

No. 19-337

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IN THE  
**Supreme Court of the United States**

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REGENTS OF THE UNIVERSITY OF MINNESOTA  
*Petitioner,*

v.

LSI CORPORATION, ET AL.,  
*Respondents.*

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

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**BRIEF OF INDIANA, ALABAMA, ALASKA, AR-  
KANSAS, GEORGIA, HAWAII, ILLINOIS, IOWA,  
KANSAS, MARYLAND, MASSACHUSETTS,  
MINNESOTA, MISSISSIPPI, OHIO, SOUTH  
CAROLINA, TENNESSEE, AND TEXAS AS  
*AMICI CURIAE* IN SUPPORT OF PETITIONER**

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### **QUESTION PRESENTED**

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

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**INTEREST OF THE *AMICI* STATES<sup>1</sup>**

The States of Indiana, Alabama, Alaska, Arkansas, Georgia, Hawaii, Illinois, Iowa, Kansas, Maryland, Massachusetts, Minnesota, Mississippi, Ohio, South Carolina, Tennessee, and Texas respectfully submit this brief as *amici curiae* in support of petitioner. *Amici* States and their universities own numerous valuable patents, and their sovereign immunity helps protect the value of these patents by limiting when and where they may be challenged. *See Xechem Int'l., Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324 (Fed. Cir. 2004). More broadly, sovereign immunity ensures that States are accorded “the dignity that is consistent with their status as sovereign entities.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760 (2002).

The decision below undermines these purposes by holding that States may be “haul[ed] . . . in front of” a “federal administrative tribunal,” *id.* at 760 n.13, when private parties commence *inter partes* review proceedings before the federal Patent Trial and Appeal Board. This case presents an appropriate vehicle for this Court to decide that States’ sovereign immunity bars private parties from forcing States and public universities into administrative *inter partes* review proceedings without their consent.

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<sup>1</sup> Pursuant to Supreme Court Rule 37.2(a), counsel of record for all parties have received notice of the Amici States’ intention to file this brief at least 10 days prior to the due date of this brief.

## REASONS FOR GRANTING THE PETITION

Upon ratification of the Constitution, States “did not consent to become mere appendages of the Federal Government,” but “entered the Union ‘with their sovereignty intact.’” *Fed. Mar. Comm’n v. S.C. State Ports Auth. (FMC)*, 535 U.S. 743, 751 (2002) (quoting *Blatchford v. Native Vill. of Noatak*, 501 U.S. 775, 779 (1991)). And because “[i]t is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent,” *Hans v. Louisiana*, 134 U.S. 1, 13 (1890), for well over a century this Court has held that federal-court jurisdiction over suits by private parties against unconsenting States “was not contemplated by the constitution,” *id.* at 15.

Sovereign immunity “serves the important function of shielding state treasuries and thus preserving the States’ ability to govern in accordance with the will of their citizens,” but its “*central* purpose is to accord the States the respect owed them as joint sovereigns.” *FMC*, 535 U.S. at 765 (emphasis added; internal quotation marks and citations omitted). Of course, “[t]he affront to a State’s dignity does not lessen when an adjudication takes place in an administrative tribunal as opposed to an Article III court.” *Id.* at 760. For this reason, the Court has applied sovereign immunity not just to cases heard by federal courts, but also to administrative proceedings that were “anomalous and unheard of when the Constitution was adopted.” *Id.* at 755 (citing *Hans*, 134 U.S. at 18).

The Federal Circuit’s decision below contravenes the Court’s decisions to hold that sovereign immunity

does not apply in *inter partes* review proceedings (IPRs) held before the federal Patent Trial and Appeal Board (PTAB)—a proceeding which “walks, talks, and squawks very much like a lawsuit.” *Id.* at 757. It did so even though IPRs meet the same test the Court applied to bar the administrative adjudications in *FMC*: “In both instances, a State is required to defend itself in an adversarial proceeding against a private party before an impartial federal officer.” *Id.* at 760–61.

In departing from the Court’s precedents, the Federal Circuit focused on minor dissimilarities between IPRs and civil litigation that are clearly irrelevant to the applicability of state sovereign immunity. What is worse, the Federal Circuit ignored the fundamental attributes that *FMC* held characterize administrative proceedings as “the type . . . from which the Framers would have thought the States possessed immunity when they agreed to enter the Union”—namely, that the proceeding *require* the State to defend itself, be *against a private party*, and be before an *impartial federal officer*. *Id.* at 756, 60–61.

The Federal Circuit compounded its error by concluding that IPRs are brought by the federal government rather than the private party whose petition begins the proceeding. It did so on the basis of two features of IPRs—that federal law “bar[s] judicial review” of the PTAB’s decision whether to consider a challenge to a patent in an IPR and permits the PTAB to issue its decision “even if the petitioner or patent owner elects not to participate.” Pet. App. 22a. But these features are irrelevant, because for sovereign immunity purposes the crucial question is whether

the action is “*commenced and prosecuted*” by the United States, *Alden v. Maine*, 527 U.S. 706, 755 (1999) (emphasis added). And for IPRs the answer plainly is no. These proceedings are *commenced* when a private party files “a petition to institute an inter partes review,” 35 U.S.C. § 311(a), and are *prosecuted* by the private-party petitioner: It is “the petitioner’s petition, not the Director’s discretion, [that] is supposed to guide the life of the litigation.” *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018).

The Federal Circuit also announced a new rule that purports to bar state sovereign immunity in a class of *in rem* proceedings—to which it claimed IPRs belong—even though its rule is unsupported by the Court’s precedents. Moreover, the Federal Circuit’s rule is in any case inapplicable to IPRs, which are unquestionably *in personam*, not *in rem*, proceedings.

Not only is the decision below based on faulty reasoning, but if not reversed it will create serious policy consequences with which States must reckon. State universities’ intellectual property generates substantial revenues, and these revenues are reinvested into cutting-edge research and development that benefits the public in innumerable ways. By subjecting this intellectual property to challenge by private parties in IPRs, the Federal Circuit’s decision threatens to undermine these public benefits and confront States with unnecessary litigation costs and inconsistent rulings. Such harms underscore the need for the Court to grant the petition and correct the Federal Circuit’s mistaken decision.

## I. The Decision Below Conflicts With The Court's Precedents

### A. Sovereign immunity applies in IPRs because the “State is required to defend itself in an adversarial proceeding against a private party before an impartial federal officer”

In *FMC* the Court began its analysis by observing that at least since *Hans v. Louisiana* it has presumed “that the Constitution was not intended to ‘rais[e] up’ any proceedings against the States that were ‘anomalous and unheard of when the Constitution was adopted.’” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 755 (2002) (*FMC*) (quoting *Hans v. Louisiana*, 134 U.S. 1, 18 (1890) (brackets in original)). And where this presumption applies it will generally be dispositive, because “States were not subject to private suits in administrative adjudications at the time of the founding or for many years thereafter.” *Id.* The central issue in most cases will thus be “whether the *Hans* presumption applies,” and in *FMC* the Court explained that whether the presumption applies turns on whether the administrative proceedings at issue “are the type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.” *Id.* at 756.

The Court explained that this question should be answered in light of “[t]he preeminent purpose of state sovereign immunity[, which] is to accord States

the dignity that is consistent with their status as sovereign entities.” *Id.* at 760. And with this purpose in mind, most administrative proceedings will indeed be the type “from which the Framers would have thought the States possessed immunity,” because “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,” it is hard to “imagine that they would have found it acceptable to compel a State to do exactly the same thing before the administrative tribunal of an agency.” *Id.* at 760. After all, “[t]he affront to a State’s dignity does not lessen when an adjudication takes place in an administrative tribunal as opposed to an Article III court” (indeed, one “could argue that allowing a private party to haul a State in front of such an administrative tribunal constitutes a *greater* insult to a State’s dignity than requiring a State to appear in an Article III court”). *Id.* at 760 & n.11 (emphasis added).

Because the core purpose of sovereign immunity is to recognize States’ sovereign dignity, the Court explained that the *Hans* presumption will apply to an administrative proceeding if it has the same three fundamental attributes that constitute “[t]he affront to a State’s dignity” in suits brought against States by private parties in federal court. It applied the presumption to Federal Maritime Commission adjudications because these administrative proceedings are fundamentally similar to cases in federal court: “In both instances, a State is *required to defend itself* in an adversarial proceeding *against a private party* before an *impartial federal officer*.” *Id.* at 760–61 (emphasis added).

Analyzing each of these elements in turn, the Court explained that, first, the State was required to defend itself because “[a] State seeking to contest the merits of a complaint filed against it by a private party must defend itself in front of the FMC or substantially compromise its ability to defend itself at all.” *Id.* at 762. Second, the proceeding placed the State against a private party because the complaint that commenced the proceeding “is plainly not controlled by the United States, but rather is controlled by that private party.” *Id.* at 764. And third, the proceeding took place before an impartial federal officer, because “the only duty assumed by the FMC, and hence the United States, in conjunction with a private complaint is to assess its merits in an impartial manner.” *Id.*

IPRs also have each of these three attributes. Considering the requirements in reverse order, they, like Federal Maritime Commission adjudications, are held before an impartial federal officer. The PTAB is a neutral tribunal, and its patentability determinations are governed by law and subject to judicial review. *See* 35 U.S.C. §§ 141, 311. The Federal Circuit itself has held that the PTAB assumes the role of “impartial federal adjudicator,” *Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, 473 F.3d 1376, 1382 (Fed. Cir. 2007), by reviewing each party’s claims and determining whether the petitioner has sustained its burden of proof. *See also In re Magnum Oil Tools Int’l, Ltd.*, 829 F.3d 1364, 1380–81 (Fed. Cir. 2016). In short, in adjudicating IPRs, the PTAB does not exercise unconstrained political discretion, but instead acts as an impartial tribunal applying neutral legal principles.

With respect to the second *FMC* requirement, IPRs are proceedings against private parties. This element of the *FMC* framework incorporates the principle that States cannot raise sovereign immunity in suits “commenced and prosecuted” by the United States. *See Alden v. Maine*, 527 U.S. 706, 755 (1999). And IPRs are plainly not commenced and prosecuted by the federal government. *See Part I.B., infra*. Indeed, just last year, this Court noted that IPRs allow “*private parties* to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation.” *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018) (emphasis added). Here, the University of Minnesota has been hauled before the PTAB by LSI Corporation, Ericsson Inc., and Gilead Sciences, Inc.—all of which are private parties.

IPRs also satisfy the final element of the *FMC* framework, that the State be required to defend itself. *FMC* holds that the level of compulsion need not rise to the level of a court order; sovereign immunity applied to the Federal Maritime Commission adjudications even though the Commission’s orders are not self-executing. 535 U.S. at 761–62. *FMC* instead makes clear that a State is “required” to defend itself if failing to appear would “substantially compromise [a State’s] ability to defend itself.” *Id.* at 762. IPRs clear that hurdle. Failing to appear makes it much more likely—if not guaranteed—that the PTAB will invalidate a challenged patent, because the PTAB will be restricted to addressing only the claims and evidence set forth by the petitioner. *See Magnum Oil*, 829 F.3d at 1380–81. Furthermore, a patent owner “is

precluded from taking action inconsistent with [an] adverse judgement” of the PTAB. 37 C.F.R. § 42.73. Simply put, a State ignores IPRs at its peril; it is required to appear before the PTAB and oppose the petition or lose its entire ability to defend its patent.

Rather than apply *FMC*’s tripartite framework, the Federal Circuit latched onto minor procedural dissimilarities between IPRs and federal-court litigation, observing that “[t]he Federal Rules of Civil Procedure do not apply” to IPRs, that “during IPR a patent owner may amend its claims,” and that discovery and the hearing in IPRs “are more limited than their civil counterparts.” Pet. App. 22a. Even beyond conflicting with *FMC*, this analysis is mistaken. The existence *vel non* of something so fundamental as sovereign immunity does not turn on inconsequential procedural rules. Such minutiae may usefully signal that the proceeding is one where sovereign immunity applies, but they should not be confused with the fundamental attributes of proceedings from which States are protected. Because IPRs require the State “to defend itself in an adversarial proceeding against a private party before an impartial federal officer,” sovereign immunity applies. *FMC*, 535 U.S. at 760–61.

### **B. IPRs are not proceedings “commenced and prosecuted” by the United States**

This Court has long held that while States’ ratification of the Constitution did not constitute consent to “answer the complaints of *private parties*,” *FMC*, 535 U.S. at 760, States have consented to suits “commenced and prosecuted . . . in the name of the United

States,” *Alden v. Maine*, 527 U.S. 706, 755 (1999), and state sovereign immunity therefore does not apply to such suits. The Federal Circuit inappropriately expanded this narrow exception to state sovereign immunity to include “an agency enforcement action instituted by the USPTO ‘upon information supplied by a private party.’” Pet. App. 22a–23a.

While state sovereign immunity permits private parties to “complain to the Federal Government” and permits the United States “to take subsequent legal action,” *FMC*, 535 U.S. at 768 n.19 (internal quotation marks and citation omitted), the “subsequent legal action” still must be *commenced and prosecuted* by the United States. And IPRs are *not* commenced and prosecuted by the United States. They are always *commenced* by a private party: “At its outset, a party must file ‘a petition to institute an inter partes review of [a] patent.’” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018) (quoting 35 U.S.C. § 311(a)). And IPRs are *prosecuted* by the private-party petitioner: “Much as in the civil litigation system it mimics, in [IPRs] the petitioner is master of its complaint and normally entitled to judgment on all of the claims it raises, not just those the decisionmaker might wish to address.” *Id.* at 1355. The “*part[ies]*” conduct discovery in IPRs, not the federal government. 37 C.F.R. § 42.51(b).

The Federal Circuit’s three points of emphasis in its decision below do not undermine this conclusion. It first relied on its own flawed reasoning in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals*, 896 F.3d 1322, 1328 (Fed. Cir. 2018), noting that “[i]t is the Director, the politically appointed executive

branch official, not the private party, who ultimately decides whether to proceed against the sovereign.” Pet. App. 21a. This reasoning is based upon this Court’s decision in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1371 (2018), that “the Director [of the U.S. Patent and Trade-mark Office] has complete discretion to decide not to institute review.” But the Director’s discretion is constrained by law, which prohibits him from “authoriz[ing]” continuing with the IPR unless “there is a reasonable likelihood that the petitioner would prevail.” 35 U.S.C. § 314. The Director’s discretion is “complete” only in the sense that the “decision is ‘final and nonappealable.’” *Oil States*, 138 S. Ct. at 1371 (quoting 35 U.S.C. § 314(d)).

And even with respect to appeals of non-institution decisions, this Court has left the door open to appeals of decisions “that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach [beyond IPR.]” *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016). Like the Federal Maritime Commission, the Director, through the PTAB, applies legal principles to adjudicate, as a neutral arbiter, the parties’ dispute. Limits on appeals from the Director’s decisions do not transform the proceeding into one commenced and prosecuted by the United States.

Moreover, patent owners are forced, as a practical matter, to appear before the PTAB well *before* the Director or the PTAB makes any decision. Patent own-

ers may file a preliminary response to the IPR petition, 35 U.S.C. § 313, and a recent study found that the PTAB authorized IPRs on *100%* of the petitions where no preliminary response was filed. Rubén Muñoz et al., *How New Testimonial Evidence Affects IPR Institution*, Law360 (Jun. 5, 2018), <https://www.law360.com/articles/1049967>. And in any event the PTAB’s decision to authorize IPR after a State has been effectively hauled before the federal administrative tribunal “does not retroactively convert an . . . adjudication initiated and pursued by a private party into one initiated and pursued by the Federal Government.” *FMC*, 535 U.S. at 764.

Next, while the PTAB can issue a final written decision even if the petitioner or patent owner elects not to participate during IPR, Pet. App. 22a, that option does not mean the PTAB *commenced* the proceeding. Again, even if these actions constitute “prosecuting” the case—a doubtful proposition—the proceeding still was commenced by a private party. Moreover, the *possibility* that the federal government will commence and prosecute an action against a State in a *particular* proceeding does not mean that state sovereign immunity is inapplicable in *all* such proceedings. The United States can sue States in federal court; that does not imply that private parties can as well. *Cf. Vt. Agency of Nat. Res. v. U.S. ex rel. Stevens*, 529 U.S. 765, 787 (2000) (raising “the question whether an action in federal court by a *qui tam* relator against a State would run afoul of the Eleventh Amendment,” and concluding that “there is ‘a serious doubt’ on that score”).

Finally, the Federal Circuit completely disregards the differences between *ex parte* reexaminations—agency actions that were commenced and prosecuted by the United States—and the party-directed IPRs which replaced them. “Rather than create (another) agency-led, inquisitorial process for reconsidering patents,” when Congress developed IPRs, “Congress opted for a party-directed, adversarial process.” *SAS*, 138 S. Ct. at 1355. In fact, the purpose of creating IPRs was to move away from “an examinational to an adjudicative proceeding.” H.R. Rep. No. 112-98, pt. 1, at 46–47 (2011). For this reason, IPRs are “fundamentally different” from “*ex parte* reexamination.” *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1865 (2019).

Despite these fundamental differences, and despite Congress’s express disapproval of the agency-directed *ex parte* reexamination procedure, the Federal Circuit characterized IPR proceedings as “commenced and prosecuted by the United States.” It was wrong to do so.

### **C. IPRs are not *in rem* proceedings**

The Federal Circuit’s alternative theory—that sovereign immunity is inapplicable to IPRs “because they are in substance the type of *in rem* proceedings to which state sovereign immunity does not apply,” Pet. App. 29a—is equally mistaken. Although this Court has repeatedly held sovereign immunity applies in a variety of *in rem* proceedings, the Federal Circuit nonetheless fashioned a rule to bar sovereign immunity in cases that “do[] not implicate ownership

of real property or the state’s ability to regulate within its own domain.” Pet. App. 30a–31a. The Federal Circuit relied on *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440 (2004); *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356 (2006), and *California v. Deep Sea Research, Inc.*, 523 U.S. 491 (1998), but none of those cases support the panel’s proposition. And even if the Federal Circuit’s new rule were logically sound, IPRs are decidedly *not in rem* proceedings.

Relying on *Deep Sea Research*, the Federal Circuit drew a line between claims regarding “property that is physically possessed by a state and property that is not,” Pet. App. 33a, but that distinction is entirely the panel’s invention. The Court’s decision in *Deep Sea Research* was deeply rooted in the unique tradition and history of admiralty law. *Deep Sea Research*, 523 U.S. at 501–08. This Court did not even gesture at a distinction between physical property, such as ships, and intangible property, such as patents.

Likewise, *Katz* and *Hood* were bankruptcy cases premised on the specific practices and requirements of that highly specialized area of law. *Katz*, 546 U.S. at 369–78; *Hood*, 541 U.S. at 446–51. In fact, *Katz* specifically avoided deciding whether the proceeding at issue was *in rem* at all; it instead resolved the case on different, bankruptcy-specific grounds. *Katz*, 546 U.S. at 372.

Furthermore, even if precedential support for the Federal Circuit’s novel rule existed, IPRs are not *in rem* proceedings in the first place. Indeed, this Court

has specifically held that IPRs are *in personam*, rather than *in rem*, proceedings. See *Return Mail*, 139 S. Ct. at 1866 (IPRs are “adversarial, adjudicatory proceedings between the ‘person’ who petitioned for review and the patent owner”).

After all, a true *in rem* proceeding is “one against the world” that conclusively “determine[s] all claims that anyone, whether named in the action or not, has to the property or thing in question.” *Hood*, 541 U.S. at 448. (citation and brackets omitted). This essential attribute of *in rem* cases is absent in IPRs. When the PTAB confirms a patent it does not, and cannot, settle all patentability claims that anyone, whether named in the action or not, can claim against the patent; the PTAB’s confirmation only precludes the *petitioner* from making the same unpatentability claim in future proceedings. 35 U.S.C. § 315(e). If IPRs were truly *in rem* proceedings, the question of patentability would be decided as to *all* future challengers; yet after the PTAB confirms a patent, the rest of the world is free to raise the same challenge to the PTAB or a district court. *Id.* Of course, if the PTAB declares a patent unpatentable, that conclusively precludes the owner from asserting the patent against anyone, but this is true of an ordinary *in personam* federal-court suit challenging patent validity. See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349–50 (1971). States’ sovereign immunity cannot be judicially divested through such flimsy analogies.

In contrast, *in personam* proceedings involve “subjecting a State to the coercive process of judicial tribu-

nals at the instance of private parties,” which constitutes an affront to the State’s dignity. *Hood*, 541 U.S. at 453 (quoting *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 58 (1996)). Such is the case with IPRs; the proceedings begin when a private party submits an initial petition and serves the petition on the State patent holder, who then has three months to file a response. 35 U.S.C. § 312; 37 C.F.R. § 42.107(b). The State is then subjected to coercive discovery. 35 U.S.C. § 316(a)(5). And as noted above, if the State declines not to participate in the proceeding, the PTAB’s final written decision—which will result in either the cancellation or confirmation of the patent—is restricted to addressing only the claims and evidence set forth by the petitioner. *See Magnum Oil*, 829 F.3d at 1380–81; 35 U.S.C. § 318. Thus, contrary to the Federal Circuit’s view, a default judgment canceling a patent is not only unquestionably a *possibility*; it is exceedingly *likely* when the PTAB must issue a final decision based only on the petitioner’s claims and evidence.<sup>2</sup> Such “coercive process,” imposed at the whim of private parties, demonstrates that IPRs are precisely the sort of *in personam* proceedings that impermissibly offend the sovereign dignity of States.

Ultimately, that the Federal Circuit struggled so mightily to fit IPRs into its own heretofore-unheard-of classification scheme only further drives home the point—IPRs are the sort of proceedings which were “anomalous and unheard of when the Constitution was adopted.” *FMC*, 535 U.S. at 755 (internal citation omitted). IPRs are therefore subject to state sovereign

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<sup>2</sup> *See* Pet. App. 35a n.6 (“It is questionable whether a patentee risks default by failing to participate in the IPR proceedings.”).

immunity; the Court should grant certiorari and correct the Federal Circuit's contrary conclusion.

## **II. The Decision Below Threatens to Undermine the Substantial Public Benefits Produced by State Universities' Intellectual Property**

That the decision below wrongly subjects States to the indignity of being hauled by a private party before an administrative tribunal is reason enough for this Court to review the Federal Circuit's decision. But the decision also adds injury to the insult by eroding the value of the many patents held by States and state universities. This consequence provides all the more reason for the Court to grant the petition.

State universities own thousands of valuable patents, which allow them to reinvest the fruits of their research into developing more cutting-edge technology. The U.S. Patent and Trademark Office, for example, issued more than 75,000 patents to U.S. higher education institutions between 1969 and 2012, and many of those university patent-holders are arms of States. *See* U.S. Patent and Trademark Office, Patent Technology Monitoring Team, U.S. Colleges and Universities Utility Patent Grants, Calendar Years 1969–2012, Breakout by University Assignee, [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/univ/univ\\_toc.htm](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/univ/univ_toc.htm).

These university-owned patents produce crucial revenue that helps fund public services throughout the owner-institutions. Universities obtain revenue from patents through “technology transfer” programs,

which generate revenue from patents through licensing fees and royalties. This revenue is significant. In 2014, America's universities earned more than \$2.2 billion in gross annual patent revenue. *See Billions at Stake in University Patent Fights*, Bloomberg (May 24, 2016), <https://www.bloomberg.com/graphics/2016-university-patents/>. And state universities generated a substantial portion of that revenue. For example, in fiscal year 2017 alone, the University of Texas System earned more than \$65 million from intellectual property. Univ. of Tex. Sys., Smartbook 26 (Mar. 2019), <https://www.utsystem.edu/sites/default/files/documents/publication/2019/ut-system-smartbook/smartbook-mar-2019-final.pdf>; *see also* Univ. of Tex. at Austin Office of Tech. Commercialization, FY2017 Metrics at a Glance, [https://research.utexas.edu/wp-content/uploads/sites/6/2018/12/Quick\\_Facts\\_FY\\_16\\_17.pdf](https://research.utexas.edu/wp-content/uploads/sites/6/2018/12/Quick_Facts_FY_16_17.pdf) (reporting that UT Austin earned over \$177 million in licensing revenue between 2007 and 2017).

And in 2018, Purdue University produced over \$6 million from its technology transfer program, Office of Technology Commercialization, *OTC Metrics*, Purdue Research Found., <https://www.prf.org/otc/about/otc-metrics/index.html>, while Indiana University reported earning over \$17 million between 2015 and 2018, *Indiana University touts successful 2017-18 fiscal year in technology transfer activity* (Sept. 12, 2018), <https://news.iu.edu/stories/2018/09/iu/releases/12-ico-fiscal-year-technology-transfer-metrics-2017-18.html>.

State universities pour these substantial intellectual property revenues back into their research and

education efforts. For example, Indiana University requires reinvesting 30% of patent revenues back into research and development through the campus units and labs that created the technology. Ind. Univ., Intellectual Property Policy 3–5, <https://policies.iu.edu/files/policy-pdfs/ua-05-intellectual-property/.pdf>. That policy further directs another 35% of the patent revenues to the University itself to support further intellectual property creation. *Id.* Purdue University has a similar revenue allocation policy “to encourage the discovery and development of new knowledge . . . for the public benefit.” Purdue Univ., Intellectual Property (I.A.1), <http://www.purdue.edu/policies/academic-research-affairs/ia1.html>; *see also* Purdue Univ., Procedures for Disclosure, Assignment and Commercialization of Intellectual Property, <https://www.purdue.edu/research/regulatory-affairs/ip-procedures.php>.

This reinvestment strategy has paid off handsomely, as the number of patents issued to universities has surged in recent years. In 2018 alone, fifteen universities received over one hundred utility patents, and four institutions received between two and five hundred. *See* National Academy of Inventors, Top 100 Worldwide Universities Granted U.S. Utility Patents in 2018, <https://academyofinventors.org/wp-content/uploads/2019/06/Top-100-2018.pdf>. Nearly half of the top 100 universities granted U.S. utility patents worldwide were American public universities—including Indiana University, Purdue University, Michigan State University, Ohio State University, Texas

A&M University, Rutgers University, and the Universities of Illinois, Massachusetts, Michigan, Minnesota, South Carolina, Texas, Utah, and Virginia.

By reinvesting the majority of their patent revenues, state universities ensure their patents benefit the public at large. For example, a Biotechnology Industry Organization study found that from 1997 to 2007, university licensing had a \$187 billion impact on U.S. gross domestic product, added \$457 billion to the U.S. gross industrial output, and led to the creation of 279,000 jobs. *Defending the University Tech Transfer System*, Bloomberg (February 19, 2010), <https://www.bloomberg.com/news/articles/2010-02-19/defending-the-university-tech-transfer-system>.

The public purpose of state universities' patent revenues—and the extent to which they fulfill that purpose—underscores States' strong interest in protecting the validity of their universities' patents. That purpose also illustrates why the law treats these patents differently than patents held by others: State universities' patents generate revenues that benefit the public, whereas patents held by others generate revenues which benefit their private owners. The Federal Circuit's decision, however, threatens to undermine these considerable public benefits. The Court should grant the petition to correct this decision and prevent its harmful frustration of States' vital and broadly beneficial research-and-development efforts.

### **III. The Decision Below Confronts States with Unnecessary Litigation Costs and Inconsistent Rulings**

Finally, the Federal Circuit's decision not only threatens to undermine the substantial public benefits produced by state universities' intellectual property, but also confronts states with unnecessary litigation costs and inconsistent rulings to the detriment of the public at large.

State universities own thousands of valuable patents and are granted hundreds more each year. And if these patents were subject to challenges by private parties in IPRs, it is highly likely that state universities would be forced to expend significant resources defending such challenges: The median cost of defending a single proceeding through a PTAB hearing is \$275,000, and going through appeal incurs a median cost of \$350,000. *See* Anne S. Layne-Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, *Landslide*, (May–June 2018). What is worse, these costs can rise even further because the same patent can be subjected to multiple IPRs at once; multiple petitions can even be brought by the same petitioner, as illustrated by intervenor Gilead Sciences, Inc. bringing four petitions against the same

patent in this very case.<sup>3</sup> In this case alone, the University of Minnesota has been forced to defend against eleven IPRs.<sup>4</sup>

In addition, most IPRs are prompted by patent infringement suits filed in federal district court.<sup>5</sup> Beyond defending multiple IPRs at one time, States and their universities now face the task of simultaneously litigating with the same parties over the same patents before the PTAB and in one or more district courts—which are *not* required to stay their proceedings. See 35 U.S.C. § 315(a). In fact, when a requested stay is contested by the parties, the grant rate is only 58 percent, leaving nearly 40 percent of patent holders confronted with simultaneous litigation. See Anne S. Layne-Farrar, *The Cost of Doubling Up: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, Landslide, (May-June 2018). And while the cost of litigating an IPR is expensive, defending patents in federal court is even more so: Depending on the value of the patent, the median cost of litigating an infringement action ranges from \$1 million to \$5 million. See *id.* Instead

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<sup>3</sup> See *Gilead Scis., Inc. v. Regents of the Univ. of Minn.*, IPR2017-01712, -01753, -02004, -02005.

<sup>4</sup> In addition to *supra*, n.3, see *Ericsson Inc. v. Regents of the Univ. of Minn.*, IPR2017-01186, -01197, -01200, -01213, -01214, -01219; and *LSI Corp. v. Regents of the Univ. of Minn.*, IPR2017-01068.

<sup>5</sup> See Postgrant HQ Reporter, *2018 Analysis on PTAB Contested Proceedings* 7, [https://www.postgranthq.com/wpcontent/uploads/2018/10/PGHQ\\_Reporter\\_2018.pdf](https://www.postgranthq.com/wpcontent/uploads/2018/10/PGHQ_Reporter_2018.pdf) (noting that more than 85% of IPRs are concurrent with related infringement litigation).

of reinvesting the fruits of their research into more patented technologies and other public benefits, patent-holding state universities will now be required to invest their revenues into a war-chest for their intellectual property attorneys.

Not only must state university patent-holders now reserve funds to defend their patents simultaneously in different forums, but those forums apply vastly different standards in their proceedings. In federal district court, patents are entitled to a statutory presumption of validity, whereas in IPR proceedings, the petitioner must only clear the low bar of “preponderance of the evidence” that the claims are more likely than not unpatentable. *See id.* Moreover, the PTAB’s rules provide a lower standard to find invalidating prior art than their federal court counterparts, meaning the PTAB and a district court can arrive at different outcomes even though they are reviewing the exact same patent claims. With the Federal Circuit’s decision below, these risks are not some speculative “slippery slope” which might occur if left untouched; these risks have already materialized.

But this case is not only about the economic and practical considerations of the Federal Circuit’s decision; this case is about the Federal Circuit’s unprecedented and unjustified assault on States’ sovereign immunity. This Court has repeatedly held that “Congress has ample means to ensure the compliance with valid federal laws, but it must respect the sovereignty of the States.” *See Alden v. Maine*, 527 U.S. 706, 758 (1999). The Court should grant the petition to ensure

that principle continues to apply with equal force in the Federal Circuit.

**CONCLUSION**

The Petition should be granted.

Respectfully submitted,

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