

No. 19-337

IN THE
Supreme Court of the United States

REGENTS OF THE UNIVERSITY OF MINNESOTA,
Petitioner,

v.

LSI CORPORATION, ET AL.,
Respondents.

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

REPLY BRIEF FOR PETITIONER

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REPLY BRIEF FOR PETITIONER

Respondents do not dispute that the question whether States have sovereign immunity to IPRs is one of vital importance to the States, the federal government, private patent litigants, and the patent system as a whole. *See, e.g.*, Ericsson BIO 5; States Br. 4; APLU Br. 11-13; Pub. Univ. Br. 13-25. They further do not contest that the question presented has divided the Patent Trial and Appeal Board (PTAB), the Department of Justice, and the Federal Circuit.¹ Instead, respondents oppose certiorari on three limited grounds, all unfounded.

First, respondents defend the court of appeals' decision on the merits. That defense falls short. But even if it were more convincing, certiorari would still be warranted. Given the sovereign interests involved, any decision to subject States to this new and novel form of litigation should come from this Court rather than from a three-judge panel of a single federal circuit.

Second, respondents say a recent decision from the Federal Circuit holding that PTAB members have been appointed in violation of the Appointments Clause, U.S. Const. art. II, § 2, cl. 2, makes review in this case premature. But nothing in that case is material to the parties' arguments or the sovereign immunity analysis. The sovereign immunity question is whether IPRs require a State "to defend itself in an adversarial proceeding against a private party before

¹ Notably, although the Patent and Trademark Office (PTO) had a right to intervene in this appeal, 35 U.S.C. § 143, it did not. Nor did it sign the United States' amicus brief. *See* U.S. C.A. Br. 1, 24.

an impartial federal officer.” *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760-61 (2002) (*FMC*). The new decision has no effect on whether IPRs subject States to suit by private citizens. And whatever effect it may have on the appointment or supervision of PTAB members, it does not change the fact that the agency plays the role of an impartial adjudicator of those private claims.

Finally, respondents say that this case presents a poor vehicle because the University allegedly waived its sovereign immunity to IPRs by filing infringement suits against respondents. By suggesting that when a sovereign chooses a judicial forum to litigate a dispute with a private party, the sovereign opens the door to private parties overriding that choice by diverting the litigation into an executive agency, respondents fundamentally misconstrue the underpinnings of sovereign immunity. In any event, such a purported, alternative ground for affirmance is no reason to deny review of an otherwise certworthy threshold question.²

I. Respondents’ Merits Arguments Provide No Basis To Deny Certiorari.

Respondents do not contest the many ways in which an IPR “mimics civil litigation” between private

² Respondents also assert the Court’s denial of certiorari in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, 896 F.3d 1322 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1547 (2019), reflects the Court’s determination that the question presented does not warrant review. See LSI BIO 3-5. That is incorrect. See Pet. 33-34 n.20; *Saint Regis* BIO 11 (arguing that “the Federal Circuit’s decision does not, as Petitioners contend, necessarily implicate the sovereign immunity of the several States or the United States”); *id.* 16-18 (explaining why); *id.* 30-36 (giving three distinct reasons why case was “an extremely poor vehicle”).

parties and States. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). Instead, they latch on to a few differences that, they say, make IPRs more like independent agency reexamination of a patent, a suit between the federal government and a State, or an in rem action. As the petition explained in some detail, this hodgepodge of conflicting analogies fails.

A. IPRs Are Akin To Civil Litigation, Not Independent Agency Reexamination Of A Patent.

In *FMC*, the Court made clear that sovereign immunity analysis is not a bean-counting exercise. Instead, the central inquiry is whether the administrative proceedings implicate sovereign immunity's core protection against forcing States to "answer the complaints of private parties . . . before the administrative tribunal." 535 U.S. at 760.

Accordingly, it is immaterial that private parties in IPRs seek to strip States of valuable patent rights rather than to "impose personal liability." *Ericsson BIO 12*. That difference was relevant to whether patents confer public or private rights, the question in *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018), but it makes no difference to the sovereign immunity analysis. *See, e.g., Alden v. Maine*, 527 U.S. 706, 756-57 (1999) (sovereign immunity bars private suits against States even when exclusively seeking declaratory relief).

That IPRs are fundamentally a form of private litigation is not altered by the Director's institution discretion. Respondents do not deny that the Director cannot institute an IPR absent a private petition; that it is the private "petitioner, not the Director, who gets

to define the contours of the proceeding”;³ or that the PTAB must decide the case based solely on the arguments and evidence the petitioner submits. *See* Pet. 22.

Respondents claim that IPRs are nonetheless unlike litigation because States are not forced to respond to an IPR petition upon pain of sanction or default judgment. *See* Ericsson BIO 13. But they do not dispute that failing to respond to a petition makes institution (and, therefore, cancellation) significantly more likely. *See* APLU Br. 18 (approximately 80% of instituted IPRs result in the cancelation of one or more patent claims, and more than 60% cancel all claims). And respondents do not deny that if States refrain from participating in the IPR entirely, they are barred from appealing any adverse ruling or contesting it in any subsequent lawsuit. Pet. 24. Faced with those alternatives, States have no real choice but to respond.

B. IPRs Are Not Suits By The Federal Government Against The States.

Respondents briefly defend the Federal Circuit’s analogy between IPRs and suits by the federal government against a State. But the defense is half-hearted and at war with respondents’ waiver argument, which insists that IPRs are “part and parcel of the process for resolving” the infringement dispute between the patent holder and private defendant. Ericsson BIO 32.

The defense fails on its own terms as well. Respondents acknowledge that States have consented only to suits “commenced and prosecuted” by the

³ SAS, 138 S. Ct. at 1355.

federal government. Ericsson BIO 10; *see Alden*, 527 U.S. at 755. But as just discussed, the PTO exercises no meaningful control over the prosecution of IPRs. Instead, the federal government acts as an adjudicator, not a litigant. And respondents have cited no case even suggesting that States have consented to let federal agencies adjudicate disputes between private parties and the States.

C. IPRs Do Not Fall Within Any In Rem Exception To Sovereign Immunity.

Finally, respondents argue that IPRs fall within a general exception to sovereign immunity for in rem suits. That argument fails as well.

First, none of the three cases respondents cite (Ericsson BIO 23) establish their purported general exception. Each, instead, turned on a careful examination into the special history and tradition of the unique field at issue (bankruptcy and admiralty). *See* Pet. 30-31. That context-specific inquiry would have been unnecessary if it were enough that the case proceeded in rem.

Second, even if there were a general in rem exception, it would not apply here because IPRs are not in rem actions. Pet. 28-30. Respondents do not dispute that IPRs fail to resolve the validity of the patent for anyone other than the parties to the action. Ericsson BIO 26. Instead, they claim that *Tennessee Student Assistance Corp. v. Hood*, 541 U.S. 440 (2004), “never held, however, that every *in rem* action must do so.” Ericsson BIO 26. But *Hood* had no need to hold that universal application of the judgment is an essential feature of in rem actions—that has been black-letter law for generations. *See, e.g., Rufus*

Waples, *A Treatise on Proceedings in Rem* 153 (1882) (“This fixing of the *status* of the thing, is conclusive upon all persons . . . The whole system of procedure against things . . . depends on the truth of this proposition.”); *id.* (a proceeding in rem that did not bind the world “would be an outrage”).

Respondents further argue that *Hood* never held “that this feature of bankruptcy discharge was critical for sovereign immunity purposes.” Ericsson BIO 26. If that were true, it would be because the result in *Hood* turned on the special nature of bankruptcy proceedings, not because the Court had recognized a general “in rem” exception for proceedings that are not actually in rem. In any case, the universal application of the judgment would obviously be essential to any in rem exception. The justification for the exception would have to be that at the Founding, States were subject to private in rem proceedings affecting their property rights.⁴ But that rationale does not support denying immunity in every kind of proceeding that could casually be described as “premised on jurisdiction over property,” *id.* 22, even if it lacked what was historically understood as an essential feature of in rem actions. *See* Pet. 29-30. If anything, the effort to cast PTAB litigation as in rem proceedings reveals the effort required to challenge the common-

⁴ The practices of England’s Privy Council shed no light on this historical understanding. Because England lacks a federal system, the Privy Council never faced the question whether it had the power to invalidate another co-equal sovereign’s patent. In addition, the process respondents describe, while perhaps similar to *ex parte* reexamination, bears little resemblance to private-party-driven IPRs. *See* Gilead BIO 26-27.

sense reality that IPRs are but another forum for private patent litigation.

II. The Federal Circuit’s Appointments Clause Decision Provides No Basis For Delay.

Nothing in the arguments just discussed turns on the outcome of the litigation in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). *Contra* Ericsson BIO 28.

Whether PTAB members are removable for cause or at will, or whether their decisions are made “reviewable by the Director,” Ericsson BIO 29, has no bearing on the essential sovereign immunity inquiry. Nothing in *Arthrex* changes private parties’ role in the process. Nor will *Arthrex* alter the critical fact that the agency’s role is to adjudicate the merits of the private party’s claims based on the arguments and evidence the private petitioner presents. *See* Pet. 22. To the extent respondents imply that *Arthrex* could call into question the adjudication’s impartiality—*see* Ericsson BIO 30 (claiming *Arthrex* could reduce the “adjudicator’s insulation from politically motivated removal”)—that would only make IPRs even more “anomalous and unheard of,” and even more clearly the “type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.” *FMC*, 535 U.S. at 755-56 (citation omitted).

Respondents nonetheless assert that their argument that IPRs are prosecuted by the federal government “depends in part on the nature and extent of the Director’s role in IPR.” Ericsson BIO 30. But that argument asserts that the agency is acting as a plaintiff (not a judge) and therefore focuses principally

on the Director's role in *instituting* IPRs (not adjudicating them). *See id.* 19-20. And nothing in *Arthrex* will affect the Director's institution powers. *See Arthrex*, 941 F.3d at 1340.

Respondents thus are left to speculate that further review in *Arthrex* could lead to the complete invalidation of the PTAB. Ericsson BIO 30-31. But they provide no basis for that outcome. Indeed, *no* judge on the Federal Circuit has expressed sympathy for remedying any Appointments Clause violation by striking down the IPR process.⁵ Nor can petitioner find any case in which this Court has ever responded to an Appointments Clause problem in that way. Instead, as the *Arthrex* panel explained, this Court has directed that Appointments Clause violations be remedied through selective invalidation of constraints on Presidential oversight of agency officials. *See Arthrex*, 941 F.3d at 1335 (citing *Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 508 (2010)). Respondents do not claim, much less demonstrate, that there would be any difficulty in crafting such a remedy here.

Finally, respondents say that "Congress appears poised to join the fray." Ericsson BIO 29. But their only evidence is that a subcommittee of one committee of one house of Congress has held a hearing. *Id.* 29-30. Whether that will result in meaningful legislative

⁵ Respondents attempt to imply otherwise (Ericsson BIO 29), referring to the "dissatisfaction with the *Arthrex* remedy" expressed by two judges in *Bedgear, LLC v. Fredman Bros. Furniture Co.*, 783 F. App'x 1029, 1030-34 (Fed. Cir. 2019) (Dyk & Newman, JJ., concurring). But those judges complained that the *Arthrex* panel went *too far*, not that it failed to go far enough. *See id.*

action is beyond speculative. And even if Congress altered the appointment or supervision of PTAB members to address any Appointments Clause concerns, that would not change the sovereign immunity analysis or eliminate the need for this Court to resolve the question presented.

Accordingly, there is little prospect that a decision in this case will “become obsolete almost immediately.” *Ericsson BIO* 31. But even if the risk were higher, delaying review would come at great cost to the States, subjecting many of them to potentially years of irreparable infringement on their sovereign interests before the Court eventually takes up the otherwise certworthy question presented here. The respect owed States as co-equal sovereigns in our constitutional system justifies the Court’s taking the limited risk that its modest investment of resources in deciding this case could be overtaken by events down the line. Indeed, the Court has taken that risk in other IPR cases involving less significant interests. In the 2017 October Term, the Court heard *SAS* to decide the scope of the Director’s institution powers even as it simultaneously considered in *Oil States* whether the entire IPR process was unconstitutional under Article III.

III. The Alleged Vehicle Problems Provide No Basis To Deny Review.

Lastly, respondents claim that this case is a poor vehicle because the University allegedly waived any sovereign immunity to these IPRs by suing to enforce

its patents in district court. Ericsson BIO 31-34.⁶ Not so.

1. As we have explained, the Court routinely grants certiorari to decide threshold questions (including the applicability of sovereign immunity) despite the existence of other unresolved defenses (including waiver). *See* Pet. 34; *see also, e.g., Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1654 (2018); *Regents of the Univ. of Cal. v. Doe*, 519 U.S. 425, 431-32 (1997). In a footnote, respondents claim that this case is different because the waiver defense here somehow affects “the nature of the state’s immunity claim.” Ericsson BIO 33 n.7. But respondents’ extensive briefing on whether sovereign immunity applies to IPRs never even mentions the “affirmative litigation conduct” that supposedly “changes the nature of [the University’s] immunity claim.” *Id.* 33; *see id.* 10-28.

In any event, the waiver defense lacks merit. *See* Pet. 34-36. What respondents cast as a waiver defense is simply another way of claiming that States should have no immunity—that is, the right to choose the forum in which they will litigate their disputes with private parties—in the first place. *See id.* 34-35. It also depends entirely on respondents’ assertion that the IPRs “are part and parcel of the process for resolving Petitioner’s claims, a ‘defensive measure’

⁶ Gilead argues that review is premature because an IPR has not been instituted yet. Gilead BIO 10-13. But this Court has rejected similar calls for delay in resolving sovereign immunity questions as inconsistent with the immunity’s promise of protection from suit altogether. *P.R. Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 144-45 (1993).

that is procedurally and substantively integrated with federal court proceedings.” Ericsson BIO 32 (citation omitted). But IPRs are no more a part of the infringement litigation than a declaratory judgment action filed by the defendant in a different court to challenge the validity of the patent asserted in the infringement case. And as the Federal Circuit has held, and respondents do not contest, filing an infringement action does not constitute consent to litigating the same issues in another action brought by the defendant in another court. *See* Pet. 34; *see also, e.g., A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1219-20 (Fed. Cir. 2010). That principle applies equally to IPRs. Calling IPRs “defensive” does not change anything. Regardless of the label, respondents seek to litigate their claims with the University before a tribunal not of the State’s choosing.

That said, even if the Court believes that the waiver question is a secondary issue that should be decided alongside the threshold question, it can do so in this case. Respondents are free to raise waiver as an alternative ground for affirmance on the merits. The question presented is broad enough to encompass both issues. *See* Pet. i. And the University is prepared to address both subjects in its merits briefing.

2. Respondents’ suggestion that the Court wait for a case in which an IPR is brought without having been prompted by a State’s infringement suit is also unrealistic. More than 85% of IPRs are filed in response to infringement litigation. *See* Pet. 32 n.16. And if a State happens to be involved in one of the few cases that are not, it will be hesitant to undertake the cost of litigating the sovereign immunity question before the PTAB and then the Federal Circuit in order

to file another cert. petition on the same question presented here if the Court signals a lack of interest in the issue by denying review of this petition.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

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