

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 IN OPPOSITION**

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December 5, 2019

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**QUESTION PRESENTED**

Whether the doctrine of sovereign immunity bars the U.S. Patent and Trademark Office from considering whether to institute *inter partes* review of a state-owned patent.

**CORPORATE DISCLOSURE STATEMENT**

Respondent Gilead Sciences, Inc. has no parent corporation, and no publicly held company owns 10% or more of its stock.

## RELATED PROCEEDINGS

### U.S. Court of Appeals for the Federal Circuit:

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

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

### U.S. District Court:

*Regents of the University of Minnesota v. AT&T Mobility LLC*, No. 0:14-cv-04666 (D. Minn.)

*Regents of the University of Minnesota v. Sprint Solutions, Inc.*, No. 0:14-cv-04669 (D. Minn.)

*Regents of the University of Minnesota v. T-Mobile USA, Inc.*, No. 0:14-cv-04671 (D. Minn.)

*Regents of the University of Minnesota v. Cellco Partnership*, No. 0:14-cv-04672 (D. Minn.)

*Regents of the University of Minnesota v. LSI Corporation*, No. 5:18-cv-00821 (N.D. Cal.)

*Regents of the Univ. of Minn. v. Gilead Scis., Inc.*, C.A. No. 17-cv-06056-VC (N.D. Cal.)

### U.S. Patent Trial and Appeal Board:

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

*Ericsson Inc. and Telefonaktiebolaget LM Ericsson v. Regents of the University of Minnesota*, IPR2017-01186, IPR201701197, IPR2017-01200, IPR2017-01213, IPR2017-01214, IPR2017-01219

*Gilead Sciences, Inc. v. Regents of the University of  
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## INTRODUCTION

Sovereign immunity protects States from the indignity suffered when forced to defend themselves against a private party in an adversarial proceeding. Compulsion, coercion, and force are synonymous with that indignity, such that this Court has described the platform for an assertion of sovereign immunity as a decision of whether to “defend or default.” *Alden v. Maine*, 527 U.S. 706, 749 (1999).

But sovereign immunity is not a universal shield protecting state entities from any and all proceedings that happen to involve private parties. When a State, for example, voluntarily chooses to appear in a proceeding, the State itself obviates any sovereign immunity problem. Similarly, an agency proceeding that permits but does not require parties to participate does not unconstitutionally coerce the State’s participation in the same way that civil litigation does. In civil litigation, the State must participate, lest the State suffer a default judgment. In certain agency proceedings where default judgments are not available, the State does not face the same “defend or default” choice.

Separately, and of equal importance, state sovereign immunity does not extend to proceedings in which the United States also participates. The States necessarily surrendered that aspect of their sovereignty long ago as part of their admission to the United States.

These are not mere hypotheticals. Each explains why sovereign immunity does not apply in the *inter partes* review proceedings at issue here.

Whether sovereign immunity applies in *inter partes* review is not—as the University would have it—a game of comparing and contrasting these proceedings and those in this Court’s earlier cases, or between these proceedings and ordinary civil litigation. Such simplified comparisons ignore the particular factual circumstances of this case. They ignore its procedural posture—in particular, that the Patent Office has not even instituted *inter partes* review of the University’s patents. They ignore the voluntary nature of the University’s involvement—in particular, that patent owners need not respond to *inter partes* review petitions. They ignore that, even if institution were to occur, the University will not face the same coercive “defend or default” dichotomy that it would face in ordinary civil litigation. And they ignore the essential function of *inter partes* review—that is, the Executive Branch’s review of a patent it previously issued. Any one of these features of this case is a reason to deny the University’s petition.

As this Court has already explained, *inter partes* review is a proceeding “arising between the government and others.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018). It is not a suit between private parties that happens to take place in an agency instead of an Article III court. The Executive Branch alone has the power and discretion to institute the *inter partes* review, and the Executive Branch alone may continue reexamining the patent even after an *inter partes* review petitioner abandons its challenge. *Id.* at 1378 n.5; 35 U.S.C. §§ 314, 317(a). The patent owner may choose to participate, or it may not. *Compare* Fed. R. Civ. P. 55, *with* 35 U.S.C. § 314(b). It can rest assured

that its patent claims will be invalidated only if the Patent Trial and Appeal Board independently decides that the claims are unpatentable based on a preponderance of the evidence, not merely because the patent owner chose not to participate. 35 U.S.C. § 316(e). When the United States, through the Patent Office, reconsiders its grant of a “public franchise” in this way, it is “exercising the executive power,” *Freytag v. Comm’r of Internal Revenue*, 501 U.S. 868, 910 (1991) (Scalia, J., concurring in part and concurring in judgment), and protecting the “public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (internal quotation marks and alteration omitted). Whatever immunity the States may otherwise enjoy in suits brought by private parties, it does not apply in these circumstances.

### STATEMENT OF THE CASE

This dispute did not begin with private parties filing *inter partes* review petitions. This dispute instead began when the University filed patent infringement suits against each of the Respondents in Article III courts. There, the University seeks several billions of dollars in damages for alleged patent infringement. *See* Pet.3. In response to being sued, Respondents filed petitions for *inter partes* review requesting that the Patent Office reevaluate the patentability of the University’s asserted patents.

#### A. Board Proceedings

Soon after Respondents filed their petitions for review, the University “moved to dismiss.” The University asserted that sovereign immunity makes it

immune from the *inter partes* review procedure. *See* Pet.App.4. Two expanded panels of the Patent Trial and Appeal Board, vested with the power to adjudicate *inter partes* review proceedings on behalf of the Patent Office, rejected the University’s sovereign immunity arguments in the proceedings involving Respondents Ericsson and LSI. *Id.* The Board reasoned that the University waived its sovereign immunity by filing infringement actions against the *inter partes* review petitioners. *Id.* at 43-47. The Board took no action when the University filed the same motion in the proceedings involving Respondent Gilead.

Now long after Respondents filed their petitions requesting *inter partes* review, the Board has yet to act on its statutory duty to decide whether to institute *inter partes* review in any of these proceedings.

### **B. The Federal Circuit’s Decision**

The University appealed the Board’s decisions to deny its motions to dismiss the LSI and Ericsson proceedings, and Gilead intervened in that appeal. *See* Pet.App.5. The Federal Circuit rejected the University’s claim that *inter partes* review proceedings implicated sovereign immunity. The court concluded that state sovereign immunity does not apply to *inter partes* review proceedings largely because of the essential function of such proceedings: an agency’s review of its prior action. The Federal Circuit relied on this Court’s recent reminder that the America Invents Act did not alter the “basic purposes” of post-grant review, “namely to reexamine an earlier agency decision.” Pet.App.21 (quoting *Cuozzo*, 136 S. Ct. at 2144). “Just as with the prior reexamination procedures”—procedures that the University concedes

do not implicate sovereign immunity—*inter partes* review “allows a third party to ask the U.S. Patent and Trademark Office to reexamine the claims,’ albeit with ‘broader participation rights.” Pet.App.14 (citations omitted) (quoting *Cuozzo*, 136 S. Ct. at 2136-37).

The Federal Circuit’s decision detailed the various aspects of *inter partes* review to explain how *inter partes* review is no different than other reexaminations of earlier agency action. The Federal Circuit rejected the argument that this basic purpose is negated by the fact that “a person” may file an *inter partes* review petition “challenging the validity of one or more patent claims.” Pet.App.14-15. The Federal Circuit emphasized that “the patent owner may, but need not, file a preliminary response” to that petition before the agency decides whether to reexamine the issuance of the patent. *Id.* at 15 (citing 35 U.S.C. § 313; 37 C.F.R. § 42.107(a)). The Federal Circuit explained that *inter partes* review is instituted only when the Patent Office—not a private party—determines that there is a reasonable likelihood that the challenged patent claims are unpatentable, not every time a petition is filed. Pet.App.15 (citing 35 U.S.C. §§ 314(a), 325(d)). “The decision whether to institute *inter partes* review is committed to the Director’s discretion” and “is ‘final and nonappealable.’” *Id.* (quoting *Oil States*, 138 S. Ct. at 1371; 35 U.S.C. § 314(d)). The court also reasoned that while a patent owner may respond after the Director institutes *inter partes* review, even then patent claims may not be canceled unless the Board independently decides that they are unpatentable by a preponderance of the evidence. Pet.App.15-16 (citing 35 U.S.C. § 316(a)(8), (e)). And unlike district court

litigation, the Federal Circuit highlighted that “[o]nce instituted, the [*inter partes*] proceedings may continue without either the petitioner or the patent owner.” Pet.App.17. Finally, the *inter partes* review concludes only “with the USPTO issuing a certificate canceling, confirming, or incorporating patent claims.” *Id.* (citing 35 U.S.C. § 318(b)). No monetary or other relief may be awarded against the patent owner itself. *Id.*

For these reasons and others, the Court of Appeals held that *inter partes* review “is more like an agency enforcement action than a civil suit brought by a private party” and thus does not implicate state sovereign immunity. Pet.App.21 (quoting *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1547 (2019)). The Federal Circuit again emphasized 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.” *Id.* (quoting *Saint Regis*, 896 F.3d at 1328). That decision is so committed to the Director’s discretion that “Congress went so far as to bar judicial review of that decision.” Pet.App.22 (citing 35 U.S.C. § 314(d)). The Federal Circuit also emphasized that “the Board can continue to a final written decision” regarding the patentability of claims, regardless of the other participants in the proceeding, which “reinforc[es] the view that IPR is an act by the agency in reconsidering its own grant of a public franchise.” *Id.* (quoting *Saint Regis*, 896 F.3d at 1328). This stands in contrast to civil litigation, which “terminates when there is no longer a ‘case or controversy.’” *Id.* The Federal Circuit also highlighted the other features of *inter partes* review that are “in other respects distinct from

ordinary civil litigation,” including that a patent owner is allowed to amend its patent claims in the midst of an *inter partes* review. Pet.App.22. “It is clear,” the Federal Circuit concluded, “from the history and operation of IPR that these proceedings are designed to allow the USPTO to harness third parties for the agency to evaluate whether a prior grant of a public franchise was wrong, a feature carried over from *inter partes* reexamination.” *Id.* On these grounds, the Federal Circuit affirmed the Board’s decision denying the University’s motions to dismiss.<sup>1</sup>

All three judges of the Federal Circuit panel also penned a separate opinion with “[a]dditional views” of the panel. Pet.App.29. The separate opinion discussed additional rationales for why sovereign immunity does not apply in *inter partes* proceedings, even though “not reach[ed]” by the opinion of the court. *Id.* In particular, the opinion reasoned that *inter partes* review proceedings are “in substance the type of in rem proceedings to which state sovereign immunity does

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<sup>1</sup> Having decided that sovereign immunity does not apply in *inter partes* review, the Federal Circuit had no occasion to pass upon the Board’s rationale that the University waived its sovereign immunity by suing Respondents for patent infringement. Throughout the proceedings, Respondent Gilead has preserved its right to argue that the University waived its sovereign immunity. The other Respondents briefed that issue in the Federal Circuit, while Gilead focused its arguments on the broader question of whether sovereign immunity even applies in *inter partes* review. Here too, Gilead preserves its argument that the University waived its sovereign immunity and thus has no sovereign immunity defense even if such a defense were available. Gilead devotes this response to the various other reasons why the University’s petition should be denied.

not apply.” *Id.*; *see also id.* at 33-34 (analogizing proceedings to *in rem* bankruptcy proceedings). The opinion also explained that “there is no statutory requirement compelling a state to participate in IPR as a patent owner, even if it is otherwise motivated to do so.” *Id.* at 35. And the opinion cast doubt on the availability of default judgments in *inter partes* proceedings. In the words of the opinion, it is “questionable” that a “patentee risks default by failing to participate in the IPR proceedings,” including a default judgment canceling a patent if a state patent owner does not participate. *Id.* at 35 n.6.

Following that adverse ruling in the Federal Circuit, the University petitioned for writ of certiorari in this Court. Meanwhile, the Board stayed the underlying *inter partes* review proceedings. Seeking this Court’s review before the Board has even decided to institute *inter partes* review, the University asks this Court to deem its patents immune from the Patent Office’s reexamination if, hypothetically, *inter partes* review were instituted.

### **REASONS FOR DENYING THE PETITION**

The Court should deny the University’s petition for three reasons. First, it is a poor vehicle to resolve the question presented by the University—namely, whether sovereign immunity can insulate certain patents from *inter partes* review. The question actually presented by this appeal is whether sovereign immunity applies even before the Board has instituted any review proceedings. (This is like asking whether sovereign immunity bars a draft complaint that has yet to be filed and served. What is the sound of one hand clapping?) Because *inter partes* review has not

been instituted, this appeal presents no occasion to decide the broader question of whether sovereign immunity applies once that review is underway.

Second, even ignoring that procedural posture, resolving the question the University prematurely presents is not so simple. To answer that question, the Court must first answer the predicate (and open and disputed) question of whether the Board can lawfully enter a default judgment. Without that Sword of Damocles, a State cannot be coerced to participate in *inter partes* review because it is not faced with the impossible choice of “defend or default.” *Alden*, 527 U.S. at 749.

In the decision below, the Federal Circuit left open the question of whether default judgments are available in *inter partes* review. And in the separate opinion joined by all three members of the panel, Judges Dyk, Wallach, and Hughes cast doubt on the notion that the America Invents Act or applicable regulations would permit the Patent Office to enter a default judgment canceling patent claims merely because a patent owner chooses not to participate in the proceedings. Pet.App.35 n.6. Deciding the question presented in favor of the University would require this Court to wade into that unresolved and undeveloped threshold question. Rather than act as a Court of first review, the Court should allow that subsidiary question to continue to percolate before the Board and Federal Circuit.

Third, even if this Court were to overlook these predicate issues and reach the question presented, the University’s petition does not warrant this Court’s review. There is no error in the decision below. As the

Federal Circuit reasoned, the University's sovereign immunity must bend to that of the United States—the real party in interest in any post-grant review proceedings. Allowing a State to invoke sovereign immunity in such circumstances would itself raise a number of additional questions.

**I. The University's Petition Is Premature Because The Board Has Yet To Institute *Inter Partes* Review**

In the underlying proceedings, no *inter partes* review has been instituted. The Board has not granted a single petition requesting review of the University's patents. Thus, it remains to be seen whether the University will even be subjected to the allegedly coercive processes that it complains would abrogate its sovereignty. *See* Pet.17-18. The Board could ultimately deny the requests for *inter partes* review, and there would be no need to decide the sovereign immunity question presented by the University's petition for writ of certiorari.

As a result of this procedural posture, this case does not present the opportunity for this Court to decide whether *inter partes* review, once instituted by the Board, implicates sovereign immunity. Instead, the only question presented is whether sovereign immunity applies at this preliminary stage of proceedings—that is, whether sovereign immunity bars the Patent Office from even considering whether it will institute *inter partes* review to reexamine the University's patents.

That narrower question does not warrant this Court's review. At this stage of the proceedings, before institution, there is no statutory or regulatory

requirement that forces or coerces a patent owner to participate. Here, the University's participation thus far has been entirely voluntary. There is no dispute that the patent owner is free to ignore a petition for *inter partes* review. The patent owner has a right to file a preliminary response to the petition, but no statute or regulation requires the patent owner to do so. See 35 U.S.C. §§ 313, 314(b)(2) (providing for timing of the Board's institution decision "if no preliminary response is filed" by the patent owner); see also Pet.7. The Board alone decides whether to take the next step and institute *inter partes* review, whether or not the patent owner files a response to the petition requesting review. And the Board regularly denies petitions in which the patent owner chooses not to file a preliminary response. See, e.g., *Xilinx, Inc. v. Saint Regis Mohawk Tribe*, IPR2018-01395, 2019 WL 325933 (PTAB Jan. 23, 2019); *Facebook, Inc. v. Mobile-Plan-It, LLC*, IPR2015-00691, IPR2015-00692, 2015 WL 4151052 (PTAB July 8, 2015); *Medtronic, Inc. v. Barry*, IPR2014-01210, 2015 WL 602926 (PTAB Feb. 10, 2015).

The University's petition for writ of certiorari, which comes before any institution decision, is therefore premature. Respondents' requests for *inter partes* review may ultimately be among the nearly 40 percent of petitions that are denied and never proceed to trial,<sup>2</sup> in which case the University will never face any of the adversarial proceedings it asserts will transgress its sovereign immunity. For example, the

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<sup>2</sup> See USPTO Trial Statistics at 6, available at [https://www.uspto.gov/sites/default/files/documents/Trial\\_Statistics\\_2019-09-30.pdf](https://www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-09-30.pdf).

discovery that the University complains about occurs only after the Board decides *inter partes* review is justified, and then only with the patent owner's voluntary participation.<sup>3</sup> *See, e.g.*, Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757 (Aug. 14, 2012) ("Once the patent owner's response and motion to amend have been filed, the Scheduling Order might provide the petitioner with three months for discovery and for filing a petitioner's reply to the response and the petitioner's opposition to the amendment."); *id.* ("Once instituted, absent special circumstances, discovery will proceed in a sequenced fashion. For example, the patent owner may begin deposing the petitioner's declarants once the proceeding is instituted.").

This case thus does not present the question that the University asks the Court to resolve. There is no reason for this Court to jump ahead and decide what is currently a mere hypothetical: *if* the Board were to later institute *inter partes* review, would *inter partes* review of state-owned patent claims implicate sovereign immunity? Rather than interpose that thorny question here—where the Board could obviate the need to even ask it by declining to institute *inter partes* review—the Court should await a petition

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<sup>3</sup> The University cites instances in which some discovery was taken before institution. Pet. at 20 & n.11. No such discovery has arisen in the proceedings at issue here. Nor is it at all clear that such discovery comports with the Patent Office's own regulations. *See* 37 C.F.R. § 42.51(a)(1) (permitting exchange of initial disclosures pre-institution, so long as both parties agree, but postponing "discovery of the information identified in th[ose] initial disclosures" until "the institution of a trial").

involving an *inter partes* review that has actually been instituted.

## **II. Answering The Question Presented Would Require This Court To Answer The Predicate Question Of Whether The Board Can Enter Default Judgments**

The Constitution protects the dignity of the State by immunizing it from “the coercive process of judicial tribunals at the instance of private parties.” *Alden*, 527 U.S. at 749. This constitutional design marked a “deliberate departure from the Articles of Confederation,” which allowed private parties to seek “coercive sanctions” against the States. *Id.* at 714. In practice, States are ordinarily immune from civil litigation brought by a private party because, without that immunity, the State is either forced to defend against the suit or risk a default judgment. *See id.* at 749. States that consent to judicial process do not experience the same assault to their dignity, however. By consenting, a State makes the choice to defend itself and accept whatever consequences may befall it.

Here, the University contends that it will be forced to participate in *inter partes* review proceedings (should the Board decide to actually institute *inter partes* review), just as it would be forced to participate in ordinary civil litigation. *See* Pet.18, 23-24. The trouble with this argument is that it presumes—indeed the University boldly speculates—that the Board “may even issue a default judgment” to coerce the University’s participation in the *inter partes*

review proceedings. *Id.* at 24.<sup>4</sup> Whether *inter partes* review may end in a default judgment canceling a non-appearing patent owner's claims is an open and disputed question. No federal regulation suggests that such a default judgment would be permissible. And the Board has never issued a default judgment canceling a state entity's patent claims in analogous circumstances. Three Federal Circuit judges, moreover, have called it "questionable whether a default judgment could be entered cancelling a patent if the state owner does not participate." Pet.App.35 n.6. Neither the Patent Office nor the Federal Circuit has definitively resolved whether default judgments are permissible. This Court would thus be the first court to so conclude, as it would have to do to rule in favor of the University. Without the threat of such a default judgment, there is no logic to the University's argument that it is forced to participate in the *inter partes* review.

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<sup>4</sup> The University also suggests that it is in its best interest to appear in *inter partes* review because, "[a]bsent a response from the State, the PTAB is far more likely to find that the petitioner has met its burden of proof." Pet.24. That argument is limitless and could apply to voluntary participation in any number of proceedings where such participation may ensure a more favorable result. Any such interest does not rise to assault on a State's dignity. Rather, it is driven by the University's desire to participate and control how arguments are presented in the proceedings. That interest is no different than a patent owner's interest in *ex parte* reexamination proceedings or *inter partes* reexamination, proceedings in which patent owners may choose not to participate and which the University concedes raise no sovereign immunity concerns. See Pet.App.18; see also *Saint Regis*, 896 F.3d at 1329 (referring to a similar concession on behalf of patent owners asserting tribal sovereign immunity).

### A. Patent Owner Participation In *Inter Partes* Review Is Voluntary

Congress has not mandated that patent owners participate in *inter partes* review or lose their patents. Just the opposite—federal law provides that patent owners “may” choose to respond to petitions filed by private parties, but patent owners are not required to do so. 37 C.F.R. § 42.107(a); *see also* 35 U.S.C. §§ 313, 314(b)(2). Similarly, nothing requires a patent owner to file a response in the event the Director institutes the proceedings. *See* 37 C.F.R. § 42.120(a) (“A patent owner may file a response to the petition addressing any ground for unpatentability not already denied.”). The Board has construed these rules “to allow it to continue review even in the absence of patent owner participation.” *Saint Regis*, 896 F.3d at 1328.

It is only through the patent owner’s voluntary behavior to participate in *inter partes* review that such proceedings begin to “resemble” civil litigation. But absent the patent owner’s joining the fight, *inter partes* review will resemble *ex parte* reexamination or the since-replaced *inter partes* reexamination. These post-grant review proceedings may begin with a petition from a third party, *see, e.g.*, 35 U.S.C. § 302, as with *inter partes* review. And yet, the University concedes that these reexamination proceedings do not implicate sovereign immunity. *See* Pet.App.18. There is no reason to draw the opposite conclusion here. The function of the proceedings are all the same: the agency’s review of an already issued patent. The Board “reexamine[s] an earlier agency decision” and “protect[s] the public’s paramount interest in seeing that patent monopolies are kept within their

legitimate scope.” *Cuozzo*, 136 S. Ct. at 2144 (internal quotation marks and alteration omitted). The particular procedures guiding *inter partes* review might differ, but the function is the same.

**B. Whether The Board May Enter A Default Judgment When A Patent Owner Does Not Participate In *Inter Partes* Review Is Unresolved And Should Continue To Percolate**

In civil litigation, a defendant’s choice not to participate has real consequences. A court may enter a default judgment against the non-appearing defendant. Fed. R. Civ. P. 55(a)-(b). That default judgment has the same effect as any other valid judgment. *See Riehle v. Margolies*, 279 U.S. 218, 225 (1929) (“A judgment of a court having jurisdiction of the parties and of the subject-matter operates as res judicata, in the absence of fraud or collusion, even if obtained upon a default.”). A party with a default judgment in hand can seek all available remedies, including attachment of assets. *See, e.g., Albano v. Norwest Fin. Haw., Inc.*, 244 F.3d 1061, 1063 (9th Cir. 2001) (foreclosing on property after a default judgment). It is the threat of a default judgment that, absent sovereign immunity, would coerce a State to participate—“defend or default” in the words of *Alden*—in ordinary civil litigation brought by private parties.

The same was true of South Carolina’s participation in the Maritime Commission proceedings in *Federal Maritime Commission v. South Carolina Ports Authority*, 535 U.S. 743 (2002). There, the State’s non-participation in commission

proceedings would subject it to a default judgment. Federal law required the State to answer the complaint of a private party. *See id.* at 760.<sup>5</sup> And a State’s refusal to participate in commission proceedings would also limit the its ability to challenge the commission’s actions in later enforcement proceedings. *See id.* at 763, 764-65 n.17 (reasoning that, under the Shipping Act, “if a State does not present its arguments to the Commission, it will have all but lost any opportunity to defend itself” in later enforcement actions); *see also id.* at 763 n.15 (contrasting “a situation where Congress has allowed a party to obtain full *de novo* judicial review of Commission orders without first appearing before the Commission” and “express[ing] no opinion as to whether sovereign immunity would apply [to the Commission’s] adjudicative proceedings under such circumstances”).

Unlike civil litigation or the agency proceedings in *Federal Maritime Commission*, no federal law permits the Board to enter a default judgment merely because

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<sup>5</sup> When this Court decided *Federal Maritime Commission*, federal regulations stated that the Federal Rules of Civil Procedure applied to the Commission’s proceedings so long as they were “consistent with sound administrative practice,” 46 C.F.R. § 502.12 (2002), which would include Rule 55’s provision for default judgments. Parties were required to answer any complaint filed by a private party. *Id.* § 502.64(a). If the complaint went unanswered, the Commission could “enter such rule or order as may be just.” *Id.* § 502.64(b). Later additions to those regulations confirm that such orders would include a default judgment. Current regulations expressly permit private parties to seek and the Commission to issue default judgments. *Id.* §§ 502.62(b)(6), 502.65. The regulations governing *inter partes* review contain no analogous provisions.

a patent owner chooses not to appear in *inter partes* review proceedings. The America Invents Act permits cancellation of patent claims only if the Board finds such claims are unpatentable by a preponderance of the evidence. 35 U.S.C. § 316(e). Moreover, nothing in the statute or the accompanying regulations make a patent owner's participation mandatory. *See, e.g., id.* §§ 313, 314(b); 37 C.F.R. § 42.120 (“A patent owner may file a response to the petition addressing any ground for unpatentability not already denied.”).

Despite this, the Board has, on occasion, purported to enter adverse judgments against private patent owners that do not appear. *See, e.g., K/S HIMPP v. III Holdings 7, LLC*, IPR2017-00929, 2018 WL 357361, at \*1 (PTAB Jan. 10, 2018) (citing 37 C.F.R. § 42.73(b)); *VDF Futurceuticals, Inc. v. Kazerooni*, IPR2017-00547, 2018 WL 842176, at \*1 (PTAB Feb. 9, 2018). In these cases, the Board issued those judgments based on a regulation providing that a patent owner may abandon a patent proceeding and “request judgment against itself at any time during a proceeding.” 37 C.F.R. § 42.73(b). There is no reason to presume that the Board would deem that regulation to apply in these factually distinct circumstances.<sup>6</sup>

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<sup>6</sup> Indeed, there would be no basis for the Board to apply that regulation to these circumstances. The regulation plainly requires the party to “request judgment against itself” before such a judgment may issue. 37 C.F.R. § 42.73(b). There is no ambiguity about that threshold requirement, and the Board would be entitled no deference if it were to enter a default judgment against a non-appearing party that has *not* requested a judgment against itself. *See Kisor v. Wilkie*, 139 S. Ct. 2400, 2414 (2019); *see also id.* at 2425 (Gorsuch, J., concurring in judgment) (rejecting *Auer* deference).

As three Federal Circuit judges themselves have acknowledged, the Board's authority to invoke that regulation to issue a default judgment is questionable. Pet.App.35 n.6. Patent owners always have the right to disclaim their patents. The Board, on the other hand, has authority to cancel claims only if (1) they are found to be unpatentable by a preponderance of the evidence, 35 U.S.C. § 316 (e), unless (2) the patent owner explicitly agrees to such cancellation, 37 C.F.R. § 42.73(b). No regulation permits the Board to enter a default judgment solely because the patent owner does not participate.

To the extent the University argues otherwise, the canon of constitutional avoidance counsels in favor of Gilead's interpretation. *See Clark v. Martinez*, 543 U.S. 371, 381 (2005). The America Invents Act on its face permits *inter partes* review against all patent owners, including unconsenting States. To the extent the Court believes there is any ambiguity about whether patent owners' participation is coerced by the threat of a default judgment, the Court should construe the statutory text to avoid an interpretation that would be constitutionally problematic. That is, this Court should interpret any ambiguity to mean that the University's participation, like any patent owner's participation, is fully voluntary (in large part because default judgments are unavailable) and thus avoid the constitutional thicket that the University's alternative construction invites.

With the America Invents Act properly construed, it is hard to understand how the University is coerced into participating in *inter partes* review proceedings in a manner that would implicate its sovereign

immunity. The University need not appear. It faces no threat of default judgment canceling its patent claims if it chooses not to do so. This is simply not the “coercive process of [a] judicial tribunal[] at the instance of private parties” that raises sovereign immunity concerns. *Alden*, 527 U.S. at 749.

### **III. The Federal Circuit’s Decision Is Correct**

Beyond the vehicle problems discussed above, this Court should deny the University’s petition because the Federal Circuit’s decision is correct. As the Federal Circuit reasoned, for purposes of evaluating sovereign immunity, *inter partes* review is nothing more than the Federal Executive’s reexamination of an already issued patent. As such, state sovereign immunity does not apply. It cannot extend to such a proceeding involving the United States. *See* Pet.App.21-22.

The University attempts to avoid this elementary principle of sovereign immunity by repeatedly likening *inter partes* review to the agency proceedings in *Federal Maritime Commission*, in which this Court held sovereign immunity did apply. *See, e.g.*, Pet.16-19. But the University ignores aspects of *inter partes* review that distinguish it from the adjudication at issue in *Federal Maritime Commission*, as well as ordinary civil litigation.

What constitutional requirements apply to *inter partes* review proceedings does not begin and end with what *inter partes* review “looks like.” *Oil States*, 138 S. Ct. at 1378. So while this Court has likened *inter partes* review to litigation for purposes of deciding other statutory questions, that does not answer the question here. *See* Pet.18 (quoting *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018)). There are critical

distinctions between the nature of *inter partes* review and litigation that are far more relevant to the sovereign immunity question than these general descriptions of *inter partes* proceedings. See Pet.App.22; *Saint Regis*, 896 F.3d at 1328-29 (detailing distinctions relevant to the sovereign immunity analysis); accord *Oil States*, 138 S. Ct. at 1378.

**A. The University’s Sovereign Immunity Arguments Cannot Be Reconciled With The Executive Branch’s Involvement In *Inter Partes* Review**

When the Patent Office grants a patent, it is carrying out “the constitutional functions” of the Executive. *Oil States*, 138 S. Ct. at 1373 (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)). So too here. When the Patent Office decides to review the patentability of an already issued patent, it is carrying out the constitutional functions of the Executive.

*Inter partes* review begins and ends with the Executive. See Pet.App.21-22. As this Court has already recognized, “*inter partes* review is not initiated by private parties in the way that a common-law cause of action is.” *Oil States*, 138 S. Ct. at 1378 n.5. This dispute is instead between the United States as the grantor of patents and the University as patentee. Pet.App.23-24. *Inter partes* review petitioners merely call the patent to the Office’s attention, just as a third party can petition for an *ex parte* reexamination. *Id.*; see also 35 U.S.C. § 302; *Saint Regis*, 896 F.3d at 1329-35 (Dyk, J., concurring). In doing so, the *inter partes* review petitioner requests that the Office institute an *inter partes* review. 35

U.S.C. § 311(a). But the petition alone is insufficient to institute the *inter partes* review of a state-owned patent. The power to commence such proceedings lies solely with the “Director,” with all the powers and duties vested in him by the Executive Branch, who “shall determine whether to institute an *inter partes* review . . . pursuant to a petition filed.” *Id.* § 314(b). That decision by the Executive Branch to review an already issued patent is discretionary, “final and nonappealable.” *Id.* § 314(d); *see Oil States*, 138 S. Ct. at 1378 n.5; *Cuozzo*, 136 S. Ct. at 2140.

This statutory scheme stands in sharp contrast to ordinary civil litigation, as well as the agency proceedings in *Federal Maritime Commission*. In civil litigation, a plaintiff files a complaint, and the case begins. Failure to answer that complaint could well result in a default judgment. *Supra*, p. 16. Likewise in *Federal Maritime Commission*, the plaintiff itself began the agency proceedings by filing a complaint against South Carolina, and federal law required South Carolina to answer that complaint. 535 U.S. at 747, 763; *see supra* pp. 16-17 & n.5. The commission did not control whether the prosecution of that complaint against South Carolina would proceed. *See Fed. Maritime Comm’n*, 535 U.S. at 764. In *inter partes* review, on the other hand, there is no requirement that the patent owner answer a petition requesting *inter partes* review. And it is solely the Executive that “bears the political responsibility of determining which cases should proceed.” *Saint Regis*, 896 F.3d at 1327. The State need not even involve itself in the proceedings. *See supra*, pp. 13-16.

Further distinguishing *inter partes* review, the Executive also remains a participant in the *inter partes* review proceedings even if the petitioner and patent owner agree to terminate them. Pet.App.22; 35 U.S.C. § 143 (authorizing Director’s participation in appeals). This bears no resemblance to civil litigation. A court cannot continue adjudicating a case after the parties have settled. Where the Executive Branch, through the Director, is as much a party in patent proceedings as a private petitioner or state patent owner—indeed, where the Executive may continue challenging the patent even after the private petitioner abandons its challenge—the State’s sovereign immunity must bend to that of the federal government’s. State sovereign immunity does not extend to such proceedings.

**B. *Inter Partes* Review Does Not Concern The Lawfulness Of State Action**

What is at stake in *inter partes* review proceedings further distinguishes it from *Federal Maritime Commission*. At issue in that case was whether the South Carolina Port Authority violated the Shipping Act by refusing berthing space for a particular cruise ship. *See Fed. Maritime Comm’n*, 535 U.S. at 748. Had South Carolina been found liable, the Commission could have ordered the State to pay reparations and enjoined it from refusing to provide berthing space at its port. *Id.* at 748-49. Had South Carolina not appeared in the proceeding (or lost on the merits), the Commission could have imposed monetary penalties and issued a nonreparation order against it, subjecting the State to real consequences and “a levy upon th[e] State’s treasury.” *Id.* at 767.

These *inter partes* review proceedings, by contrast, are not about a State's alleged wrongdoing. In *inter partes* review, the issue is instead whether the Executive erred when it previously granted a patent—a “public franchise” granted by the Government—to the patent holder. *Oil States*, 138 S. Ct. at 1373 (quoting *Seymour v. Osborne*, 11 Wall. 516, 533 (1871)). That *inter partes* review occurs after the initial grant of a patent does not change the nature of the proceeding. *Id.* at 1374. *Inter partes* review “involves the same interests as the determination to grant a patent in the first instance,” even if it has some of the trappings of judicial process. *Id.*; see also *Saint Regis*, 896 F.3d at 1329.

Decisions postdating *Federal Maritime Commission* confirm that questions of this sort do not offend state sovereignty in the same way that the allegations of wrongdoing did in *Federal Maritime Commission*. See, e.g., *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 373-78 (2006) (explaining that bankruptcy and habeas corpus proceedings necessarily tax the sovereign interests of state entities without running afoul of the Eleventh Amendment); *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 450-51 (2004) (explaining that “[t]he bankruptcy court’s jurisdiction is premised on the res, not on the persona” of the state entity). Here too, the reason these patents are subject to *inter partes* review is that the United States retains authority to reexamine the patents it issues. They are neither absolutely nor indefinitely in the hands of the University. See Pet.App.29-36.

What's more, *inter partes* review petitioners seek relief directed at the federally issued patent itself (as compared to the monetary and injunctive relief sought from South Carolina in *Federal Maritime Commission*). See Pet.App.34-35. There is only one type of relief available in *inter partes* review: "The petitioner only seeks to have the agency reconsider a previous grant of a patent, and the only relief the Board can offer is the revocation of erroneously granted patent claims." *Id.* at 34. After the Board issues its final decision, the Director issues a certificate canceling, confirming, or amending the challenged patent claims. 35 U.S.C. § 318(b). And while such a certificate might affect the scope of rights a patent currently affords, it has no compulsive effect on patent owners themselves. Pet.App.35. That too distinguishes *inter partes* review from the adjudication in *Federal Maritime Commission*.

**C. Historical Precedent Exists For Patent Reexamination By The Executive, Unlike The Historical Precedent Lacking In *Federal Maritime Commission***

Finally, *inter partes* review is further distinguishable from the agency proceedings in *Federal Maritime Commission* because there is a robust history of reexamination of patents by the Executive Branch. There was no such history of analogous proceedings in *Federal Maritime Commission*, which is why the Court deemed it necessary to turn its attention to a comparison of the commission's adjudication and civil litigation. See *Fed. Maritime Comm'n*, 535 U.S. at 755.

Here, there is no reason to believe that the States retained any immunity from patent proceedings when they agreed to enter the Union.<sup>7</sup> The historical record shows just the opposite, as the Federal Circuit recognized. *See* Pet.App.26; *see also* William Martin, *The English Patent System* 16 (1904). A patent could be canceled in 18th-century England by petition to the Privy Council, a collection of six or seven counsellors vested with the authority “to declare a patent void if they determined the invention was contrary to law, ‘prejudicial’ or ‘inconvenient,’ not new, or not invented by the patent owner.” *Oil States*, 138 S. Ct. at 1377; *see also* *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 847 (2015) (Thomas, J., dissenting). “Based on the practice of the Privy Council, it was well understood at the founding that a patent system could include” both a process for granting patents and a process for cancellation in the executive proceeding of the Privy Council. *Oil States*, 138 S. Ct. at 1377; *see also* Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1681-82 (2013).

The existence of the Privy Council in the English system is important for at least two reasons here. First, “[t]he Patent Clause in our Constitution ‘was written against the backdrop’ of the English system.” *Oil States*, 138 S. Ct. at 1377 (quoting *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 5 (1966)). The Executive’s reconsideration of a patent is anything but

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<sup>7</sup> The University describes *inter partes* review as “an historical anomaly” and asserts “there is no comparable historical support for the Federal Circuit’s decision.” Pet.17, 31. The University’s decision to ignore the historical record discussed above cannot make it go away.

an “anomalous” or “unheard of” proceeding. *Compare Fed. Maritime Comm’n*, 535 U.S. at 755. It was well founded when the Constitution was adopted. Second, the Privy Council reinforces the involvement of the United States in *inter partes* review. “The Privy Council was composed of the Crown’s advisers,” acting as an arm of the Crown. *Oil States*, 138 S. Ct. at 1377. That an agency of the Executive Branch has the power to reconsider patents in *inter partes* review proceedings is thus no surprise. Unlike in *Federal Maritime Commission*, the historical record here alone supports the conclusion that a State’s sovereign immunity does not extend to *inter partes* review.

#### **IV. Insulating States From *Inter Partes* Review Raises Only More Questions**

To hold that state-owned patents are insulated from *inter partes* review would have the effect of relegating all other patents to second-class status. The “public franchise” a state patent owner would receive would comprise a different and broader bundle of rights than other patent owners. State-owned patents would be less susceptible to invalidation or amendment by virtue of more limited post-grant review possibilities. Such a system would invite inventors to assign patents to state entities so that the inventors may share in the strategic advantages that state ownership would afford. *See* Pet.App.28 (“[I]f sovereign immunity barred IPR proceedings against patents obtained by a sovereign, nothing would prevent a state from lending its sovereign immunity to private parties, as the tribe attempted to do in *Saint Regis*.”). Discriminating between state patent owners and private patent owners in this way raises only

more constitutional questions, and nowhere in the America Invents Act did Congress mention a rational basis for such unequal treatment of otherwise similarly situated patent owners.<sup>8</sup>

Holding that sovereign immunity applies to *inter partes* review would also bring with it a series of fact-intensive threshold questions that the Board, the Federal Circuit, and ultimately this Court would have to answer in proceedings involving state-owned patents.<sup>9</sup> Is the particular patent owner (for example,

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<sup>8</sup> Distinguishing between state patent owners and all others is also a problematic reduction of the property rights of foreign state patentees to second-class status. That result is irreconcilable with Articles 2 and 3 of the Paris Convention for the Protection of Industrial Property, Aug. 25, 1973, 24 U.S.T. 2140 (art. 1-12); Sept. 5, 1970, 21 U.S.T. 1583 (art. 13-30). The AIA should not be erroneously construed, if a saving construction is available, to conflict with these international obligations. See *Murray v. Schooner Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804); *Federal-Mogul Corp. v. United States*, 63 F.3d 1572, 1581 (Fed. Cir. 1995).

<sup>9</sup> Whether a particular patent owner would be able to assert sovereign immunity in *inter partes* review is a much different question than whether a State accused of patent infringement may assert its sovereign immunity. When named as a defendant in a patent infringement suit, the State enjoys expansive sovereign immunity. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 647 (1999); see also *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 685-86 & n.4 (1999) (rejecting that a State, even though acting as a market participant, implicitly waived its immunity and could be sued as a Lanham Act defendant). But state entities are not categorically immune—indeed, such entities are not categorically considered “the State” with all the trappings of state sovereignty—in all contexts. For example, a state agency cannot claim immunity from federal antitrust laws when the agency’s actions are not an exercise of the State’s

a patent-holding division of a university) an arm of the State for sovereign immunity purposes? Might the state entity have knowingly and voluntarily waived its sovereign immunity? Did the state entity come to possess the patent in a “sham” transaction whereby the original patent owner is effectively renting the State’s sovereign immunity, such that sovereign immunity ought not apply? *See, e.g., Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-cv-1455-WCB, 2017 WL 4619790, at \*2 (E.D. Tex. Oct. 16, 2017) (Bryson, J.) (noting that “Allergan purports to have sold the patents to the Tribe, but in reality it has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to rent—the Tribe’s sovereign immunity in order to defeat the pending IPR proceedings in the PTO,” in a “ploy” that other patentees would have incentive to pursue); *see also Saint Regis*, 896 F.3d at 1326. *Inter partes* review—when properly construed as a proceeding that begins and ends with the Federal Executive and a proceeding in which the State voluntarily participates—does not require resolution of these fact-intensive threshold questions. If, however, this Court were to hold otherwise—that state sovereign immunity applies to *inter partes*

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sovereign power and are instead the unsupervised activities of an agency acting as a market participant. *See N.C. State Bd. of Dental Exam’rs v. Fed. Trade Comm’n*, 135 S. Ct. 1101, 1110-12 (2015). That antitrust framework is also applicable in these post-grant review proceedings. It makes little sense to permit a licensing entity such as the technology transfer department of a state university to assert immunity from *inter partes* review (thereby insulating patents issued by the Patent Office from the Office’s later review), regardless of whether that same entity could assert immunity in a patent infringement suit brought by a private party.

review proceedings—the Board, the Federal Circuit, and this Court will find themselves refereeing what entities are in fact “the State,” whether such entities waived their immunity, and whether such entities were assigned patent rights in such a manner that sovereign immunity does not insulate the entity’s patent from post-grant review.

**CONCLUSION**

For the foregoing reasons, this Court should deny the petition.

Respectfully submitted,

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December 5, 2019