

No. 19-337

IN THE
Supreme Court of the United States

REGENTS OF THE UNIVERSITY OF MINNESOTA,
Petitioner,

v.

LSI CORPORATION, AVAGO TECHNOLOGIES U.S. INC.,
ERICSSON INC., TELEFONAKTIEBOLAGET LM ERICSSON,
GILEAD SCIENCES, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

Ned Hirschfeld
ORRICK, HERRINGTON &
SUTCLIFFE LLP
51 West 52nd Street
New York, NY 10019

Mark S. Davies
Counsel of Record
Thomas M. Bondy
Monica L. Haymond
Peter E. Davis
ORRICK, HERRINGTON &
SUTCLIFFE LLP
1152 15th Street, NW
Washington, DC 20005
(202) 339-8400
mark.davies@orrick.com

*Counsel for Respondents Ericsson Inc. &
Telefonaktiebolaget LM Ericsson*

QUESTION PRESENTED

State sovereign immunity does not extend to a range of federal proceedings, including certain federal agency actions that materially differ from civil litigation, matters brought by the United States, and *in rem* actions. See *Fed. Mar. Comm'n v. S.C. Ports Auth.*, 535 U.S. 743, 759 (2002); *Alden v. Maine*, 527 U.S. 706, 730 (1999); *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 446-47 (2004).

In this case, the University of Minnesota sued Respondents for patent infringement. Respondents then petitioned for inter partes review (IPR), a unique administrative proceeding that permits the Patent Trial and Appeal Board to assert jurisdiction over an issued patent and reconsider its validity. Applying this Court's precedents to the structure of the IPR process, the Federal Circuit ruled that state sovereign immunity did not apply.

After the University filed its petition in this Court, a different panel of the Federal Circuit substantially altered the Board's structure in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). The *Arthrex* litigation remains ongoing, and Congress at the same time is considering changes to the IPR process in light of the panel decision.

The question presented is:

Whether the University can invoke state sovereign immunity to prevent the Board, as currently structured, from conducting IPR of patents the University has asserted against Respondents in district court.

CORPORATE DISCLOSURE STATEMENT

Telefonaktiebolaget LM Ericsson is the parent company of Ericsson Inc. No publicly held company owns 10% or more of Telefonaktiebolaget LM Ericsson's stock.

RELATED PROCEEDINGS

United States Court of Appeals for the Federal Circuit:

Regents of the University of Minnesota v. LSI Corporation & Avago Technologies U.S. Inc., No. 2018-1559 (June 14, 2019)

Regents of the University of Minnesota v. Ericsson Inc. & Telefonaktiebolaget LM Ericsson, Nos. 2018-1560, 2018-1561, 2018-1562, 2018-1563, 2018-1564, 2018-1565 (June 14, 2019)

United States Patent Trial and Appeal Board:

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

Ericsson Inc. & Telefonaktiebolaget LM Ericsson v. Regents of the University of Minnesota, Cases IPR2017-01186, IPR2017-01197, IPR2017-01200, IPR2017-01213, IPR2017-01214, IPR2017-01219

Gilead Sciences, Inc. v. Regents of the University of Minnesota, Cases IPR2017-01712, IPR2017-01753, IPR2017-02004, IPR2017-02005

United States District Court Proceedings:

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 University of Minnesota v. Gilead Sciences, No. 3:17-cv-06056 (N.D. Cal.)

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
CORPORATE DISCLOSURE STATEMENT	ii
RELATED PROCEEDINGS	iii
TABLE OF AUTHORITIES	vi
INTRODUCTION	1
STATEMENT OF THE CASE	3
REASONS TO DENY CERTIORARI	10
I. The Federal Circuit’s Decision Is Correct And Dictated By This Court’s Precedents.	10
A. State sovereign immunity does not apply under <i>FMC</i> because IPR differs fundamentally from civil litigation.	11
B. State sovereign immunity does not apply because IPR is an action by the federal government.	19
C. State sovereign immunity does not apply because IPR is an action <i>in rem</i> that does not threaten sovereign dignity.	22
II. Widespread Uncertainty About The Board’s Structure After <i>Arthrex</i> Counsels Against Granting Review Now.	28
III. This Case Is A Poor Vehicle Because Petitioner Waived Any Immunity From Respondents’ IPR Petitions.	31
CONCLUSION	35

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>Alden v. Maine</i> , 527 U.S. 706 (1999).....	i, 1, 19, 21
<i>Arthrex, Inc. v. Smith & Nephew, Inc.</i> , 941 F.3d 1320 (Fed. Cir. 2019).....	<i>passim</i>
<i>Ex parte Bakelite Corp.</i> , 279 U.S. 438 (1929).....	20
<i>Bd. of Trs. of Univ. of Ala. v. Garrett</i> , 531 U.S. 356 (2001).....	19
<i>Bedgear, LLC v. Fredman Bros. Furniture Co.</i> , Nos. 2018-2082, -2083, -2084, 2019 WL 5806893 (Fed. Cir. Nov. 7, 2019).....	29
<i>California v. Deep Sea Research, Inc.</i> , 523 U.S. 491 (1998).....	23, 24, 25, 27
<i>Cent. Va. Cmty. Coll. v. Katz</i> , 546 U.S. 356 (2006).....	8, 23, 25
<i>Clark v. Barnard</i> , 108 U.S. 436 (1883).....	31
<i>Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.</i> , 148 F.3d 1343 (Fed. Cir. 1998).....	34

<i>Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666 (1999)</i>	32
<i>Cuozzo Speed Techs., LLC v. Lee, 136 S. Ct. 2131 (2016)</i>	<i>passim</i>
<i>Fed. Mar. Comm’n v. S.C. State Ports Auth., 535 U.S. 743 (2002)</i>	<i>passim</i>
<i>Fla. Dep’t of State v. Treasure Salvors, Inc., 458 U.S. 670 (1982)</i>	24
<i>Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank, 527 U.S. 627 (1999)</i>	33
<i>Franchise Tax Bd. of Cal. v. Hyatt, 139 S. Ct. 1485 (2019)</i>	22
<i>Gunter v. Atl. Coast Line R.R. Co., 200 U.S. 273 (1906)</i>	31
<i>Idaho v. Coeur d’Alene Tribe of Idaho, 521 U.S. 261 (1997)</i>	24, 25, 26
<i>Lapides v. Bd. of Regents of the Univ. Sys. of Ga., 535 U.S. 613 (2002)</i>	2, 31, 32
<i>Missouri v. Fiske, 290 U.S. 18 (1933)</i>	23

<i>In re New York</i> , 256 U.S. 503 (1921).....	24, 25
<i>Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC</i> , 138 S. Ct. 1365 (2018).....	<i>passim</i>
<i>Pennhurst State Sch. & Hosp. v. Halderman</i> , 465 U.S. 89 (1984).....	32
<i>Return Mail, Inc. v. United States Postal Serv.</i> , 139 S. Ct. 1853 (2019).....	10, 15
<i>Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.</i> , 896 F.3d 1322 (Fed. Cir. 2018).....	7, 13
<i>SAS Inst. Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018).....	10, 15, 21
<i>Seminole Tribe of Fl. v. Florida</i> , 517 U.S. 44 (1996).....	23
<i>Shaffer v. Heitner</i> , 433 U.S. 186 (1977).....	23, 25
<i>Tegic Commc’ns Corp. v. Bd. of Regents of the Univ. of Tex. Sys.</i> , 458 F.3d 1335 (Fed. Cir. 2006).....	33
<i>Tenn. Student Assistance Corp. v. Hood</i> , 541 U.S. 440 (2004).....	i, 1, 22, 23, 25, 26

<i>Ticor Title Ins. Co. v. Brown</i> , 511 U.S. 117 (1994).....	31
<i>United States v. Minnesota</i> , 270 U.S. 181 (1926).....	19
<i>WesternGeco LLC v. ION Geophysical Corp.</i> , 889 F.3d 1308 (Fed. Cir. 2018).....	32
Constitutional Provisions	
U.S. Const. art. II, § 3.....	19
Statutes & Regulations	
29 U.S.C. § 211.....	21
29 U.S.C. § 216(c).....	21
35 U.S.C. § 6(a).....	4
35 U.S.C. § 6(c).....	4
35 U.S.C. § 102.....	3
35 U.S.C. § 103.....	3
35 U.S.C. § 252.....	32
35 U.S.C. § 301.....	4
35 U.S.C. § 302.....	4
35 U.S.C. § 303.....	4
35 U.S.C. § 304.....	4

35 U.S.C. § 305.....	4
35 U.S.C. § 311(a).....	25
35 U.S.C. § 313.....	13
35 U.S.C. § 315(b).....	32
35 U.S.C. § 315(e)(2)	32
35 U.S.C. § 316(a)(5)	13
35 U.S.C. § 318(b).....	25
35 U.S.C. § 318(c).....	32
42 U.S.C. § 12188.....	21
46 C.F.R. § 502.224 (2001).....	14
Other Authorities	
157 Cong. Rec. S1036 (daily ed. Mar. 1, 2011).....	6
157 Cong. Rec. S1177-78 (daily ed. Mar. 3, 2011).....	6
<i>Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC,</i> IPR2012-00001, Paper 26 (PTAB Mar. 5, 2013).....	13

Jacob H. Rooksby, <i>Innovation and Litigation: Tensions Between Universities and Patents and How to Fix Them</i> , 15 <i>Yale. J.L. & Tech.</i> 312 (2013).....	5
Motion of United States to Stay Proceedings, <i>Steuben Foods, Inc. v. Nestle USA, Inc.</i> , No. 2020-1082 (Fed. Cir. Nov. 13, 2019), Doc. No. 15	9, 29
Order, <i>Polaris Innovations Ltd. v. Kingston Tech. Co.</i> , No. 2018-1768 (Fed. Cir. Nov. 8, 2019).....	9, 29
<i>The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary</i> , 116th Cong. (Nov. 19, 2019).....	9, 30
<i>Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.</i> , IPR2016-01914, Paper 23 (PTAB Mar. 3, 2017).....	6, 32
Ronald J. Mann & Marian Underweiser, <i>A New Look at Patent Quality: Relating Patent Prosecution to Validity</i> , 9 <i>J. Empirical Legal Stud.</i> 1 (Mar. 2012).....	4

INTRODUCTION

Certiorari is unwarranted for three distinct reasons. First, precedent dictates that states are not immune from inter partes review (IPR). This Court has carefully mapped out the boundaries of state sovereign immunity. *Federal Maritime Commission v. South Carolina State Ports Authority*, 535 U.S. 743 (2002) (*FMC*), applied immunity to modern administrative proceedings only if they closely resemble civil litigation in federal court. *Alden v. Maine*, 527 U.S. 706 (1999), explained that immunity does not apply to actions commenced by the United States. And decisions like *Tennessee Student Assistance Corp. v. Hood*, 541 U.S. 440 (2004), affirmed that immunity ordinarily does not extend to *in rem* proceedings. IPR—a unique administrative proceeding instituted by the Patent Trial and Appeal Board (Board) to reexamine the validity of a patent—sits beyond each of those boundaries.

Second, even if the question presented were a closer one, this is not the time for the Court to address it. As the petition emphasizes, the “availability of sovereign immunity turns on the nature of the proceeding.” Pet. 24. But the nature of IPR—including structural elements central to the immunity analysis under *FMC* and *Alden*—has just been thrown into limbo. After the petition was filed, the Federal Circuit issued *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). It held that the Administrative Patent Judges (APJs) who oversee IPRs were unconstitutionally appointed. To fix the problem, *Arthrex* “sever[ed] the portion of the Patent Act restricting

removal of the APJs,” leaving them removeable at will by executive officers. *Id.* at 1325.

It is anyone’s guess whether the *Arthrex* panel’s remedy or a different change to the Board’s structure will carry the day. Other Federal Circuit judges have already called *Arthrex*’s remedy into question, and the PTO has announced that it plans to seek en banc review of the decision. Meanwhile, parties in some of the hundreds of pending cases affected by the decision—including the government—have proposed a range of alternative remedies for the appointments problem, including enlarging the Director’s control over IPR and striking down the Board in its entirety. The Federal Circuit has invited supplemental briefing on those alternatives. On top of all that, Congress recently held a hearing on the implications of the Federal Circuit’s recent decisions. Certiorari would be premature until these proceedings run their course and the structure of the Board is settled.

Third, setting aside the uncertainty that *Arthrex* has created, this case would still be a poor vehicle for review. Even if state sovereign immunity could extend to IPR, Petitioner waived any such immunity by suing Respondents for patent infringement. Under *Lapides v. Board of Regents of the University System of Georgia*, 535 U.S. 613 (2002), Respondents are entitled to defend against a state’s affirmative claims—including by petitioning for IPR of the asserted patents. Petitioner’s waiver blunts the practical significance of its arguments in this case. If this Court wishes to consider those arguments, it should await a vehicle where its decision will dictate whether immunity from an IPR is ultimately available.

The petition for certiorari should be denied.

STATEMENT OF THE CASE

1. A valid patent must be both novel and nonobvious in light of the prior art. 35 U.S.C. §§ 102, 103. To decide whether a patent application satisfies those requirements, a single patent examiner considers evidence proffered by the applicant, as well as any independent research the examiner has time to perform. Pet. App. 6a-7a. That process has obvious limits. The applicant, of course, is not motivated to make the case against its own claims. And patent examiners flooded with applications may not have time to find all relevant prior art; the PTO receives more than half a million applications annually, meaning examiners typically carve out just 22 hours to resolve each one. Pet. App. 7a. Inevitably, therefore, “there are patents granted in error.” Pet. App. 8a.

Congress has addressed this issue by authorizing the PTO to take a “second look” at questionable patents, effectively extending an initial review that may have been rushed or incomplete. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018) (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016)). This solution has ancient roots. In the 18th century, the Crown empowered the English Privy Council, an executive body, “to declare a patent void” if further examination revealed it was “not new” or “not invented by the patent owner.” *Id.* at 1377. It was thus “well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation in [an] executive proceeding.” *Id.*

Congress has built on that tradition with several forms of second-look review, each designed to supplement the PTO's limited capacity by "enlist[ing] the assistance of third parties to identify relevant prior art." Pet. App. 10a. It began with *ex parte* reexamination, which permits any person to request reconsideration by the PTO. If the agency decides the patent is worth a second look, it proceeds with minimal further input from the requesting party. *See* 35 U.S.C. §§ 301-305. Congress later enacted "another, similar procedure, known as 'inter partes reexamination.'" *Cuozzo*, 136 S. Ct. at 2137 (emphasis removed). This second option further leveraged the input of third parties by permitting them to submit comments in response to the patent owner's submissions during the PTO's reconsideration, and to potentially conduct an appeal. Pet. App. 13a. Nonetheless, improperly granted patents continued to issue. *See* Ronald J. Mann & Marian Underweiser, *A New Look at Patent Quality: Relating Patent Prosecution to Validity*, 9 J. Empirical Legal Stud. 1, 7 (Mar. 2012).

Congress responded with IPR, the most recent form of administrative second look. Pet. 14a. Enacted in 2011, IPR replaced *inter partes* reexamination, but kept the same key elements. Third parties may still request agency reconsideration, this time from three-member panels of the Board, which is made up of the PTO's leadership and APJs appointed by the Secretary of Commerce. 35 U.S.C. § 6(a), (c). The agency has near-total discretion in electing to reconsider the patent; and once the agency does so, it may continue the proceeding even if the petitioner drops out. *Cuozzo*, 136 S. Ct. at 2143-44. But IPR further leverages the input of third parties by granting them

limited discovery rights, along with the chance to appear at an oral hearing. *See id.* at 2143.

2. State universities like Petitioner have contributed significantly to the flood of patent applications and infringement suits in recent years. *See* Jacob H. Rooksby, *Innovation and Litigation: Tensions Between Universities and Patents and How to Fix Them*, 15 *Yale J.L. & Tech.* 312, 334 (2013). They have become major players in patent acquisition and litigation, competing with private entities in a wide range of fields.

Here, Petitioner sued AT&T, Sprint, T-Mobile, and Verizon in 2014, alleging that their 4G LTE networks infringed patents Petitioner acquired between 1999 and 2014. Pet. App. 3a. Respondent Ericsson Inc., which supplied elements of the accused networks, intervened to defend against claims that its products infringed Petitioner's patents. Pet. App. 3a; C.A. App. 1219-20. Two years later, Petitioner filed an unrelated infringement suit against Respondents LSI Corporation and Avago Technologies regarding microchip technology. C.A. App. 1223-46. Around the same time, Petitioner also sued Respondent Gilead Sciences for allegedly infringing its patent on Hepatitis C treatments. C.A. App. 1248-59.

3. In response to Petitioner's claims, Ericsson and the other Respondents petitioned for IPR of the asserted patents, citing prior art demonstrating that the patents should not have issued. Pet. App. 3a-4a; *Gilead Sciences, Inc. v. Regents of the Univ. of Minn.*, IPR2017-01753, -01712, -02004, -02005. Just a few years earlier, Petitioner (along with one of its amici)

enthusiastically endorsed IPR.¹ Once its own patents were at issue, however, Petitioner asserted that its state sovereign immunity extended to IPR and foreclosed the proceedings.

The Board held that Petitioner’s sovereign immunity did not extend to Ericsson’s IPR petitions.² The majority adhered to prior Board decisions that held state sovereign immunity could apply to IPR in certain circumstances. Pet. App. 56a-59a. But it concluded that “the filing of an action in federal court alleging infringement effectively waives [Petitioner’s] Eleventh Amendment immunity defense.” Pet. App. 59a. Petitioner had insisted during a prior IPR that a state patent holder “could be deemed to have waived its sovereign immunity to the IPR process” in precisely these circumstances. *Reactive Surfaces Ltd. LLP v. Toyota Motor Corp.*, IPR2016-1914, Paper 23 at 19-20 (PTAB Mar. 3, 2017).

¹ See 157 Cong. Rec. S1036 (daily ed. Mar. 1, 2011) (statement of Sen. Klobuchar); 157 Cong. Rec. S1177-78 (daily ed. Mar. 3, 2011) (letter of Association of Public & Land-grant Universities et al.). Although the Association of Public and Land-grant Universities now claims that “IPR proceedings are costly and burdensome,” APLU Br. 2, it told Congress that IPR would “significantly improv[e]” on prior reconsideration procedures because it “will provide a lower-cost alternative to civil litigation to challenge a patent throughout its lifetime, while significantly reducing the capacity to mount harassing serial challenges,” 157 Cong. Rec. S1178.

² The Board reached the same conclusion as to LSI and Avago’s IPR petition. Pet. App. 4a n.1. The Board did not resolve the motion to dismiss Gilead’s IPR petition. Pet. App. 5a.

One APJ wrote separately to urge that state sovereign immunity never applies to IPR. She explained that IPR is “a reevaluation by the Patent Office of its decision to grant a patent”—a “circumscribed *in rem* proceeding” that is not “an administrative analog to civil litigation.” Pet. App. 66a. Under this Court’s longstanding precedents, such a proceeding does not “implicat[e] the sovereignty or dignity of the states” in a way that triggers immunity. Pet. App. 69a.

4. On appeal, the Federal Circuit held that state sovereign immunity never extends to IPR, incorporating the reasoning of its related decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), which this Court declined to review, 139 S. Ct. 1547 (2019).³ The Federal Circuit recognized that this Court’s decisions have drawn three distinct boundaries on the reach of state sovereign immunity. Pet. App. 19a, 29a. And it held that IPR, as a unique vehicle for the Board’s “second look” at patent validity, sits beyond each of those boundaries. Pet. App. 21a.

The Federal Circuit first noted that under this Court’s decision in *FMC*, state sovereign immunity may extend by analogy to administrative proceedings that strongly resemble civil litigation in federal court. Pet. App. 19a. It explained that IPR does not qualify, however, because it is fundamentally different—in substance and procedure—from both civil litigation

³ The petition in this case repeats the central arguments advanced by the petitioner in *Saint Regis*, and certiorari is equally unwarranted this time around. See LSI & Avago Br. in Opp. at 3-5.

and the administrative adjudication at issue in *FMC*. Pet. App. 21a-24a.

The Federal Circuit next recognized that under *Alden* and related precedents, state sovereign immunity does not extend to proceedings “commenced by the United States” rather than a private party. Pet. 19a. The panel held that IPR is such a proceeding. Citing this Court’s recent decision in *Oil States*, it explained that notwithstanding the helpful input of third parties, IPR is “in key respects a proceeding between the government and the patent owner.” Pet. App. 23a. Like its statutory predecessors, IPR allows the Board to “reexamine an earlier agency decision” to “protect the public interest in keeping patent monopolies ‘within their legitimate scope.’” Pet. App. 20a-21a (quoting *Cuozzo*, 136 S. Ct. at 2144). As such, IPR is “not barred by state sovereign immunity since sovereign immunity does not bar proceedings brought by the United States.” Pet. App. 24a.

Finally, the Federal Circuit noted that actions *in rem*, rather than *in personam*, “do[] not, in the usual case, interfere with state sovereignty even when States’ interests are affected.” Pet. App. 29a (quoting *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 370 (2006)). The court explained that IPR is an *in rem* action because jurisdiction is limited to the patent and “personal jurisdiction need not be established over a state or its officers.” Pet. App. 29a, 34a. That was another ground for rejecting Petitioner’s immunity defense, since IPR posed none of the unique threats to state sovereignty that might, in exceptional circumstances, trigger immunity under this Court’s *in rem* precedents. Pet. App. 30a-36a.

Given its view that state sovereign immunity did not apply to the IPR petitions, the Federal Circuit declined to address whether Petitioner waived any such immunity by asserting its patents in infringement suits against Respondents. Pet. App. 28a. Petitioner did not seek en banc review in the Federal Circuit.

After the petition was filed, the Federal Circuit decided *Arthrex*, which held the Board’s structure—as codified—to be unconstitutional. 941 F.3d at 1335. The panel remedied that defect by severing removal protections for APJs, substantially diminishing their insulation from political influence. *Id.* at 1337-38. The PTO, which had urged several alternative changes to the Board’s structure as remedies, has announced it will seek rehearing en banc. See Motion of United States to Stay Proceedings at 2, *Steuben Foods, Inc. v. Nestle USA, Inc.*, No. 2020-1082 (Fed. Cir. Nov. 13, 2019), Doc. No. 15. Meanwhile, another Federal Circuit panel has ordered supplemental briefing on whether *Arthrex*’s structural change was inadequate to resolve the Board’s constitutional defect. See Order at 2, *Polaris Innovations Ltd. v. Kingston Tech. Co.*, No. 2018-1768 (Fed. Cir. Nov. 8, 2019), Doc. No. 90. And Congress is examining the implications of the Federal Circuit’s decisions for the Board’s statutory structure.⁴

⁴ See *The Patent Trial and Appeal Board and the Appointments Clause: Implications of Recent Court Decisions: Hearing Before the Subcomm. on Courts, Intellectual Property, and the Internet of the H. Comm. on the Judiciary*, 116th Cong. (Nov. 19, 2019) (*Arthrex* Hearing).

REASONS TO DENY CERTIORARI

I. The Federal Circuit’s Decision Is Correct And Dictated By This Court’s Precedents.

As the Federal Circuit explained in detail, this Court has drawn several essential boundaries on the scope of state sovereign immunity. IPR sits squarely beyond each of them. First, IPR does not closely resemble civil litigation in federal court, which means that sovereign immunity does not extend by analogy under *FMC. Infra* § I.A. Second, IPR is commenced and prosecuted by the federal government, a superior sovereign exempt from immunity defenses. *Infra* § I.B. Third, IPR is an *in rem* proceeding that does not threaten sovereign dignity. *Infra* § I.C. The Federal Circuit carefully observed these boundaries by declining to extend state sovereign immunity to IPR.

The petition attempts to redraw the map. It essentially ignores the holdings of *Cuozzo* and *Oil States*, while mistakenly relying on inapt language from *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018), and *Return Mail, Inc. v. United States Postal Service*, 139 S. Ct. 1853 (2019). The petition also misreads *FMC* and several bedrock *in rem* precedents—all in the service of pushing sovereign immunity beyond its longstanding limits. Such an “obvious gerrymander” of this Court’s case law, Pet. 30, is no ground for certiorari.

A. State sovereign immunity does not apply under *FMC* because IPR differs fundamentally from civil litigation.

1. *FMC* established a framework for deciding whether state sovereign immunity extends to an administrative proceeding. The decision recognized that the modern administrative state was largely unknown “at the time of the founding.” 535 U.S. at 755-56. But that did not resolve the immunity question. *Id.* “To decide” whether immunity “applies,” this Court had to “determine whether” the administrative proceeding closely resembled civil litigation brought by a private party—and so, by analogy, posed the type of threat to state sovereignty that triggers immunity. *Id.* at 756.

FMC then held that state sovereign immunity extended to adjudications before the Federal Maritime Commission. The reason was simple: Those adjudications had “overwhelming” “similarities” to civil litigation, such that they did “exactly the same thing.” *FMC*, 535 U.S. at 759-60. To be sure, the presiding decisionmaker was an ALJ rather than an Article III judge. Otherwise, however, the proceeding would have been right at home in a federal courthouse. Private parties filed complaints against defendants for monetary and injunctive relief. *Id.* at 748-49. Rules for discovery and other procedures were effectively “indistinguishable” from those applied in federal court. *Id.* at 757-58. The ALJ lacked “discretion to refuse to adjudicate complaints.” *Id.* at 764. And critically, thanks to significant removal protections, the ALJ was insulated from political influence and acted

as an “impartial officer” in much the same way a federal judge would. *Id.* at 758 & n.9.

2. The Federal Circuit, applying recent guidance from this Court, correctly held that IPR is something else entirely. *Cuozzo* considered arguments that IPR is procedurally indistinguishable from civil litigation. And it rejected them, holding that IPR is not a “surrogate for court proceedings.” 136 S. Ct. at 2143. To the contrary: IPR begins, proceeds, and concludes in ways that differ fundamentally from litigation in federal court. Pet. App. 20a-24a.

At the outset, private parties cannot seek to impose personal liability through IPR—including the monetary and injunctive relief at issue in *FMC*. See *Oil States*, 138 S. Ct. at 1378. There is not even a complaint that compels the agency to consider the merits. Instead, any private party may file a petition asking the Board to reconsider the validity of a patent in light of prior art. *Cuozzo*, 136 S. Ct. at 2143-44; Pet. App. 21a-22a. The agency is under no obligation to consider the petition’s merits; unlike an Article III judge or Federal Maritime Commission ALJ, the PTO’s Director has nearly “*unreviewable* discretion” to decline consideration, including on policy grounds. *Oil States*, 138 S. Ct. at 1378 n.5 (emphasis added). IPR is thus “not initiated by private parties in the way that a common-law cause of action is.” *Id.*; see Pet. App. 21a-22a.

If instituted, IPR proceeds under rules different from those governing federal litigation and Federal Maritime Commission adjudication. Discovery—a point of emphasis in *FMC*—is far more limited. Pet.

App. 22a. The governing statute generally constrains requests to “the deposition of witnesses submitting affidavits or declarations.” *Saint Regis*, 896 F.3d at 1328 (quoting 35 U.S.C. § 316(a)(5)).⁵ IPR also spurns the Federal Rules of Civil Procedure in favor of circumscribed procedures. Pet. App. 22a. It lacks preliminary proceedings present in civil litigation, including *Markman* hearings. *Saint Regis*, 896 F.3d at 1328. And the hearings that do occur “are short” and “rarely” permit “live testimony”—the hallmark of civil litigation and another point of emphasis in *FMC*. *Id.* at 1328; see *FMC*, 535 U.S. at 758-59. Moreover, petitioners are not indispensable: IPR may proceed without them, unlike federal litigation or Federal Maritime Commission adjudication. Pet. App. 22a; see *Cuozzo*, 136 S. Ct. at 2143.

Building on those fundamental distinctions, IPR culminates in a very different way from either federal litigation or Federal Maritime Commission adjudication. The Board’s APJs cannot impose personal liability. *Supra* 12. Nor can they enter default judgment; by statute, the patent owner’s participation in IPR is optional, not mandatory. 35 U.S.C. § 313; see Pet. App. 35a-36a n.6.

Moreover, in resolving an IPR, APJs are not “shielded from political influence” in the way *FMC*

⁵ The IPR discovery provision also includes a catchall for “what is otherwise necessary in the interest of justice.” 35 U.S.C. § 316(a)(5). But the Board has rarely permitted additional discovery under that language. See *Garmin Int’l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper 26 at 5 (PTAB Mar. 5, 2013).

deemed critical. 535 U.S. at 757-58 & n.9. As noted, the Federal Circuit recently invalidated *all* statutory restrictions on the removal of APJs. *Arthrex*, 941 F.3d at 1338. They are thus a far cry from Article III judges, whose “good behavior” forecloses removal, and the ALJs in *FMC*, who were removable only for good cause. *FMC*, 535 U.S. at 757-58 & n.9 (citing 46 C.F.R. § 502.224 (2001)). And to the extent that *Arthrex*’s holding may come under further judicial or congressional scrutiny in the coming months, that uncertainty simply confirms that certiorari is unwarranted at this time. *Infra* § II.

3. In disputing the Federal Circuit’s reasoning, Petitioner ignores this Court’s dispositive guidance.

a. To begin with, the petition is almost silent about *Cuozzo* and *Oil States*. In both cases, the petitioner insisted that IPR closely resembled civil litigation. This Court disagreed. Citing many of the differences just discussed, *Cuozzo* held that IPR “is less like a judicial proceeding and more like a specialized agency proceeding.” 136 S. Ct. at 2143. Similarly, *Oil States* emphasized that IPR, unlike civil litigation, “does not make any binding determination regarding the liability of [the parties].” 138 S. Ct. at 1378 (quotation marks omitted). Petitioner says practically nothing about these decisions, except to shunt *Oil States* aside because it did not specifically consider sovereign immunity. Pet. 24-25. But that takes nothing away from this Court’s holdings—both there and in *Cuozzo*—that IPR differs fundamentally from civil litigation, not merely in purpose but in form. Those holdings bear directly on this case and starkly

distinguish IPR from the administrative adjudication at issue in *FMC*.

This Court’s decisions in *SAS* and *Return Mail* are not to the contrary. To the extent they considered IPR’s form—beyond simply describing the proceeding as background—they compared it to another agency proceeding, ex parte reexamination, and suggested that IPR “looks a good deal more like civil litigation.” *SAS*, 138 S. Ct. at 1353; *see id.* at 1355-57; *Return Mail*, 139 S. Ct. at 1866. The petition makes much of that comparison. It places particular emphasis on the observation in *SAS* that IPR—unlike ex parte reexamination—derives the “contours of the proceeding” from a private party’s petition. Pet. 22 (quoting *SAS*, 138 S. Ct. at 1355). But these cases simply explained that, at a relatively high level of abstraction, IPR looks *more* like civil litigation than does ex parte reexamination—a proceeding in which third parties play a minimal role. *Supra* 4.

Distinguishing IPR from ex parte reexamination helped to resolve the discrete statutory interpretation questions presented in *Return Mail* and *SAS*. But *FMC* requires a different comparative analysis: whether IPR *so closely* resembles civil litigation that sovereign immunity applies by analogy. *Cuozzo* and *Oil States*—which *Return Mail* and *SAS* never call into question—speak directly to that question.

b. Petitioner also fundamentally misapprehends *FMC*’s holding. As explained, that decision declined to presume that state sovereign immunity extends to modern administrative proceedings merely because they were largely unknown at the founding. 535 U.S.

at 755-56; *see supra* 11. Rather, to “decide” whether that “presumption applies,” the Court asked whether the administrative proceeding at issue so closely resembled private litigation in federal court that it would, by analogy, pose the same threat to sovereignty. 535 U.S. at 756.

The petition gets that framework backward. It claims that *any* modern administrative proceeding is “presumptively subject to sovereign immunity’s bar” *solely* because it “was ‘anomalous and unheard of when the Constitution was adopted.’” Pet. 30 (quoting *FMC*, 535 U.S. at 755); *see* Pet. 16, 18. On that basis, the petition demotes the comparative analysis at the heart of *FMC* to a relative afterthought. In Petitioner’s telling, comparing IPR to Article III litigation or Federal Maritime Commission adjudication serves only to “confirm” the presumption of immunity. Pet. 16, 18. Similarities between IPR and those other proceedings are no longer the touchstone of the sovereign immunity analysis, but mere icing on the cake.

Petitioner leverages this misreading of *FMC* to marginalize the critical differences between IPR and civil litigation, while urging that a patchwork of more superficial similarities “confirms” that IPR triggers state sovereign immunity. This approach permeates the petition. At one point, Petitioner suggests that “the sheer *number* of parallels to civil litigation” isn’t particularly “important” under *FMC*. Pet. 17. At another, it disregards as “irrelevant” an entire page of differences that the Federal Circuit carefully catalogued. Pet. 25 n.12. Nothing in *FMC* supports this dismissive approach.

To the extent the petition confronts the differences between IPR and civil litigation, it merely chips away at the margins. Regarding the opening stages of IPR, for example, Petitioner notes that a private petition resembles a federal civil complaint in that it is “served upon the State” and “sets forth allegations and a claim for relief.” Pet. 18. At a high level of abstraction, that is true. But *FMC*’s comparative analysis was more targeted. It deemed a Federal Maritime Commission complaint analogous to a federal complaint because, among other parallels, it compelled the decisionmaker to engage with the merits and sought to impose personal liability on the defendant. *Supra* 11-12. An IPR petition does neither.

Petitioner also analogizes the Director’s discretion to decline institution to a federal court’s discretion to deny declaratory relief. Pet. 21. But the Director’s free rein to deny all relief on policy grounds is a far cry from a judge’s circumscribed discretion to deny one specific form of relief regarding a dispute that may mature into a controversy the court is bound to adjudicate.

As for how an instituted IPR proceeds, the petition—quoting dicta from *SAS*—observes that the parties “conduct discovery and join issue in briefing and at an oral hearing.” Pet. 18. It also notes that the hearing is referred to by regulation as a “trial.” *Id.* Again, however, these loose parallels exist only at a high level of abstraction. Petitioner cannot dispute that discovery in IPR is far more limited than in civil litigation, or that the ultimate hearing—short and generally devoid of live testimony—does not resemble a trial in federal court. The petition also attempts to

minimize the practical consequences of the Board's authority to continue an IPR even if the petitioner stops participating. Pet. 22-23. But this Court already has held that this difference is meaningful and makes IPR "less like a judicial proceeding." *Cuozzo*, 136 S. Ct. at 2143-44.

Finally, the petition suggests that IPR and federal litigation are resolved by the same type of "impartial" adjudicator. Pet. 18 (citation omitted). But *Arthrex* shows that APJs (at least for the moment) lack the insulation from political influence that *FMC* considered critical. *Supra* 9. The petition also suggests that APJs exercise the same kind of coercive remedial power that states faced in *FMC*. Pet. 23-24. To the contrary: Federal Maritime Commission adjudication was coercive because an absent state would be "defenseless" against subsequent "enforcement of the Commission's nonreparation order" for injunctive relief or "assessment of civil penalties." *FMC*, 535 U.S. at 763. States face no comparable penalties, or any form of personal liability, from IPR. *Oil States*, 138 S. Ct. at 1378.

In short, IPR is not a proceeding that "walks, talks, and squawks very much like a lawsuit." Pet. 19 (quoting *FMC*, 535 U.S. at 757). In light of its differences from civil litigation, state sovereign immunity does not extend by analogy to IPR under *FMC*'s framework. The Federal Circuit's holding to that effect is faithful to this Court's precedents and does not warrant review.

B. State sovereign immunity does not apply because IPR is an action by the federal government.

IPR's unique features also place it outside the scope of state sovereign immunity for a separate reason. As the Federal Circuit explained, "IPR is in key respects a proceeding between the government and the patent owner," and "sovereign immunity does not bar proceedings brought by the United States." Pet. App. 23a-24a. Even if IPR *were* similar to civil litigation in form, therefore, it still would not trigger state sovereign immunity. This is not a "[s]hifting metaphor[]." Pet. 25. Limiting state sovereign immunity in actions brought by the United States is an essential constitutional feature that honors the founding-era compromise between federal and state sovereignty.

1. In ratifying the Constitution, the states consented to suits brought by the federal government. *Alden*, 527 U.S. at 755. Such suits differ in kind from private litigation because they are the "political responsibility" of a superior sovereign "entrusted with the constitutional duty to 'take Care that the Laws be faithfully executed.'" *Id.* at 755-56 (quoting U.S. Const. art. II, § 3). That element of executive "control," *id.* at 756, places federal actions outside the realm of state sovereign immunity, even when the United States acts in part to vindicate the interests of other parties. *See, e.g., Bd. of Trs. of Univ. of Ala. v. Garrett*, 531 U.S. 356, 374 n.9 (2001) (United States may sue states for treatment of private parties that violates the Americans with Disabilities Act); *United States v. Minnesota*, 270 U.S. 181, 193-95 (1926) (United States could sue state to revoke patents on

land to which tribe asserted rights under prior treaty).

The Federal Circuit correctly classified IPR as a federal action. It is “a second look at an earlier administrative grant of a patent,” and the United States does the looking. *Oil States*, 138 S. Ct. at 1374 (quoting *Cuozzo*, 136 S. Ct. at 2144). In particular, while any member of the public can request review, the PTO’s Director—a politically accountable principal officer supervised by the president—wields unreviewable discretion over whether to institute the proceeding. *Supra* 12. IPR thus happens only upon a favorable executive policy judgment. After institution, APJs continue the initial patent examiner’s work by deciding—without any presumption of validity—whether the claims at issue are novel and nonobvious. *Supra* 12-13. And the process may conclude without the private petitioner’s participation; as *Cuozzo* emphasized, the Board can resolve the IPR on its own, and later intervene to defend its decision on appeal. *Supra* 13.

For all of those reasons, IPR is “a matter ‘arising between the [federal] government and others.’” *Oil States*, 138 S. Ct. at 1373 (quoting *Ex parte Bakelite Corp.*, 279 U.S. 438, 451 (1929)). And it is one that would have been recognizable to states even at the founding. Thanks to England’s example, “it was well understood” at that time “that a patent system could include a practice of granting patents subject to potential cancellation” in an “executive proceeding” informed by private input—namely, the Privy Council. *Id.* at 1377; *see supra* 3.

2. In arguing otherwise, the petition again misreads *FMC*. It describes the decision as holding that a proceeding “nearly identical” to IPR was not controlled by the federal government. Pet. 25-26. Yet the proceeding in *FMC* was starkly different in that respect: This Court emphasized that the Federal Maritime Commission did *not* assume “political responsibility” for deciding whether to conduct the proceeding. *FMC*, 535 U.S. at 764 (quoting *Alden*, 527 U.S. at 756). It was required to adjudicate every private complaint; the “only duty assumed” was to “assess [the] merits in an impartial manner.” *Id.* That meant the proceeding was not “controlled” by the United States, *id.*, the way that IPR is.

As Petitioner notes, Pet. 26, third parties play an important role in furnishing the Board with prior art relevant to the patent’s validity. The information they supply sets the “contours” of the resource-strapped agency’s reconsideration efforts. Pet. 22 (quoting *SAS*, 138 S. Ct. at 1355). But the United States routinely takes enforcement actions based on third-party information without offending state sovereign immunity. *See, e.g.*, 29 U.S.C. § 216(c) (Fair Labor Standards Act); 29 U.S.C. § 211 (Age Discrimination in Employment Act); 42 U.S.C. § 12188 (Americans with Disabilities Act). *FMC* made precisely this point. It recognized that an agency like the Federal Maritime Commission could—without running afoul of state sovereign immunity—“investigate alleged violations [of the law], either upon its own initiative *or upon information supplied by a private party*,” and “*institute its own administrative proceeding*” based on that information. *FMC*, 535 U.S. at 768 (emphases added). That is how IPR works.

This portion of *FMC* also answers Petitioner’s contention that states are immune from any federal proceeding that takes place outside of Article III courts. Pet. 27. That argument would dramatically undercut the United States’ authority as a superior sovereign. And it is unfounded; immunity was no impediment to the Federal Maritime Commission’s “own administrative proceeding” against a state. *FMC*, 535 U.S. at 768. *Franchise Tax Board of California v. Hyatt*, 139 S. Ct. 1485 (2019), is not to the contrary. See Pet. 27 n.14. It simply considered a different issue—whether a state’s immunity extends to private suits brought in the courts of other states—without addressing agency proceedings brought by the United States.

C. State sovereign immunity does not apply because IPR is an action *in rem* that does not threaten sovereign dignity.

IPR also sits beyond another boundary of state sovereign immunity. This Court has long recognized that absent a special threat to sovereignty, a state’s immunity does not extend to *in rem* actions—those premised on jurisdiction over property rather than parties. Even when a state claims an interest in the property at issue, *in rem* actions do not impose the coercive process or threaten the personal liability from which states are immune. The Federal Circuit correctly held that IPR is such an action.

1. *In rem* jurisdiction is “premiered” solely “on the res” at issue. *Hood*, 541 U.S. at 448. Several distinct features follow from that core jurisdictional constraint. An *in rem* judgment is “limited to the

property” in dispute; it cannot “impose a personal liability on the property owner” or any other party. *Shaffer v. Heitner*, 433 U.S. 186, 199 (1977); see *Hood*, 541 U.S. at 448. Relatedly, *in rem* actions do not subject anyone to “the coercive process of judicial tribunals.” *Hood*, 541 U.S. at 453 (quoting *Seminole Tribe of Fl. v. Florida*, 517 U.S. 44, 58 (1996)). Parties may wish to participate and assert economically valuable rights to the res. But they are never *compelled* to do so, because *in rem* jurisdiction “furnishes no ground for the issue of process”—or personal liability—“against a nonconsenting state.” *Missouri v. Fiske*, 290 U.S. 18, 28 (1933).

These features of *in rem* proceedings mean that, “in the usual case,” such actions fall outside the scope of state sovereign immunity. *Katz*, 546 U.S. at 370. This Court has so held in a range of contexts, including the adjudication of a state’s interests in a bankrupt student’s loan debt, *Hood*, 541 U.S. at 443, and a sunken shipwreck, *California v. Deep Sea Research, Inc.*, 523 U.S. 491, 507-08 (1998). Ordinary *in rem* actions like these do not “interfere with state sovereignty”—“even when States’ interests are affected.” *Katz*, 546 U.S. at 370. They do not threaten the essential “indignity” against which sovereign immunity guards: “subjecting a State to the coercive process of judicial tribunals at the instance of private parties.” *Hood*, 541 U.S. at 453 (citation omitted).

To be sure, some exceptional *in rem* actions may trigger immunity because the nature of the res poses a unique threat to state sovereignty, above and beyond the loss of economically valuable property rights. But these exceptions confirm the rule that

sovereign immunity ordinarily does not extend to *in rem* proceedings. For example, *Idaho v. Coeur d'Alene Tribe of Idaho*, 521 U.S. 261 (1997), held that Idaho officials were immune from an Indian tribe's quiet title action regarding "a vast reach of lands and waters long deemed by the State to be an integral part of its territory." *Id.* at 282. That was no ordinary res; had Idaho lost title, it would have given up not just economically valuable real estate interests, but the capacity to exercise "governmental powers and authority" within its borders. *Id.* Sovereign immunity applied because the res was "tied in [that] unique way to sovereignty." *Id.* at 286; *see also In re New York*, 256 U.S. 503, 508, 510 (1921).

A state also may be immune from *in rem* adjudication where the res at issue is an object in its physical possession. *See Fla. Dep't of State v. Treasure Salvors, Inc.*, 458 U.S. 670, 682 (1982) (plurality opinion); *id.* at 709-10 & n.7 (White, J., concurring in part and dissenting in part); *In re New York*, 256 U.S. at 508. The unique threat to sovereignty in those circumstances is more straightforward: Establishing jurisdiction or enforcing a judgment could involve breaking down the state's doors to seize the property. *See Deep Sea*, 523 U.S. at 507. Such an "inva[sion] under process of the court" would threaten a special offense to the state's dignitary interests, at least where the state has a colorable claim to the res. *Id.* (citation omitted).

2. Carefully applying those longstanding precedents, the Federal Circuit correctly held that IPR is an *in rem* action from which states' patents are not immune. IPR shares its core jurisdictional constraint

with other *in rem* proceedings: The Board’s jurisdiction is premised exclusively on the patent. *See* 35 U.S.C. § 311(a) (authorizing “petition to institute an inter partes review *of the patent*” (emphasis added)); Pet. App. 34a. That yields the familiar features that dispel any threat to state sovereignty. An IPR judgment is “limited to the property” at issue, *Shaffer*, 433 U.S. at 199, because the Board is authorized only to cancel or confirm the patent’s claims. 35 U.S.C. § 318(b); *see* Pet. App. 34a-36a. Absent the threat of personal liability, a state that holds the patent at issue is not subject to the type of coercive judicial process that triggers sovereign immunity—even though its “interests” in the patent may be “affected” by the proceeding. *Katz*, 546 U.S. at 370; *see Hood*, 541 U.S. at 453; Pet. App. 35a-36a.

IPR bears no resemblance to the exceptional *in rem* actions that pose special threats to state sovereignty. Pet. App. 31a. A state’s patent rights are not essential to its capacity to regulate territory within its borders. Pet. App. 31a-32a; *cf. Coeur d’Alene*, 521 U.S. at 282-83; *In re New York*, 256 U.S. at 508. And a state does not physically possess a patent in a way that would require invasive process. Pet. 33a; *cf. Deep Sea*, 523 U.S. at 507. In short, IPR is the “usual case” where *in rem* adjudication falls outside the scope of state sovereign immunity. *Katz*, 546 U.S. at 370.

3. Faced with the Federal Circuit’s straightforward logic, Petitioner again misconstrues this Court’s case law in an effort to portray the decision below as unfaithful to precedent.

First, Petitioner contends that IPR is “*in personam*, not *in rem*,” under this Court’s reasoning in *Katz* and *Hood*. Pet. 28-29. That is so, Petitioner argues, because those decisions held that to qualify as *in rem*, an action must resolve every conceivable claim to the res “finally and for everyone.” Pet. 29. But *Katz* and *Hood* said no such thing. To be sure, *Hood* noted that bankruptcy discharge proceedings are able to resolve all claims to a res—an essential feature of bankruptcy’s “fresh start” for the debtor. 541 U.S. at 447-48. It never held, however, that every *in rem* action must do so, or that this feature of bankruptcy discharge was critical for sovereign immunity purposes. In *Hood*—as in *Deep Sea*—the defining feature of *in rem* jurisdiction was instead that it “is premised on the res,” such that “a nonparticipating creditor cannot be subjected to personal liability.” *Id.* at 448. Petitioner does not dispute that IPR shares those core characteristics.

Petitioner next strains to analogize IPR to the exceptional quiet title action in *Coeur d’Alene*. Pet. 30. But that action is plainly distinguishable. Sovereign immunity applied because another sovereign sought to seize “a vast reach of lands and waters,” denying Idaho “the power to regulate and control” territory “infused with a public trust.” *Coeur d’Alene*, 521 U.S. at 282-83. Petitioner makes no effort to identify a comparable threat to its sovereignty from IPR. Nor could it. If the Board cancels Petitioner’s patent claims, Minnesota’s power to regulate—including in the telecommunications, computing, and medical sectors—will be undiminished. Moreover, whereas the quiet title action in *Coeur d’Alene* threatened to deprive Idaho’s public of land held on its behalf, *id.* at

283-84, cancelling a state’s invalid patent would *re-store* to the public “rights of immense value” that had been improperly “remove[d] ... from the public domain,” *Oil States*, 138 S. Ct. at 1373-74 (citation omitted).

Petitioner also disputes that this Court has treated property “in the State’s *physical* possession” differently for sovereign immunity purposes, accusing the Federal Circuit of “invent[ing]” that distinction. Pet. 30. Yet *Deep Sea* could not be clearer: The “important distinction” between that case and outliers like *In re New York* was that the res was “not in the possession of the State.” 523 U.S. at 504. It is true that *Deep Sea* “had no occasion” to note that intangible property, no less than the shipwreck at issue there, would not be within a state’s physical possession. Pet. 30. But that conclusion follows inexorably from this Court’s reasoning—not only in *Deep Sea*, but in *Hood*, where the adjudication of a state’s intangible right to student debt did not trigger sovereign immunity.

Finally, the petition attempts to distinguish IPR from bankruptcy and admiralty proceedings by arguing that there is “no comparable historical support” for conceiving of “patent validity challenges” as *in rem*. Pet. 31. Again, Petitioner disregards *Oil States*. That decision emphasized that at the founding, England permitted “[i]ndividuals” to “petition” an executive body, the Privy Council, “to revoke a patent.” 138 S. Ct. at 1377. The ensuing proceeding, like IPR, asserted jurisdiction over only the patent at issue; remedies were limited to “void[ing] the patent” or “dismiss[ing] the petition.” *Id.*; see Pet. App. 9a-10a.

That practice, which was “well understood at the founding,” *Oil States*, 138 S. Ct. at 1377, lends IPR the historical pedigree that Petitioner deems lacking.

II. Widespread Uncertainty About The Board’s Structure After *Arthrex* Counsels Against Granting Review Now.

Even if it were a closer question whether IPR falls outside those three boundaries of state sovereign immunity, this is not the time to resolve the issue. Since the petition was filed, *Arthrex* has thrown the structure of the Board—a significant element of the immunity analysis under *FMC* and *Alden*—into limbo, with a range of possible changes in play. If this Court wishes to consider the arguments raised in the petition, it should wait until the judicial and legislative responses to the *Arthrex* panel decision have run their course and the Board’s structure is settled.

In *Arthrex*, a panel of the Federal Circuit concluded that APJs were “principal officers” of the United States. 941 F.3d at 1335. It so held after carefully parsing several aspects of the Board’s structure, including the authority and political accountability of both APJs and the Director—and how the latter supervises the former—in resolving IPRs. *Id.* at 1329-35. Because principal officers must be appointed by the president, *Arthrex* determined that the Board’s APJs—put in place by the Secretary of Commerce—were unconstitutionally appointed. *Id.* at 1335. As a remedy, the court severed all removal protections for APJs, rendering them inferior officers whose appointments were constitutionally valid. *Id.* at 1337-38. That change effectively altered the Board’s structure

by reducing APJs' insulation from political influence and enhancing the Director's control over IPR. *Id.*

To say that the structure of the Board remains unsettled after the *Arthrex* panel decision would be an understatement. The PTO already has announced that it plans to seek rehearing en banc, in which it could contest not only the panel's decision that APJs were improperly appointed, but also the appropriate remedy for such a constitutional defect. *See Steuben Foods*, No. 2020-1082, Doc. No. 15.

Meanwhile, parties in some of the hundreds of pending cases affected by the decision have already raised parallel challenges. The government has urged several distinct structural fixes, including making Board decisions reviewable by the Director. *See Arthrex*, 941 F.3d at 1335-36. The appellant in the separate *Polaris* Federal Circuit appeal recently argued that the *Arthrex* remedy is too narrow, and that the Board's structure must be held unconstitutional in its entirety absent amendments by Congress. The *Polaris* panel ordered the parties and the government to file supplemental briefing, due next month, addressing the adequacy of the *Arthrex* fix. *See Polaris*, No. 2018-1768, Doc. No. 90. Still more Federal Circuit judges recently expressed dissatisfaction with the *Arthrex* remedy in *Bedgear, LLC v. Fredman Bros. Furniture Co.*, Nos. 2018-2082, -2083, -2084, 2019 WL 5806893 (Fed. Cir. Nov. 7, 2019) (Dyk, J. & Newman, J., concurring). On top of all that, Congress appears poised to join the fray, as it recently held a hearing

that considered the “turmoil and uncertainty” in the Board’s structure after *Arthrex*.⁶

How these competing remedial positions shake out could have a material impact on aspects of the immunity analysis in this case. *FMC* demands a careful examination of the nature of the agency adjudicator, particularly the adjudicator’s insulation from politically motivated removal. The application of *Alden*, in turn, depends in part on the nature and extent of the Director’s role in IPR. *Arthrex* has raised fundamental questions about these features, and it is far from clear how they will look when the dust settles. The *Arthrex* panel’s remedy may win the day, leaving APJs in place without removal protections. Or the Director may be granted an even more significant role in the IPR process, as the government and other commentators have suggested. Or the Board as we know it may be invalidated, as parties have urged and the *Polaris* panel is now contemplating. The final answer could even be that there is no appointments problem to begin with, restoring the limited removal protections APJs received before *Arthrex*.

The courts and Congress are working toward clarity. And once they resolve the Board’s structure, this Court would be able to consider, if it wishes, the implications for state sovereign immunity in IPR proceedings. At this point, however, review of the sovereign immunity arguments raised in the petition would be premature. Any decision in this case could

⁶ See *Arthrex* Hearing at 18 (Prepared Statement of John M. Whealan, Associate Dean for Intellectual Property Law Studies George Washington University Law School).

well become obsolete almost immediately. That concern counsels strongly against certiorari. *Cf. Tigor Title Ins. Co. v. Brown*, 511 U.S. 117, 118 (1994) (per curiam) (dismissing petition as improvidently granted because it would require the Court “to resolve a constitutional question that may be entirely hypothetical”).

III. This Case Is A Poor Vehicle Because Petitioner Waived Any Immunity From Respondents’ IPR Petitions.

Finally, certiorari is unwarranted here because Petitioner’s affirmative litigation conduct waived any immunity that might otherwise apply to IPR proceedings.

Waiver by litigation is yet another critical limit on the scope of state sovereign immunity. As this Court explained in *Lapides*, when a state affirmatively pursues its own claim for relief, it may not invoke immunity “to achieve litigation advantages” by constraining the ordinary claim resolution process. 535 U.S. at 620. Having “presented and prosecuted a claim,” the state becomes “a party to the litigation to the full extent required for its complete determination”—including its adversary’s full range of defensive measures. *Clark v. Barnard*, 108 U.S. 436, 448 (1883); accord *Gunter v. Atl. Coast Line R.R. Co.*, 200 U.S. 273, 284 (1906). In short, state sovereign immunity is a shield but not a sword. A private *defendant* may contest its own liability by asserting counterclaims against the state that a private *plaintiff* would be powerless to file as affirmative claims.

That distinction is dispositive here. Petitioner elected to sue Respondents for patent infringement. At that point, IPR became part and parcel of the process for resolving Petitioner’s claims, a “defensive measure” that is procedurally and substantively integrated with federal court proceedings. *See Western-Geco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1320 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1216 (2019). A defendant’s IPR petition—much like a counterclaim—must be filed within a year after the complaint is served, on pain of waiver. 35 U.S.C. § 315(b). And if instituted, IPR resolves all validity issues “that the petitioner raised or reasonably could have raised” before the agency, estopping further litigation of those issues in federal court. 35 U.S.C. § 315(e)(2); *see id.* §§ 252, 318(c). Barring Respondents from pursuing this defensive option is precisely the “selective use of ‘immunity’” that waiver by litigation prevents. *Lapides*, 535 U.S. at 620 (citation omitted). Although Petitioner now disagrees, it recently urged exactly this application of waiver before the Board in another proceeding. *See Reactive Surfaces*, Paper 23 at 19-20.

Instead of engaging with this Court’s waiver-by-litigation decisions, the petition cites precedent endorsing an inapposite rule: States may use immunity as a *shield* by choosing where private parties can file *their own* affirmative actions. *See* Pet. 34 (citing *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89 (1984)). That is not what Petitioner seeks to do here. “[E]venhandedness” between state and private defendants may not be required when a non-litigating state is sued. Pet. 36 (quoting *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 685-86 (1999)). But *Lapides* demands parity in

the way state and private *plaintiffs* resolve their own affirmative claims. That means Petitioner’s sovereign immunity cannot insulate it from Respondents’ defensive IPR petitions.

The petition’s reliance on *Tegic Communications Corp. v. Board of Regents of the University of Texas System*, 458 F.3d 1335 (Fed. Cir. 2006), is similarly misplaced. Petitioner mistakenly describes that decision as foreclosing a “defendant” in a state’s infringement action from seeking a declaratory judgment in a different federal court. Pet. 35. That is wrong; *Tegic* foreclosed a declaratory judgment action by a *non-party*. 458 F.3d at 1342-43. Waiver by litigation thus never came into play. And in any event, a duplicative action in federal court is a far cry from a defendant’s IPR, which—as shown by the one-year limitation period and estoppel provisions just described—is designed to work in tandem with civil litigation.

Ultimately, Petitioner argues that even if waiver by litigation would foreclose immunity in any event, this is “no reason to deny review” of the other grounds on which state sovereign immunity does not apply. Pet. 34. That argument—and the accompanying comparison to *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999), Pet. 34—disregards how fundamentally Petitioner’s affirmative litigation conduct changes the nature of its immunity claim.⁷ This Court has

⁷ The unresolved issue in *Florida Prepaid*, in contrast, had nothing to do with the nature of the state’s immunity claim. It was a purely procedural dispute about whether the state entity

emphasized that sovereign immunity as a shield is different from sovereign immunity as a sword. If this Court wishes to clarify the scope of the former, it should not do so in a case that implicates the latter. As the petition notes, “IPRs can be brought even if no district court litigation is ever filed.” Pet. 35. That is a far more appropriate vehicle for the arguments Petitioner now raises.

had waited too long to raise its immunity defense. *See* Pet. 34 (citing *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1345 (Fed. Cir. 1998), *rev’d on other grounds sub nom. Fla. Prepaid*, 527 U.S. 627).

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

Mark S. Davies

Counsel of Record

Thomas M. Bondy

Monica L. Haymond

Peter E. Davis

ORRICK, HERRINGTON &

SUTCLIFFE LLP

1152 15th Street, NW

Washington, DC 20005

(202) 339-8400

mark.davies@orrick.com

Ned Hirschfeld

ORRICK, HERRINGTON &

SUTCLIFFE LLP

51 West 52nd Street

New York, NY 10019

Date: December 5, 2019