upfront and \$15 million annually to exclusively license the patents to Allergan.³⁷ The Tribe also agreed to a limited waiver of sovereign immunity for actions brought by Allergan in relation to the Restasis patents.³⁸

After the USPTO recorded the transfer, the Tribe moved to terminate IPR proceedings based on the defense of sovereign immunity, and Allergan moved to withdraw.³⁹ However, both motions were denied.⁴⁰ Allergan's motion was denied because the PTAB still viewed Allergan as a patent owner even after the transfer of the patents to the Tribe.⁴¹ The Tribe's motion, on the other hand, was denied for four main reasons.⁴²

First, the PTAB found that "There Is No Controlling Precedent or Statutory Basis for the Application of Tribal Immunity in *Inter Partes* Review

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

33. *Id.* at 1325.

34. *Id.*

35. *Id.*

36. *See Mylan Pharms., Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950 (P.T.A.B. Feb. 23, 2018) at *2–3 [hereinafter *Mylan* (PTAB-Tribe)] (referring to the denial of the Tribe's motion to dismiss). Allergan's motion to dismiss will be referred to as *Mylan* (PTAB-Allergan). These distinctions are to help distinguish from each other and from the short cite for the Federal Circuit case.

37. *See Mylan* (PTAB-Tribe), 2018 WL 1100950, at *2; Davidson, *supra* note 2.

38. *Id.*

39. *Allergan*, 896 F.3d at 1325.

40. *Id.*

41. *See Mylan Pharms., Inc. v. Saint Regis Mohawk Tribe* (PTAB-Allergan), No. IPR2016-01127, 2018 WL 1055669, at *1 (Feb. 23, 2018).

42. *See Mylan* (PTAB-Tribe), 2018 WL 1100950 at *3–15.

Proceedings.”⁴³ The Board found that *Federal Maritime Commission v. South Carolina State Ports Authority (FMC)*,⁴⁴ a Supreme Court case relied on by the Tribe, is not binding precedent.⁴⁵ *FMC* was not applicable because it dealt with state sovereign immunity and the Tribe did not demonstrate precedent as to why *FMC* should apply to tribal immunity.⁴⁶ Further, the PTAB, citing previous PTAB precedent, cautioned against the use of non-statutory defenses during IPR.⁴⁷ The Board then highlighted how tribal sovereign immunity lacks a statutory basis, unlike state sovereign immunity which has both statutory authority and controlling precedent.⁴⁸

Second, the PTAB found that “Tribal Immunity Does Not Apply to *Inter Partes* Review Proceedings.”⁴⁹ The Patent Act allows the Patent Office to grant patents and to “reconsider the patentability of those [patent] claims via *inter partes* review.”⁵⁰ The PTAB found that tribal sovereignty is subject to the “superior and plenary control of Congress” and highlighted that all patent owners are subject to the requirements of the Patent Act.⁵¹ Since Congress maintains control over Indian nations and passed legislation binding any patent owner, the Tribe is subject to IPR proceedings. The PTAB also mentioned that there are only “limited exceptions when a generally applicable federal statute should not apply to tribes.”⁵² However, none were applicable and “*inter partes* review

43. *Id.* at *3.

44. *See generally* Fed. Mar. Comm’n v. S.C. State Ports Auth., 535 U.S. 743 (2002) (finding that state sovereign immunity was a valid defense during the agency adjudication because it mirrored civil litigation).

45. *Mylan* (PTAB-Tribe), 2018 WL 1100950, at *3.

46. *Id.* (citing *FMC*, 535 U.S. at 754–56). The PTAB also cited *Kiowa*, a Supreme Court case which stated that “the immunity possessed by Indian Tribes is not co-extensive with that of the States.” This further bolsters the PTAB’s holding by justifying the distinction between state immunity and tribal immunity. *Id.* at *4 (quoting *Kiowa Tribe of Okla. v. Mfg. Tech., Inc.*, 523 U.S. 751, 756 (1998)).

47. *Id.*

48. *Id.*

49. *Id.*

50. *Id.*

51. *Id.* (quoting *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978)).

52. *Id.* at *5. The PTAB, quoting Ninth Circuit precedent, highlighted that “[a] federal statute of general applicability that is silent on the issue of applicability to Indian tribes will not apply to them if: (1) the law touches ‘exclusive rights of self-governance in purely intramural matters’; (2) the application of the law to the tribe would ‘abrogate rights guaranteed by Indian treaties’; or (3) there is proof ‘by legislative history or some other means that Congress intended [the law] not to apply to Indians on their reservations.’”

Id. at *5 (quoting *Donovan v. Coeur d’Alene Tribal Farm*, 751 F.2d 1113, 1116 (9th Cir. 1985)) (quoting *U.S. v. Farris*, 624 F.2d 890, 89–94 (9th Cir. 1980)).

proceedings do not interfere with the Tribe's 'exclusive rights of self-governance in purely intramural matters.'⁵³

Further, the PTAB noted that they do not "exercise personal jurisdiction over the patent owner. At most, the Board exercises jurisdiction over the challenged patent in an *inter partes* review proceeding. Thus, the Tribe cannot be compelled to appear as a party in these proceedings" which, in theory, prevents almost any claim of immunity during IPR.⁵⁴

Third, the PTAB found that tribal sovereign immunity does not comport with the structure of IPR.⁵⁵ This is exemplified by the fact that the PTAB continues analysis of patentability even after parties settle.⁵⁶

Finally, "The Tribe Is Not an Indispensable Party," and allowing their motion to dismiss would not end IPR.⁵⁷ The Tribe cites Rule 19(b) of the Federal Rules of Civil Procedure (FRCP) to argue that they are an indispensable party that cannot be joined.⁵⁸ However, the FRCP is not used during IPR and is only instructive.⁵⁹ The Board found that "mere assertion of tribal immunity requires automatic termination of these proceedings" and "that Allergan has at least an identical interest to the Tribe—if not *more* of an interest as the effective patent owner . . . in defending the challenged patents."⁶⁰ Thus, regardless of whether the Tribe can assert immunity, IPR can continue with Allergan, who maintains similar, if not the same goals, as the Tribe.⁶¹

B. FEDERAL CIRCUIT'S DECISION

The Federal Circuit adopted a very different analysis than the PTAB, but still ultimately found that sovereign immunity is not an acceptable defense during IPR.⁶² Mainly, the court focused on the nature of IPR and emphasized that IPR is a hybrid proceeding that has a different purpose than district court

53. *Id.* at *5 (quoting *Donovan*, 751 F.2d at 1116). To further bolster this point, the PTAB also stated that tribes do not have immunity in other types of administrative proceedings that enforce federal statutes. They found that "tribal immunity is generally not asserted in administrative proceedings because tribes cannot impose sovereign immunity to bar the federal government from exercising its trust obligations." *Id.* (quoting *Quileute Indian Tribe v. Babbitt*, 18 F.3d 1456, 1459 (9th Cir. 1994)).

54. *Id.* at *6.

55. *See id.* at *4–5.

56. *See id.* at *7.

57. *Id.* at *13.

58. *Id.*

59. *Id.* at *14.

60. *Id.*

61. *See id.* at *7.

62. *See generally* *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018) (finding that tribal sovereign immunity is not an acceptable defense during IPR).

litigation.⁶³ The Federal Circuit narrowed its focus and looked at whether IPR was a type of action that would allow sovereign immunity rather than analyzing how tribal sovereign immunity comports with IPR. This analysis is important because sovereign immunity can be a successful defense in agency actions when the adjudications are similar to district court litigation.⁶⁴ The court ultimately noted that IPR has more similarities to an agency enforcement action, and that tribal sovereign immunity is ultimately not implicated.⁶⁵

In reaching its decision, the Federal Circuit looked to a number of cases to demonstrate the hybrid nature of IPR. First, the court cited *SAS Institute v. Iancu* (*SAS Institute*), which is a 2017 Supreme Court case which stated that IPR “mimics civil litigation.”⁶⁶ The court also mentioned the 2017 Supreme Court case, *Oil States Energy Services, LLC v. Greene’s Energy Group*, which notes the “government’s central role in IPR” proceedings.⁶⁷

To fully determine if IPR is more akin to agency adjudication or district court litigation, the court analyzed *FMC*. In *FMC*, the Court compared the proceedings before the Federal Maritime Commission to civil litigation.⁶⁸ The Court ultimately found that state sovereign immunity is an appropriate defense because of the similarities between the proceedings.⁶⁹ Relying on that analysis, the Federal Circuit in *Allergan* cited four main reasons why tribal sovereign immunity was not an acceptable defense during IPR.⁷⁰

First, the court cited the integral role of the Director of the USPTO.⁷¹ The Director is a federal official that has complete discretion on whether or not to institute IPR.⁷² District courts and certain agencies, like the Federal Maritime

63. *See id.* at 1326, 1334; *see* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143–44 (2016).

64. *Allergan*, 896 F.3d at 1325 (citing *E.E.O.C. v. Karuk Tribe Hous. Auth.*, 260 F.3d 1071, 1075 (9th Cir. 2001)).

65. *See id.* at 1327.

66. *Id.* at 1327 (quoting *SAS Inst. v. Iancu*, 138 S. Ct. 1348, 1352 (2017)); *see generally* *SAS Inst.*, 138 S. Ct. at 1352 (holding that the USPTO has to give a final written decision for every claim of patentability brought by a petitioner).

67. *Allergan*, 896 F.3d at 1327 (Fed. Cir. 2018); *see generally* *Oil States Energy Servs., LLC v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1370 (2017) (holding that IPRs do not infringe on the civil right to an Article III court or trial by jury).

68. *See generally* *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743 (2002) (holding that state sovereign immunity is a valid defense during the Federal Maritime Commission’s proceedings because the proceeding was akin to civil litigation).

69. *Id.*

70. *See Allergan*, 896 F.3d at 1327. The Court did not cite these as the *FMC* factors but discussed *FMC* when analyzing each point.

71. *Id.*

72. *Id.*

Commission, have “no discretion to refuse to hear the suit.”⁷³ The *FMC* Court found that discretion in hearing suits weighs against immunity.⁷⁴

Second, the Federal Circuit stated that the parties’ role in IPR proceedings, specifically the ability for the PTAB to continue proceedings even after petitioners settle or choose not to participate, demonstrates that immunity does not apply during IPR.⁷⁵ IPR can continue after settlement and without patent owners.⁷⁶ This is not possible in district court litigation and makes IPR less synonymous to civil litigation.

Third, “USPTO procedures in IPR do not mirror the Federal Rules of Civil Procedure.”⁷⁷ Correlation to the FRCP was a determinative factor in *FMC* and the variance here helped persuade the court that IPR proceedings were not similar enough.⁷⁸

Finally, Congress did not necessarily contemplate the application of tribal immunity to IPR proceedings.⁷⁹ Inquisitorial proceedings do not naturally allow immunity and “[t]he Tribe acknowledged that sovereign immunity would not apply in ex parte or inter partes reexamination proceedings.”⁸⁰ Additionally, tribes may not bar actions by more superior sovereigns, like the United States.⁸¹ Thus, these points weighed against immunity claims here.⁸²

Concurring, Judge Dyk affirmed the majority and explored the history of IPR in even greater detail to demonstrate why sovereign immunity does not apply during IPR.⁸³ He stated that the systems created before IPR, ex parte reexamination and inter partes reexamination, did not allow sovereign immunity as a defense.⁸⁴ This fact, and the connection between IPR and the previous structures, highlight how sovereign immunity is an unacceptable defense during IPR.⁸⁵

73. *Id.*

74. *Id.*; see generally *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743 (2002) (finding that state sovereign immunity is a valid defense during an agency proceeding if the proceeding is akin to civil litigation).

75. *Allergan*, 896 F.3d at 1328.

76. *Id.*

77. *Id.*

78. *Id.* at 1328–29.

79. *Id.* at 1329.

80. *Id.*

81. *Id.*

82. *Id.*

83. See *id.* (Dyk, T., concurring) (“[H]istory . . . confirms that those proceedings are not adjudications between private parties.”).

84. *Id.* at 1335 (stating sovereign immunity, not tribal sovereign immunity).

85. *Id.*

IV. ANALYSIS OF *ALLERGAN* AND SOVEREIGN IMMUNITY DEFENSES IN AGENCY ADJUDICATIONS

The Federal Circuit was correct in finding Allergan's infamous use of tribal sovereign immunity to be inappropriate. However, the Federal Circuit decision did not address the underlying issues present. The opinion only looks at how *FMC*'s multi-factor balancing test weighs an agency adjudication. It doesn't look at *why* certain agency adjudications have sovereign immunity to begin with. Without an analysis of the underlying purposes, which often serve as "goals" guiding the inquiry, multi-factor tests such as those of *FMC* become somewhat suspect. If a judicial body doesn't know the reason for each factor of a test and the weight each factor should be given, then the "weight" of each factor becomes arbitrary and open to discretion.

The holes in the Federal Circuit's decision can be broken down into three issues. First, the court should have looked at why sovereign immunity is acceptable in some agency adjudications. Second, the court should have analyzed whether case law on state sovereign immunity is applicable. The history of tribal sovereign immunity is quite different from state sovereign immunity and case law may not apply. Finally, the court should have distinguished case law that found IPR to be akin to Article III court proceedings.

If these issues were addressed, the opinion would truly analyze why tribal sovereign immunity defenses should not apply in IPR: not just apply a malleable multi-factor test that reaches a decision on somewhat opaque grounds.

A. WHY SOVEREIGN IMMUNITY DEFENSES ARE ALLOWED IN SOME AGENCY ADJUDICATIONS

There is little jurisprudence on why sovereign immunity is an acceptable defense during an agency adjudication. However, in 2002, the Supreme Court decided *FMC*,⁸⁶ a controversial case that greatly expanded state sovereign immunity and allowed its use in some agency adjudications.

Writing for a 5–4 majority, Justice Thomas found that state sovereign immunity may exempt states from some agency adjudications. In reaching this conclusion, Justice Thomas highlighted the unique "dual sovereignty" present in the United States.⁸⁷ To demonstrate the unique nature of state sovereign immunity, Justice Thomas entered into an analysis of the roots of the state sovereign immunity doctrine. He noted that when states entered the union of the United States, they maintained their sovereignty, which protected them

86. *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743 (2002).

87. *See id.* at 751.

from non-consensual private suits.⁸⁸ However, states were not actually protected from suit until passage of the Eleventh Amendment. This amendment was passed because the judiciary was upset by the Supreme Court opinion in *Chisholm v. Georgia*, which found that “authorized citizens of one State [could] sue another State in federal court.”⁸⁹

Over time, the Eleventh Amendment expanded beyond its original text, which, based on its specific language, only protects States from suits by citizens of other states.⁹⁰ In *Hans v. Louisiana*, the Supreme Court adopted the *Hans* assumption, which protects States from suits by its own citizens. In *FMC*, Justice Thomas describes the *Hans* presumption, which found “that the Constitution was not intended to ‘raise up’ any proceedings against the States that were ‘anomalous and unheard of when the Constitution was adopted.’”⁹¹ The majority then used this presumption to argue that some agency proceedings allow for use of the sovereign immunity doctrine if “they are the type of proceeding[] from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.”⁹²

This explanation is suspect because, in the majority’s previous paragraph, Justice Thomas highlights the fact that sovereign immunity only applies in proceedings the Framers envisioned and admits there were no private suits in administrative agencies until 1918.⁹³ However, ignoring the potential contradiction present, the *FMC* opinion ultimately found that the *Hans* presumption, and therefore state sovereign immunity, applies in proceedings the Framers believed immunity would apply to. There is little explanation on what proceedings or aspects of the proceedings the Framers were thinking of, which is something Justice Thomas acknowledges in his opinion.⁹⁴ However, the Court views Article III proceedings as the type the Framers would have allowed sovereign immunity to apply to. Thus, the *FMC* Court found that the

88. *See id.*

89. *Id.* at 752.

90. The 11th Amendment states: “The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by citizens of another state, or by citizens or subjects of any foreign state.” U.S. CONST. amend. XI. Based on the text itself, the amendment only protects states from suits by citizens of other states. *See id.*

91. *FMC*, 535 U.S. at 755 (quoting *Hans v. La.*, 134 U.S. 1, 18 (1890)).

92. *Id.* at 756.

93. *Id.* at 755.

94. Justice Thomas admitted that there was “a relatively barren historical record . . . [and] the relevant history does not provide direct guidance for our inquiry.” *Id.* He went on to articulate how “[t]he Framers, who envisioned a limited Federal Government, could not have anticipated the vast growth of the administrative state.” *Id.*

Hans presumption applies when an agency adjudication is similar to civil litigation.

This background is important for understanding why the *FMC* Court created a multi-factor test and demonstrates why *FMC* may not actually apply to the facts of *Allergan*. In regards to the multi-factor test, the *FMC* Court highlighted a variety of factors that make administrative law proceedings akin to Article III courts. Citing *Butz v. Economou*, the *FMC* Court noted that (1) administrative law judges (ALJ) have the same immunity as Article III judges; (2) ALJs have similar powers to Article III judges in regards to subpoenas, evidence rulings, regulating hearings, and making/recommending decisions; (3) agency adjudications have similar safeguards to civil proceedings; (4) proceedings are adversarial; (5) proceedings are “insulated from political influence”; (6) parties can plead using documented or oral evidence; and (7) “parties are entitled to know the findings on all of the issues of fact, law, or discretion presented on the record.”⁹⁵ The Court then turned to the Federal Maritime Commission’s proceedings. The majority mentioned the “remarkably strong resemblance to civil litigation in federal courts” and highlighted (1) the “quite similar” pleading rules; (2) how *FMC*’s adjudications mirror civil litigation discovery; (3) the ALJ’s role as an impartial arbitrator that can “arrange and give notice of hearing,” fix “the time and manner of filing briefs,” and can issue decisions (including decisions with reparations and attorney’s fees); and (4) the ability to review ALJ decisions.

Many of the points laid out by Justice Thomas apply to nearly every agency adjudication (for example, the ability of an ALJ to issue a decision). But, assuming the applicability of a multi-factor balancing test to an agency proceeding and to *Allergan* itself, the *Allergan* court chose specific criteria to focus on to reach their point. The *Allergan* court highlighted the Director’s role in initiating IPR, the ability for IPR to continue without parties, the differences between USPTO proceedings and the FRCP, and the fact that Congress did not contemplate tribal immunity applying to IPR. The points chosen by the Federal Circuit do not correlate to the extensive list of factors listed by the *FMC* majority. Further, there are many arguments that would support the opposite reading of IPR.

The PTAB in *Covidien v. University of Florida* relied on *FMC* and reached the opposite result of *Allergan* because it focused on completely different aspects.⁹⁶ The PTAB in *Covidien* highlighted seven “safeguards” mentioned in *FMC* used to determine whether IPR is akin to district court litigation. These safeguards include (1) adversarial nature; (2) neutral trier of fact; (3) use of oral and documented evidence; (4) transcript testimony; (5) “findings and conclusions

95. *Id.* at 756–57 (quoting *Butz v. Economou*, 438 U.S. 478, 513–14 (1978)).

96. *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-01274, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017).

on all of the issues of fact, law, or discretion presented on the record”; (6) similar rules of practice and procedure; and (7) a similar adjudicator.⁹⁷ Using *FMC*’s multi-step analysis, the PTAB in *Covidien* ultimately found that “the differences in pleadings, discovery, relief, standards, and jurisdictional and standing requirements” did not sufficiently distinguish IPR from civil litigation.⁹⁸ Thus, IPR proceedings are arguably like civil litigation because they are adversarial, operate with similar rules and procedures to civil litigation, and have similar adjudicators.⁹⁹

The question is, why did the Federal Circuit in *Allergan* mention *FMC*, but choose to weigh issues that the *FMC* court did not even mention? A possible reason is that the Federal Circuit viewed IPR very differently than the Federal Maritime Commission’s proceedings. This is a possible answer, but is unlikely because it would then make *FMC* altogether inapplicable. If the agency adjudications were so dissimilar as to warrant completely different factors, the *FMC* test would be pointless for *Allergan*. The *FMC* framework would likely only apply to a similar enough procedure and the deep convergence would shred the Federal Circuit’s opinion. Another, and more likely opinion, is that the court chose an opinion and worked backwards. There are two reasons that this is a likely scenario.

First, there is no plausible alternative reason the Federal Circuit would choose completely different factors than those laid out in *FMC*. The factors were chosen to highlight the differences between IPR and civil litigation. The PTAB in *Covidien* cited factors mentioned by *FMC* and how they demonstrate the similarities between IPR and civil litigation. By ignoring the similarities and highlighting four arguably extraneous points, the Federal Circuit demonstrated its desire to reach this outcome.

This is especially true with regards to the fourth point. The argument that Congress did not intend for tribal sovereign immunity to apply to IPR contradicts the point of the *Hans* presumption, which looks at how the *Framers* would have characterized a proceeding. Thus, the opinion of Congress is not important to the framework laid out by the *FMC* factors. In sum, there appears to be no argument for these specific points beyond the fact that the Federal Circuit wanted to reach the opinion it wanted.

Second, multi-factor tests rarely work because balancing many points without bias is extremely difficult. When presented with a list of factors, it is difficult to denote the most important. Even though the *Allergan* court focused on different points than the *FMC* Court, both courts still made value judgments about which points were the most important. Thus, the relative weight of each factor is largely subjective. This is especially true with a large

97. *Id.* at *3 (quoting and citing *FMC*, 535 U.S. at 756–59).

98. *Id.* at *9.

99. *Id.* at *9–10.

list of factors with no background guidance regarding which factors are the most important.

In sum, the Federal Circuit likely made its opinion based around the outcome they wanted. The *Allergan* court did not address the history of sovereign immunity in IPR, why *FMC* should apply, or why the specific factors of *FMC* were ignored. There was little discussion concerning why sovereign immunity applies in agency proceedings and exclusion of this weakens the Federal Circuit's opinion.

B. WHY DOES THIS APPLY TO SOVEREIGN IMMUNITY?

The second pitfall of the *Allergan* opinion is the fact that the court does not state why *FMC*, a state sovereign immunity decision, applies. The *Allergan* court simply states that “[a]lthough the precise contours of tribal sovereign immunity differ from those of state sovereign immunity, the *FMC* analysis is instructive.”¹⁰⁰ However, the court ignores the fact that the *entirety* of the *FMC* opinion is based on the *Hans* presumption, which is an application of the Eleventh Amendment. In short, the Federal Circuit does not do an analysis of why an agency proceeding should allow for sovereign immunity and forgets to explain why state sovereign immunity, a constitutional doctrine, should apply to a common law-based doctrine.

The reason the *FMC* court gives for the application of the *Hans* presumption centers around Eleventh Amendment-based sovereign immunity. As discussed above, tribes do not have constitutionally based immunity and the only support for tribal sovereign immunity exists under common law. But the Federal Circuit fails to articulate why the Eleventh Amendment, or at least jurisprudence based on the Eleventh Amendment, should apply in *Allergan*.

The easiest solution would have been for the court to articulate why sovereign entities should be afforded immunity, regardless of type of immunity, in some agency adjudications. The *FMC* majority stated that “if the Framers thought it an impermissible affront to a State's dignity to be required to answer the complaints of private parties in federal courts, we cannot imagine that they would have found it acceptable to compel a State to do exactly the same thing before [an] administrative tribunal.” In short, the core of the *FMC* decision allows *state* sovereign immunity because of the desire to protect a State's dignity because of *their* decision to join the union of the United States. This argument is amenable to tribes because they are entities with sovereign immunity and dignity and there would be an affront through litigation. Similar to states, tribes lost full sovereignty through the creation of the United States. Further, both states and tribes retained a level of dual sovereignty that allows protections in some scenarios. The main difference that

100. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322, 1326 (Fed. Cir. 2018).

prevents tribes from fully falling under the presumption highlighted by Justice Thomas is the source of their sovereignty. Even though the *FMC* majority only focuses on how the Eleventh Amendment supports a broad level of immunity for civil litigation-like agency adjudications, the theft of tribes' full sovereignty by the United States is arguably just as powerful as the Eleventh Amendment. Since tribes did not have a choice in ceding sovereignty, there are strong arguments that they should have greater sovereignty than states. However, Supreme Court precedent states that "the immunity possessed by Indian Tribes is not co-extensive with that of the States."¹⁰¹ Even though this complicates a potential Federal Circuit argument, the court still could have articulated a reasoning for applying a pseudo-*Hans* presumption that would support sovereign immunity in some agency adjudications and, in turn, application of an *FMC*-type analysis.

C. DISTINGUISHING SUPREME COURT PRECEDENT

The final pitfall of the *Allergan* decision is the court's avoidance of Supreme Court jurisprudence on IPR. The Federal Circuit mentions *SAS Institute*, but fails to discuss why the descriptions of IPR in that case are distinguishable from the analysis in *Allergan*.

SAS Institute states that IPR is a "new procedure [that] allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation."¹⁰² The process mimics civil litigation because a party must file a petition with all the claims in question to institute IPR.¹⁰³ Further, the patent owner has the opportunity to respond and the Director then decides whether or not to institute review based on the petitions.¹⁰⁴ If IPR is instituted, "the matter proceeds before the Board with many of the usual trappings of litigation. The parties conduct discovery and join issue in briefing and at an oral hearing."¹⁰⁵ Parties can also amend the patent, cancel a claim, or "settle their differences and seek to end the review."¹⁰⁶ In sum, the Supreme Court's statements highlight many similarities between civil litigation and IPR.

Inclusion of this case is interesting because, right before discussing *SAS Institute*, the court discussed *Oil States*, which highlighted the role of the USPTO Director in review. These cases were mentioned to demonstrate the hybrid nature of IPR. However, mentioning *SAS Institute*, without distinguishing it, weakened the Federal Circuit's argument. The *Allergan* court

101. *Mylan* (PTAB-Tribe), 2018 WL 1100950 at *4 (quoting *Kiowa Tribe of Okla. v. Mfg. Tech., Inc.*, 523 U.S. 751, 756 (1998)).

102. *SAS Inst., Inc. v. Iancu*, 138 S. Ct 1348, 1353 (2018).

103. *Id.*

104. *Id.*

105. *Id.* at 1353–54.

106. *Id.* at 1354.

specifically mentioned how “the [Supreme] Court emphasized the adjudicatory aspects of IPR and the way in which it ‘mimics civil litigation.’”¹⁰⁷ While the Federal Circuit thought that it was highlighting the hybrid nature of IPR, it effectively answered the question posed in *FMC*, which is whether an adjudication is more akin to an agency adjudication or civil litigation. If the court wanted to rely on *FMC*, it is confusing that they answer the question posed by that case in a way that undermines their opinion.

To solve this dilemma, the court should have distinguished *Allergan* from *SAS Institute*. The best way to do this would have been to focus on a part of the final reason they gave for distinguishing IPR from civil litigation. Specifically, the *Allergan* court should have highlighted the *Cuozzo* case. In this case, the Supreme Court “recognized [that] inter partes reexamination and IPR have the same ‘basic purposes, namely to reexamine an agency decision.’”¹⁰⁸ This point would have allowed the court to distinguish *SAS Institute* from the proceedings in *Allergan* because, at its core, IPR’s difference from civil litigation is not due to the arbitrary facts about discovery and correlation to the FRCP. Rather, the difference lies in the fact that IPR is a re-consideration of a given monopoly and nothing like an adversarial proceeding to begin with. Acknowledging this point would have vastly improved the Federal Circuit’s argument and would have dealt with the heart of the issue, which is whether an agency adjudication should allow sovereign immunity at all. It is important to note that this is not the strongest argument. However, as it stands, the Federal Circuit’s own statements undermine the opinion and any explanation would be better than the current lack thereof.

V. WHAT DOES THIS MEAN FOR SOVEREIGN IMMUNITY DEFENSES?

A. LSI CORP. ANSWERS ALLERGAN’S OPEN QUESTIONS

The *Allergan* decision reached the right outcome, but left open many unanswered questions. Namely, it did not answer whether state sovereign immunity defenses were acceptable in IPR. Before *Allergan* was decided, the PTAB, on at least two occasions, found that state sovereign immunity was an acceptable defense during IPR. In one case, *Covidien v. University of Florida Research Foundation*, the PTAB used the *FMC* framework to find that IPR is sufficiently close to civil litigation and states should be immune from these adjudications.¹⁰⁹ In another case, *NeoChord, Inc. v. University of Maryland*, the

107. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018) (quoting *SAS Inst.*, 138 S. Ct. at 1348).

108. *Id.* at 1329 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2018)).

109. *See Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-01274, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017) (finding that state sovereign immunity is a valid defense during IPR proceedings because of the similarities between IPR and civil litigation).

PTAB found that states were not bound by the Patent Act because there was no pattern of abuse by the states, and therefore states should be allowed to exert sovereign immunity in IPR.¹¹⁰ *NeoChord* had the opposite reasoning of the PTAB in *Allergan*, which found that tribal sovereign immunity was waived via the Patent Act.¹¹¹

Covidien and *NeoChord* reach different outcomes than the PTAB and the Federal Circuit in *Allergan*. This discrepancy is unique because, in *Covidien*, the PTAB weighed *FMC* in a completely different way than the *Allergan* court did. Additionally, in *NeoChord*, the PTAB found that the Patent Act did not abrogate state sovereign immunity because of a lack of abuse, while the PTAB in *Allergan* found abrogation of tribal sovereign immunity under the same Act.¹¹² Ignoring the differences between state and tribal sovereign immunity, *Covidien* and *NeoChord*, in short, reached the opposite outcomes of *Allergan*. Since the *Allergan* opinion did not clarify whether or not states could exert sovereign immunity during IPR, the *Covidien* and *NeoChord* decisions remained intact in the year between *Allergan* and another Federal Circuit case, *LSI Corp.*¹¹³

In the year between the *Allergan* decision and the *LSI Corp.* decision, it was unclear whether or not states could exert state sovereign immunity in IPR proceedings. This is problematic because it ran the risk of giving states more power than tribes, based on different analyses of IPR. Further, it theoretically allowed state sovereigns, like universities and companies who paid state sovereigns, to exploit sovereign immunity and degrade IPR. To rectify this, the Federal Circuit answered the question of whether state sovereign immunity is an acceptable IPR defense in *LSI Corp.* The court ultimately found that state sovereign immunity is not an acceptable defense during IPR.

In *LSI Corp.*, the Federal Circuit focused on a few main issues. First, the court focused on “Post-Issuance Administrative Proceedings,” like IPR.¹¹⁴ These procedures were created to help balance “the USPTO’s constrained resources and the absence of material outside input during the initial

110. See *NeoChord, Inc. v. Univ. of Md., Baltimore*, No. IPR2016-00208 (P.T.A.B. May 23, 2017) (finding that state sovereign immunity is a valid IPR defense); *Ericsson Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, (P.T.A.B. Dec. 19, 2017) (stating that state sovereign immunity is an acceptable IPR defense); *Mylan Pharms., Inc. v. Saint Regis Mohawk Tribe* (PTAB-*Allergan*), No. IPR2016-01127, 2018 WL 1055669, at *1 (Feb. 23, 2018).

111. See *Mylan* (PTAB-*Allergan*), 2018 WL 1055669, at *1.

112. See *NeoChord*, No. IPR2016-00208; see *Mylan* (PTAB-*Tribe*), 2018 WL 1100950.

113. Neither one of these cases was marked as precedential by the PTAB. Thus, they may have been influential, but were not technically precedential and binding on other PTAB decisions. Also, thus far, only one IPR decision has been marked as precedential. See *Inter Partes Review*, 35 U.S.C. § 311(a), *Precedential and Informative Decisions*, USPTO, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions> [<https://perma.cc/ZW8U-WNC8>] (last visited Nov. 16, 2019).

114. *Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1331 (Fed. Cir. 2019).

examination,” and a desire to have strong patents.¹¹⁵ Before post-issuance proceedings were created, “the only way the original patent grant could be challenged was in patent litigation in district court by a declaratory judgment action or as a defense in a patent infringement action.”¹¹⁶ Thus, before 1980, the only way to re-examine patents was costly litigation that required “a claim of infringement . . . by the patent owner.”¹¹⁷ The court also discussed the purpose of the America Invents Act, which was “to ‘improve patent quality and limit unnecessary and counterproductive litigation cost’ ” and IPR, which was made “to improve the inter partes reexamination process” and to allow third parties to reexamine claims with greater participation.¹¹⁸

Second, the Federal Circuit discussed state sovereign immunity. The court highlighted that the purpose of state sovereign immunity “is to accord States the dignity that is consistent with their status as sovereign entities.”¹¹⁹ The immunity is “neither derived from[,] nor is limited by, the terms of the Eleventh Amendment” and applies to proceedings brought by private parties and in agency adjudications.¹²⁰ The court also highlighted that they had recently decided whether tribal sovereign immunity applies in IPR and mentioned that “both ex parte and inter partes reexamination did not implicate sovereign immunity.”¹²¹

Third, the court went through the holding in *Allergan* and highlighted language from *Oil States* that describe IPR as “an adjudication of public rights . . . because it is in key respects a proceeding between the United States and the patent owner.”¹²² Thus, IPR “proceedings are not barred by state sovereign immunity[,] since sovereign immunity does not bar proceedings by the United States.”¹²³

Instead of an in-depth analysis of state sovereign immunity, the Federal Circuit largely relied heavily on *Allergan* and “conclude[d] that the differences between tribal and state sovereign immunity do not warrant a departure from the reasoning in” *Allergan*.¹²⁴ However, they did briefly address two arguments that were not highlighted in *Allergan*. First, the court, quoting *Oil States*, stated that “it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation in the executive

115. *Id.* at 1332.

116. *Id.* at 1333.

117. *Id.*

118. *Id.* at 1335 (quoting H.R. Rep. No. 112-98, pt. I, at 40 (2011)).

119. *Id.* at 1337 (quoting *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760, 765 (2002)).

120. *Id.* (quoting *Alden v. Maine*, 527 U.S. 706, 713 (1999)).

121. *Id.*

122. *Id.* at 1340.

123. *Id.*

124. *Id.*

proceeding of the Privy Council.”¹²⁵ Second, the court addressed the *Hans* presumption, which is the basis for the reasoning established in *FMC*. The *LSI Corp.* court found that “the *Hans* presumption applied to bar resolution of private disputes in an agency forum, [but] did not bar resolution of an agency enforcement action against a state that was initiated based on information supplied by a third party.”¹²⁶

B. EFFECT ON OTHER POST-ISSUANCE PROCEEDINGS

After its official opinion in *LSI Corp.*, Judges Dyk, Wallach, and Hughes included a section of “[a]dditional views.”¹²⁷ This section discussed in rem proceedings and distinguished IPR from other in rem proceedings, which often allow sovereign immunity defenses. Many in rem proceedings allow sovereign immunity defenses.

In rem proceedings largely deal with real property, versus public property issues. As a part of their addendum, the court’s additional views section distinguished how IPR varies from in rem proceedings, like “title-actions against state-owned real property,” which allow for sovereign immunity defenses, and highlighted how it matches in rem proceedings, like bankruptcy, which do not allow for sovereign immunity defenses.

The addition of an additional view section is an interesting aspect to the *LSI Corp.* decision and demonstrates the Federal Circuit’s desire to delineate which in rem adjudications *should* allow sovereign immunity defenses, and which should not. The Federal Circuit delineated types of cases by analyzing the type of property present. Specifically, the court did “not distinguish between tangible and intangible property, but instead between property that is physically possessed by a state and property that is not.”¹²⁸

Even though the court set forth a method for delineating in rem proceedings allowing sovereign immunity from those that do not, the appendix does not seem to actually add to the opinion. The court said that it reinforced the decision by highlighting that IPR should not apply to agency adjudications. However, the court was likely being strategic. Scholars have commented that the case will likely be granted certiorari by the Supreme Court.¹²⁹ It is unclear

125. *Id.* at 1341 (quoting *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1376–78 (2018)).

126. *Id.*

127. *Id.* at 1342.

128. *Id.* at 1344.

129. See Kevin E. Noonan, *Regents of the University of Minnesota v. LSI Corp.*, (Fed. Cir. 2019), PATENT DOCS (June 16, 2019), <https://www.patentdocs.org/2019/06/regents-of-the-university-of-minnesota-v-lsi-corp-fed-cir-2019.html> [https://perma.cc/ECH2-LMBV]; Eileen McDermott, *Federal Circuit to University of Minnesota: No State Sovereign Immunity For You*, IPWATCHDOG (June 14, 2019), <https://www.ipwatchdog.com/2019/06/14/federal-circuit-university-minnesota-no-state-sovereign-immunity/id=110450/> [https://perma.cc/JPV5-TBHR].

how the Supreme Court will approach this issue. However, by including this section, the Federal Circuit was likely attempting to protect its opinion from being overturned. By “distinguish[ing] IPRs from instances where the Supreme Court has held *in rem* proceedings to be subject to sovereign immunity,” which usually involve land grants and regulation inside a State’s borders, the Federal Circuit appeared to be pre-emptively defending against *in rem* arguments brought up by the Supreme Court.¹³⁰

At this point, the future of sovereign immunity largely lies with the Supreme Court. As demonstrated in this Note, there are many things that the Court can analyze, including tribal versus state sovereign immunity, the *Hans* presumption, and whether sovereign immunity should even apply to agency adjudications. Until the Court takes up the issue, or denies certiorari, it will be unclear whether states are permanently barred from using sovereign immunity defenses during IPR. Further, the Supreme Court’s future decision, or lack thereof, will dictate whether or not sovereign immunity will apply in other *in rem* proceedings or in agency adjudications more generally. It is largely unclear what the Supreme Court will ultimately decide on. However, for the time being, the only thing that is clear is that for IPR, tribal and state sovereign immunity are inappropriate defenses.

VI. CONCLUSION

Allergan is a complex and controversial case that lies at the intersection of tribal sovereign immunity and patent law. It brings up a variety of questions in many of areas of law, and demonstrates how complicated a seemingly simple system, (i.e., the granting of a patent), can get when combined with other issues. *Allergan* answered one question: whether or not tribal sovereign immunity is an acceptable defense during IPR. However, it opened the door to a variety of issues that Congress likely did not predict when creating IPR. *LSI Corp.* answered another discreet question: whether or not state sovereign immunity is an acceptable defense during IPR. But it also opened the door even farther through its appendix. Even though the cases answered two questions, *Allergan* and *LSI Corp.* opened up several additional questions.

Specifically, these cases bring up three main issues. First, they bring the doctrine of sovereign immunity into question. This is an arguably antiquated doctrine based on the existence of a king and subjects. This structure is not amenable to U.S. law, and the discrepancies between different types of

130. See Noonan, *supra* note 129.

immunity and their inequitable differences supports a re-visiting of this doctrine.

Second, these cases highlight the issues with *FMC* and the *Hans* presumption. These cases assume that the Framers deeply believed in a powerful sovereign immunity doctrine that would apply beyond Article III courts to agency adjudications. Sovereign immunity in Article III courts is not largely contested. The only individuals against it appear to be scholars who do not believe in the sovereign immunity doctrine to begin with. However, the expansion of the Eleventh Amendment to include agency adjudications was considered quite controversial. This begs the question of whether sovereign immunity, under common law and/or the Eleventh Amendment, should be broadened to include these proceedings. It is possible that this doctrine will change as faith in the Executive branch increases or diminishes, since agencies are housed under the Executive branch. If the judiciary decides to boycott an agency, or the Executive branch more broadly, they can theoretically increase the power of sovereign immunity. They could do this by weighing factors differently to find that they are more akin to civil litigation. In turn, this would allow the judiciary to help states avoid agency proceedings and therefore, many regulations. While this appears to be a convoluted strategy for the judiciary, it is no more complicated than the made-up multi-factor tests first created in *FMC* and oddly applied in other opinions.

Finally, these cases question the continued disparate treatment of states and tribes. Supreme Court precedent states that the rights of tribes and states are not equal. However, there are valid questions concerning continued disparate treatment. The *Allergan* and *LSI Corp.* courts both stated how differences between state and tribal sovereign immunity are not relevant. If they are not relevant in these contexts, when are the differences relevant? In *Allergan*, the court applied a doctrine that applies to state sovereign immunity only because of its constitutional roots. If this can be co-opted to tribal sovereign immunity, which has only common law roots, what differences still remain for treating states and tribes differently? This is a complex question with no quick solution; however, these cases highlight that courts can be arbitrary in distinguishing state and tribal sovereign immunity.

In conclusion, *Allergan* eliminated a problematic loophole and was a precursor to the *LSI Corp.* decision, which fully closed the sovereign immunity loophole. Even though these cases answered some questions, they created far more additional questions. If the Supreme Court accepts *LSI Corp.*'s writ of certiorari,¹³¹ more questions may be answered regarding sovereign immunity uses in IPR, USPTO post-grant proceedings, and in agency adjudications more

131. See *Regents of the Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327 (Fed. Cir. 2019), *petition for cert. filed* (U.S. Sept. 12, 2019) (No. 19-337).

generally. However, depending on the analysis adopted by the Supreme Court, many questions regarding the sovereign immunity doctrine may remain open.

