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Alex Weidner

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NOTE

Sword or Shield? The Threat of Sovereign Immunity in Inter Partes Review

Covidien LP v. Univ. of Fla. Research Found. Inc., Nos. IPR2016-01274, IPR2016-01275, IPR2016-01276, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017)

Alex Weidner*

I. INTRODUCTION

Subject to few exceptions, Eleventh Amendment sovereign immunity prevents states from being haled into federal court.¹ Within the context of patent law, where all suits must be brought in federal court, states, including state entities, entitled to sovereign immunity cannot ordinarily be sued for infringement.² In the instant case, Covidien LP (“Covidien”) attempted to circumvent the immunity by filing an administrative challenge to Florida’s patents rather than an in-court challenge.³ However, rather than hearing the challenge, the Patent Trial and Appeal Board Panel (the “panel”) dismissed the petition after holding that sovereign immunity also applies to immunize state actors from inter partes review challenges before the Patent Trial and Appeal Board (the “Board”).⁴ This Note argues the panel’s decision was in error because sovereign immunity weakens the patent system by preventing patents that fail to meet the statutory standards from being struck down, thus creating a system in which bad patents can hold entire areas of innovation hostage.

Part II summarizes the facts and holding of *Covidien LP v. University of Florida Research Foundation Inc.* Part III provides a short summary of inter partes reviews and sovereign immunity and examines the interplay between sovereign immunity and administrative proceedings. Part IV provides an in-

* B.S. Mechanical Engineering, University of Missouri, 2016; J.D. Candidate, University of Missouri School of Law, 2019; Layout and Design Editor, *Missouri Law Review*, 2018-2019. I am grateful to Professor Crouch for his insight, guidance, and support during the writing of this Note as well as the *Missouri Law Review* for its help in the editing process.

1. U.S. CONST. amend. XI; *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1380 (Fed. Cir. 2007).

2. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999); Tejas N. Narechania, Note, *An Offensive Weapon?: An Empirical Analysis of the “Sword” of State Sovereign Immunity in State-Owned Patents*, 110 COLUM. L. REV. 1574, 1574 (2010).

3. See *Covidien LP v. Univ. of Fla. Research Found. Inc.*, Nos. IPR2016–01274, IPR2016–01275, IPR2016–01276, 2017 WL 4015009, at *1 (P.T.A.B. Jan. 25, 2017).

4. *Id.*

depth analysis of the reasoning behind the panel's holding. Part V argues the panel erred in holding that sovereign immunity applies to inter partes review and that sovereign immunity is problematic for the patent system. It then suggests sovereign immunity should be deemed waived by sovereign entities in exchange for the granting of a patent to said entities.

II. FACTS AND HOLDING

The University of Florida Research Foundation (“UFRF”) was founded to assist with the research activities of the University of Florida.⁵ Part of its purpose is to transfer the work product of the University of Florida staff “from the laboratory to the public,” frequently through licensing contracts.⁶

UFRF exclusively licensed one of its patents to ICU AcquisitionCo Inc. (“ICU”).⁷ The licensed patent covered technology for integrating bedside physiologic sensor data and transforming it to a “machine independent format.”⁸ Covidien, a manufacturer and seller of global health care products, became the successor in interest to ICU.⁹ Covidien began paying royalties on the sales of its Vital Sync Bedside product, previously known as iCuro.¹⁰ However, Covidien did not pay royalties on its ZephyrLIFE Hospital, ZephyrLIFE Home, or Vital Sync VPMP products, arguing those were not covered by the license agreement.¹¹ Following an unsuccessful mediation,¹² UFRF sued Covidien for breach of the license in Florida state court.¹³ In its counterclaim, Covidien sought a declaratory judgment of noninfringement.¹⁴ Covidien then removed the suit to the U.S. District Court for the Northern District of Florida based on the patent counterclaim,¹⁵ where UFRF successfully argued that it

5. *University of Florida Research Foundation*, UNIV. FLA. OFF. OF RES., <http://research.ufl.edu/ufrf.html> (last visited June 17, 2018).

6. *Id.*

7. See Non-Confidential Brief for Defendant-Appellants Medtronic PLC, Medtronic, Inc., & Covidien LP at 6, 8, *Univ. of Fla. Research Found. Inc. v. Medtronic PLC*, No. 2016–2422, 2016 WL 5817687 (Fed. Cir. Jan. 27, 2017); Covidien LP’s Amended Counterclaim ¶ 1, *Univ. of Fla. Research Found. Inc., v. Medtronic PLC*, No. 1:16–cv–183–MW–GRJ, 2016 WL 8609049 (N.D. Fla. July 1, 2016).

8. *Managing Critical Care Physiologic Data Using Data Synthesis Tech. (DST)*, U.S. Patent No. 7,062,251 (filed Mar. 5, 2004) (issued June 13, 2006).

9. Covidien LP’s Amended Counterclaim, *supra* note 7, ¶ 1; see generally *Minimally Invasive Therapies*, MEDTRONIC, <http://www.medtronic.com/covidien/en-us/products.html> (last visited June 10, 2018). As the successor in interest, Covidien acquired the licenses that ICU possessed. *Id.*

10. *Id.* ¶ 21.

11. *Id.* ¶ 22.

12. *Id.* ¶ 4.

13. *Univ. of Fla. Research Found. Inc. v. Medtronic PLC*, No. 1:16CV183-MW/GRJ, 2016 WL 3869877, at *1 (N.D. Fla. July 15, 2016).

14. *Id.*

15. This removal was based on a recently enacted statute that made the counterclaim an independent basis for removal. *Id.*; see 28 U.S.C. § 1454 (2012) (“A civil

was entitled to Eleventh Amendment immunity from Covidien's counterclaim.¹⁶ Because the patent counterclaim was dismissed due to sovereign immunity, the suit was remanded to state court.¹⁷

Separate from the counterclaim for noninfringement, Covidien filed three petitions with the United States Patent and Trademark Office (the "USPTO") seeking inter partes review of the claims of the licensed patent on June 28, 2016.¹⁸ The petitions were consolidated into a single hearing where UFRF sought, and received, permission from the Board to file a motion to dismiss the petition based on sovereign immunity.¹⁹ In its motion, UFRF argued its status as a state entity entitled it a sovereign immunity defense to the institution of an inter partes review.²⁰ The panel concluded sovereign immunity applied to such proceedings because they were sufficiently similar to Article III proceedings.²¹ As a result, the petition to institute an inter partes review was dismissed.²²

III. LEGAL BACKGROUND

This Part provides an overview of the legal doctrines pertinent to the instant case. Section A discusses patent law and the inter partes review process, and Section B examines sovereign immunity and its impact on administrative proceedings.

A. Overview of Patent Law and the Inter Partes Review Process

All patent law is built upon the foundation of Article I, Section 8 of the Constitution, which provides that the purpose of the patent system is "[t]o promote the progress of science and useful arts, by securing for limited times to

action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights may be removed to the district court of the United States for the district and division embracing the place where the action is pending." The district courts have exclusive, original jurisdiction of patent related civil actions arising under an Act of Congress. 28 U.S.C. § 1338(a) (2012). States do not have jurisdiction over these claims. *Id.*

16. *Univ. of Fla. Research Found. Inc.*, 2016 WL 3869877, at *5.

17. *Id.* at *6.

18. *Covidien LP v. Univ. of Fla. Research Found. Inc.*, Nos. IPR2016-01274, IPR2016-01275, IPR2016-01276, 2017 WL 4015009, at *1 (P.T.A.B. Jan. 25, 2017); see inter partes review discussion *infra* Section III.A.

19. *Covidien*, 2017 WL 4015009, at *1.

20. *Id.*

21. *Id.* at *8-11, *17. Article III proceedings occur in courts whose power is vested in them by Article III of the Constitution. See U.S. CONST. art. III. Article III courts include federal district and circuit courts as well as the United States Supreme Court. *Id.* art. III, § 1.

22. *Covidien*, 2017 WL 4015009, at *1.

authors and inventors the exclusive right to their respective writings and discoveries.”²³ The core patentability doctrines of patent eligibility,²⁴ novelty,²⁵ nonobviousness,²⁶ and enablement²⁷ were built upon this foundation.²⁸

These four patentability doctrines function as a series of gates that a patent application must pass through to be deemed worthy of patent protection.²⁹ Should an application fail to satisfy one of the doctrines’ requirements, a patent will not be granted.³⁰ In fact, even issued patents may be invalidated if it is shown they fail to meet the requirements of any of the four doctrines.³¹ However, for the purpose of this Note and for inter partes review, only novelty and nonobviousness play a significant role.³² To be novel, an invention must not be anticipated by prior art.³³ An invention is anticipated “only if each and every element” of a patent’s claims can be found “in a single prior art reference.”³⁴ The invention must also be nonobvious.³⁵ A determination of obviousness is made “if the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the

23. U.S. CONST. art. I, § 8, cl. 8; *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 5 (1966) (“The clause is both a grant of power and a limitation.”); *see generally* 60 AM. JUR. 2D *Patents* § 1, Westlaw (database updated 2018).

24. *See* 35 U.S.C. § 101 (2012) (“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”).

25. *See* 35 U.S.C. § 102 (2012).

26. *See id.* § 103 (2012).

27. *See id.* § 112(a) (2012).

28. *See* 69 C.J.S. *Patents* § 16, Westlaw (database updated 2018).

29. *See* 35 U.S.C. § 101.

30. C.J.S., *supra* note 28, § 16.

31. *See* 35 U.S.C. § 282 (2012).

32. *See id.* § 311(b) (2012).

33. *Id.* § 102 (2012). Prior art is defined as:

(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

Id. § 102(a).

34. *Verdegaal Bros., Inc. v. Union Oil Co. of Cal.*, 814 F.2d 628 (Fed. Cir. 1987) (citing *Structural Rubber Prods. Co. v. Park Rubber Co.*, 749 F.2d 707, 715 (Fed. Cir. 1984)).

35. 35 U.S.C. § 103 (2012).

effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains.”³⁶

Inter partes review, which was implemented as part of the Leahy-Smith America Invents Act, is a means of challenging the validity of a patent at the USPTO rather than in court.³⁷ The inter partes review process begins when “a person who is not the owner of a patent . . . file[s] with [the USPTO] a petition to institute an inter partes review of the patent.”³⁸ The “petitioner . . . may request to cancel as unpatentable [one] or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”³⁹

However, the proceeding “shall not be instituted for a ground of unpatentability unless the [Board] decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood that at least one of the claims challenged in the petition is unpatentable.”⁴⁰ If the petition is dismissed, the decision cannot be appealed unless it would “implicate constitutional questions . . . or . . . present other questions of interpretation that reach, in terms of scope and impact, well beyond [the USPTO’s decision to initiate inter partes review.]”⁴¹

If an inter partes review is instituted, the process allows a response to the petition to be filed, discovery, the filing of motions, and amendment or cancellation of patent claims, provided the patent owner does not seek to broaden them.⁴² Next, “the . . . Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).”⁴³ Once the decision has been issued,

36. *Id.*

37. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 311, 125 Stat. 284, 299 (2011) (codified as amended at 35 U.S.C. § 311 (2012)).

38. 35 U.S.C. § 311(a) (italics omitted).

39. *Id.* § 311(b); *see generally id.* § 102 (2012) (novelty condition); *id.* § 103 (2012) (nonobviousness requirement).

40. 37 C.F.R. § 42.108(c) (2016). Something is unpatentable if it fails to meet the requirements of 35 U.S.C. §§ 101–103, 112, or some other statutory requirement. With regard to inter partes review, a patent may only be invalidated due to a § 102 or § 103 deficiency.

41. 35 U.S.C. § 314(d) (2012) (“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable”); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016) (“[W]e emphasize that our interpretation applies where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.”).

42. 35 U.S.C. § 316 (2012). Note that once the patent has issued, the claims may only be broadened by filing a reissue application under 35 U.S.C. § 251 within two years of the date of issuance for the patent. 35 U.S.C. § 251(d) (2012).

43. 35 U.S.C. § 318(a) (2012). “During an inter partes review instituted under this chapter, the patent owner may file [one] motion to amend the patent in [one] or more

the matter can be appealed.⁴⁴ If no appeal is taken, or once the appeal is terminated, the director issues and publishes a certificate, which has the effect of “canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.”⁴⁵

B. Sovereign Immunity and its Impact on Administrative Proceedings

The Eleventh Amendment states, “The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.”⁴⁶ This has long been construed to mean that “[t]he Eleventh Amendment limits the judicial authority of the federal courts and bars unconsented suit against a state.”⁴⁷ While the impact of sovereign immunity on Article III proceedings is well-established, its impact on administrative proceedings has been frequently contested. The United States Supreme Court has indicated that immunity applies in administrative proceedings that are court-like – i.e., any proceeding substantially similar to an Article III proceeding.⁴⁸

The leading United States Supreme Court precedent comes from the 2002 decision of *Federal Maritime Commission v. South Carolina State Ports Authority*.⁴⁹ In *Federal Maritime*, a cruise ship company filed a complaint with the Federal Maritime Commission (“FMC”) after repeatedly being denied permission to dock a cruise ship at the South Carolina State Ports Authority’s (“SCSPA’s”) facilities.⁵⁰ An administrative law judge initially determined that “as an arm of the State of South Carolina, [SCSPA] was ‘entitled to sovereign immunity.’”⁵¹ However, the FMC reversed sua sponte after determining that “[t]he doctrine of state sovereign immunity . . . is meant to cover proceedings before judicial tribunals, whether Federal or state, not executive branch administrative agencies like the [FMC].”⁵² The U.S. Court of Appeals for the Fourth

of the following ways: (A) Cancel any challenged patent claim. (B) For each challenged claim, propose a reasonable number of substitute claims.” *Id.* § 316(d)(1) (2012).

44. *Id.* § 319 (2012).

45. *Id.* § 318(b).

46. U.S. CONST. amend. XI.

47. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1380 (Fed. Cir. 2007).

48. *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 751, 761 (2002).

49. *Id.*

50. *Id.* at 747–48.

51. *Id.* at 749.

52. *Id.* at 750 (alternation in original) (quoting *Petition for Writ of Certiorari* at 7, *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743 (2002) (No. 01-46)).

Circuit then reversed the FMC, reestablishing immunity.⁵³ The United States Supreme Court granted certiorari to determine whether sovereign immunity applies to adjudications conducted by the FMC.⁵⁴

The Court determined “[t]he preeminent purpose of state sovereign immunity is to accord States the dignity that is consistent with their status as sovereign entities.”⁵⁵ Further, “[t]he affront to a State’s dignity does not lessen when an adjudication takes place in an administrative tribunal as opposed to an Article III court” because “[i]n both instances, a State is required to defend itself in an adversarial proceeding against a private party before an impartial federal officer.”⁵⁶ Additionally, because “it would be quite strange to prohibit Congress from exercising its Article I powers to abrogate state sovereign immunity in Article III judicial proceedings but permit the use of those same Article I powers to create court-like administrative tribunals where sovereign immunity does not apply,”⁵⁷ the Court agreed with, and affirmed, the Fourth Circuit’s decision that sovereign immunity applies to both Article III proceedings and any other proceeding that “walks, talks, and squawks very much like a lawsuit.”⁵⁸

In *Vas-Cath, Inc. v. Curators of University of Missouri*,⁵⁹ the U.S. Court of Appeals for the Federal Circuit held that, while “a state’s participation in the federal patent system does not of itself waive immunity in federal court with respect to patent infringement by the state,” the University of Missouri waived its immunity by initiating and participating fully in an interference proceeding.⁶⁰ In *Vas-Cath*, the University of Missouri copied nineteen of Vas-Cath’s claims to initiate an interference proceeding – a proceeding conducted by the USPTO “for the purpose of determining priority of invention as between competing applicants for patent on the same invention.”⁶¹ The University of Missouri was awarded priority by the USPTO, and Vas-Cath appealed the decision to the U.S. District Court for the District of Columbia.⁶² The University of Missouri transferred the case to the U.S. District Court for the Western District of Missouri and asserted Eleventh Amendment immunity from suit in federal court, causing the case to be dismissed.⁶³ Vas-Cath appealed the dismissal to

53. *Id.*

54. *Id.* at 751.

55. *Id.* at 760 (citing *In re Ayers*, 123 U.S. 443, 505 (1887)).

56. *Id.* at 760–61.

57. *Id.* at 761 (citation omitted).

58. *Id.* at 751 (quoting *S.C. State Ports Auth. v. Fed. Mar. Comm’n*, 243 F.3d 165, 174 (4th Cir. 2001)).

59. 473 F.3d 1376 (Fed. Cir. 2007).

60. *Id.* at 1381, 1385.

61. *Id.* at 1378–79; see generally MANUAL OF PATENT EXAMINATION PROCEDURE § 2303 (9th ed.) (providing a more in-depth explanation of interference proceedings).

62. *Vas-Cath*, 473 F.3d at 1379.

63. *Id.* at 1379–80. The case was transferred pursuant to 28 U.S.C. § 1406(a), which states that “[t]he district court of a district in which is filed a case laying venue in the wrong division or district shall dismiss, or if it be in the interest of justice, transfer

the Federal Circuit, arguing the University of Missouri waived its immunity by participating in, and benefiting from, the interference proceeding.⁶⁴

The Federal Circuit agreed with the waiver argument, stating, “[T]he University cannot both retain the fruits of [the interference proceeding] and bar the losing party from its statutory right of review, even if that review is conducted in federal court.”⁶⁵ Acknowledging the holding in *Federal Maritime*, the Federal Circuit stated that “[l]ike proceedings in the [FMC], contested interference proceedings in the [US]PTO bear ‘strong similarities’ to civil litigation . . . and the administrative proceeding can indeed be characterized as a lawsuit” because “[US]PTO interferences involve adverse parties, examination and cross-examination by deposition of witnesses, production of documentary evidence, findings by an impartial federal adjudicator, and power to implement the decision.”⁶⁶ However, the Federal Circuit concluded that “when the University initiated and participated in the interference, its participation included the ensuing statutory review procedures,” and therefore the University of Missouri could not use the Eleventh Amendment to prevent the agency decision from review by a federal court.⁶⁷

The United States Supreme Court also addressed the issue of waiver in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*,⁶⁸ holding the Trademark Remedy Clarification Act (the “TRCA”) did not abrogate Florida’s sovereign immunity.⁶⁹ In *College Savings*, College Savings Bank (“CSB”) sued Florida Prepaid Postsecondary Education Expense Board (“FPPEE”) for violating section 43(a) of the Lanham Act by making misstatements about its tuition savings plans in its brochures and annual reports.⁷⁰ FPPEE asserted its sovereign immunity, arguing the TRCA did not

such case to any district or division in which it could have been brought.” 28 U.S.C. § 1406(a) (2012); *see also Vas-Cath*, 473 F.3d at 1379.

64. *Id.* at 1380.

65. *Id.* at 1385.

66. *Id.* at 1382 (citation omitted) (quoting *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760 (2002)).

67. *Id.* at 1384.

68. 527 U.S. 666 (1999).

69. *Id.* at 691.

70. *Id.* at 670–71. Section 43(a) of the Lanham Act provides:

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which –

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

abrogate its immunity.⁷¹ Both the U.S. District Court for the District of New Jersey and U.S. Court of Appeals for the Third Circuit affirmed,⁷² and the United States Supreme Court granted certiorari to determine

whether [section 43(a) of the Lanham Act] is effective to permit suit against a State for its alleged misrepresentation of its own product – either because the TRCA effects a constitutionally permissible abrogation of state sovereign immunity, or because the TRCA operates as an invitation to waiver of such immunity which is automatically accepted by a State’s engaging in the activities regulated by the Lanham Act.⁷³

The Court emphasized the importance of sovereign immunity, noting, “[S]overeign immunity is ‘a personal privilege which [a state] may waive at pleasure,’”⁷⁴ and “the decision to waive that immunity . . . ‘is altogether voluntary on the part of the sovereignty.’”⁷⁵ The Court continued, declaring “a State may, *absent any contractual commitment to the contrary*, alter the conditions of its waiver and apply those changes to a pending suit.”⁷⁶ Because there was no property right in freedom from a competitor’s false advertising, the Court found the TRCA did not create a constitutionally permissible abrogation under the Fourteenth Amendment.⁷⁷ Similarly, the Court found no waiver because FPPEE did not expressly consent to being sued in federal court and because there was little distinction between Congress’ attempt at removing sovereign immunity via participation in interstate commerce and simply abrogating the immunity.⁷⁸

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125 (2012).

71. *Coll. Sav. Bank*, 527 U.S. at 671.

72. *Id.* at 672; *see also* *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 131 F.3d 353, 365 (3d Cir. 1997), *aff’g*, 948 F. Supp. 400, 428 (D.N.J. 1996).

73. *Coll. Sav. Bank*, 527 U.S. at 669.

74. *Id.* at 675 (quoting *Clark v. Barnard*, 108 U.S. 463, 447 (1883)).

75. *Id.* (quoting *Beers v. Arkansas*, 61 U.S. 527, 529 (1857)).

76. *Id.* at 676 (emphasis added). The court provided an example of such a situation by citing *Petty v. Tennessee–Missouri Bridge Commission*, where a suability provision attached to the congressional approval of an interstate compact was sufficient to constitute a constructive waiver of sovereign immunity. *Id.* at 686; *see* *Petty v. Tenn.–Mo. Bridge Comm’n*, 359 U.S. 275 (1959).

77. *Id.* at 673–74; *see also* U.S. CONST. amend. XIV, § 1. The Fourteenth Amendment predominantly deals with “equal protection” and “due process of law.” *See* U.S. CONST. amend. XIV, § 1.

78. *Coll. Sav. Bank*, 527 U.S. at 676, 683–84.

IV. INSTANT DECISION

The panel dismissed Covidien's petitions because it determined that "Patent Owner UFRF, as an arm of the State of Florida, [was] entitled to a sovereign immunity defense to the institution of an inter partes review of the challenged patent."⁷⁹ The panel first examined sovereign immunity in administrative proceedings by looking to the Eleventh Amendment as well as the *Federal Maritime* and *Vas-Cath* decisions.⁸⁰ The panel then considered whether the *Federal Maritime* decision applied to inter partes review proceedings, and if so, how it applies to them.⁸¹ Finally, the panel addressed the issue of whether UFRF was an arm of the State of Florida.⁸²

The panel first concluded the *Federal Maritime* decision applied to inter partes review.⁸³ In coming to this conclusion, the panel examined the nature of an inter partes proceeding and compared it to the proceeding in *Federal Maritime*.⁸⁴ The panel observed "that the term inter partes means between the parties, which in itself captures the notion that the proceeding is directed to both parties over whom the Board exercises jurisdiction."⁸⁵ Additionally, the panel noted that "[t]he statutes and rules governing inter partes reviews are consistent with this view."⁸⁶ The panel cited § 42.105 of title 37 of the Code of Federal Regulations, which requires a petition and evidence to be served on the patent owner, and § 42.106 of title 37 of the Code of Federal Regulations, which states the petition will not be accorded a filing date until the petition satisfies a list of requirements, including service on the correspondence address provided in § 42.105(a) of title 37 of the Code of Federal Regulations.⁸⁷ In addition, "[a] petition to institute an inter partes review must identify 'each claim challenged, the grounds on which the challenge to each claim is based,

79. Covidien LP v. Univ. of Fla. Research Found. Inc., Nos. IPR2016–01274, IPR2016–01275, IPR2016–01276, 2017 WL 4015009, at *1 (P.T.A.B. Jan. 25, 2017) (italics omitted).

80. *Id.* at *2; see Eleventh Amendment, *Federal Marine*, and *Vas-Cath* discussions *supra* Section III.B and accompanying notes.

81. *Covidien*, 2017 WL 4015009, at *3, *5–11.

82. *Id.* at *12–17.

83. *Id.* at *12.

84. *Id.* at *9–11 (discussing the similarities between civil litigation and inter partes reviews).

85. *Id.* at *6 (italics omitted).

86. *Id.* (italics omitted).

87. *Id.*; 37 C.F.R. § 42.105 (2016) ("In addition to the requirements of § 42.6, the petitioner must serve the petition and exhibits relied upon in the petition."); 37 C.F.R. § 42.106(a) (2016) (italics omitted) ("A petition to institute inter partes review will not be accorded a filing date until the petition satisfies all of the following requirements: (1) Complies with § 42.104; (2) Effects service of the petition on the correspondence address of record as provided in § 42.105(a); and (3) Is accompanied by the fee to institute required in § 42.15(a).").

and the evidence that supports the grounds for the challenge to each claim.”⁸⁸ The patent owner may respond to the petition, and the USPTO must decide whether to institute an inter partes review within three months.⁸⁹ The USPTO may not institute such a review unless there is a “reasonable likelihood” at least one of the claims is likely unpatentable.⁹⁰ Finally, the panel stated, “the Board’s role in the inter partes review is not unlike that of the Commission in FMC, which is to assess the merits of the arguments presented by the parties in an impartial manner.”⁹¹ Because inter partes proceedings closely resemble the proceeding in the *Federal Maritime* decision, the panel determined the *Federal Maritime* analysis should be applied to inter partes reviews.⁹²

After determining the proceeding in *Federal Maritime* was sufficiently similar to inter partes review, the panel applied *Federal Maritime*’s analysis to determine whether sovereign immunity applied to inter partes review.⁹³ This involved comparing inter partes reviews to civil suits to determine if the two were similar enough for sovereign immunity to apply in inter partes reviews.⁹⁴ The panel found that “inter partes reviews are adversarial ‘contested cases between a patent owner and a petitioner in which the petitioner bears the burden of proof and initiates the proceedings by filing a petition requesting the institut[ion of] a trial.’”⁹⁵ It also discussed the patent owner’s argument that inter partes reviews are “held before panels of three impartial administrative patent judges . . . , immune from political influence, who serve a role functionally comparable to that of an Article III judge.”⁹⁶

The parties are also allowed to engage in motion practice similar to that of a civil suit.⁹⁷ Even the discovery “procedures of an inter partes review are similar . . . to those in federal court litigation” because

[t]he parties are entitled to “routine discovery” that includes production of “any exhibit cited in a paper or in testimony must be served with the citing paper or testimony,” cross-examination of affidavit testimony prepared for the proceeding, and “information that is inconsistent with a position advanced by the party during the proceeding concurrent with the filing of the documents or things that contain the inconsistency.”⁹⁸

88. *Covidien*, 2017 WL 4015009, at *7 (quoting 35 U.S.C. § 312(a)(3) (2012)).

89. *Id.*; see 35 U.S.C. § 314(b) (2012).

90. *Covidien*, 2017 WL 4015009, at *7 (quoting 35 U.S.C. § 314(a) (2012)).

91. *Id.* (citation omitted).

92. *Id.* at *8.

93. *Id.* at *8–12.

94. See *id.* at 8.

95. *Id.* at *8–9 (alteration in original) (italics omitted) (quoting Patent Owner’s Motion to Dismiss at 9, *Covidien LP v. Uni. of Fla. Research Found. Inc.*, Nos. IPR2016–01274, IPR2016–01275, IPR2016–01276 (P.T.A.B. Sept. 14, 2016)).

96. *Id.* at *8 (citing Patent Owner’s Motion to Dismiss, *supra* note 95, at 8–9).

97. *Id.* at *8.

98. *Id.* at *10 (quoting 37 C.F.R. § 42.51 (1)(i)-(iii) (2016)).

The panel analyzed whether UFRF had waived its immunity in a manner similar to the University of Missouri in *Vas-Cath* and determined that UFRF had not taken any action sufficient to constitute waiver.⁹⁹ Because of the overwhelming similarities between inter partes review and civil suits, the panel concluded “that the considerable resemblance between the two is sufficient to implicate the immunity afforded to the States by the Eleventh Amendment,” and therefore, “Eleventh Amendment immunity bars the institution of an inter partes review against an unconsenting state that has not waived sovereign immunity.”¹⁰⁰

Finally, the panel examined whether UFRF was an arm of the State of Florida and therefore entitled to sovereign immunity.¹⁰¹ The panel looked to the following factors in making its determination: “(1) how state law defines the entity; (2) what degree of control the state maintains over the entity; (3) where the entity derives its funds; and (4) who is responsible for judgments against the entity.”¹⁰² Addressing the first factor, the panel concluded UFRF’s “statutory origin” and direct support organization (“DSO”) status “weigh[ed] in favor” of finding UFRF to be an arm of Florida.¹⁰³ For the second factor,

99. Compare *id.* at *12 (initiating an inter partes review), with *Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, 743 F.3d 1376, 1383 (Fed. Cir. 2007) (initiating and participating in an interference).

100. *Covidien*, 2017 WL 4015009, at *11–12 (italics omitted).

101. See *id.* at *12–17.

102. *Id.* at *12 (citing *Manders v. Lee*, 338 F.3d 1304, 1309 (11th Cir. 2003) (en banc)).

103. *Id.* at *13. In support of this finding, the panel referenced the University of Florida Financial report. *Id.* at *12. The relevant portion stated:

[T]he University’s direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, are considered component units of the University of Florida and therefore the latest audited financial statements of these organizations are discretely presented in the financial statements of the University. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University.

Id. at *13. In conjunction with the report, the panel cited a Florida statute that defines “University direct-support organization” as:

1. A Florida corporation not for profit incorporated under the provisions of chapter 617 and approved by the Department of State.
2. *Organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of a state university in Florida* or for the benefit of a research and development park or research and development authority affiliated with a state university and organized under part V of chapter 159.

the panel relied on two of the district court's findings.¹⁰⁴ First, "the Board of Trustees for the University of Florida prescribes the conditions with which UFRF must comply in order to use property, facilities, or personal services at any state university."¹⁰⁵ Second, UFRF's bylaws require its budget to be approved by the president of the university.¹⁰⁶ Those two combined findings were used by the panel to conclude the State had a high degree of control over UFRF.¹⁰⁷ For the third factor, the panel found that UFRF received its funding through the university because the financial report stated the university considered UFRF's assets and liabilities to be its own.¹⁰⁸ Finally, the panel concluded the State's laws controlling UFRF's ability to issue debt evidenced a "considerable degree of control" over UFRF.¹⁰⁹ Since each of the four factors weighed in UFRF's favor, the panel concluded UFRF was entitled to sovereign immunity.¹¹⁰

Because the panel determined sovereign immunity could be asserted in an inter partes review and because the UFRF was deemed an arm of the State of Florida that had not waived its sovereign immunity, the proceedings were dismissed.¹¹¹

V. COMMENT

This Part argues that the panel erred in holding sovereign immunity applied to inter partes review. Section A argues that, as a matter of policy, shielding patents from challenge goes against the very purpose of the patent system. Section B suggests sovereign entities should be deemed to have waived their Eleventh Amendment sovereign immunity in all proceedings involving their patents, especially in situations where the patentee has engaged in licensing or other market activity involving the patent.

3. *An organization that a state university board of trustees, after review, has certified to be operating in a manner consistent with the goals of the university and in the best interest of the state. Any organization that is denied certification by the board of trustees shall not use the name of the university that it serves.*

Id. (alteration in original) (quoting Fla. STAT. § 1004.28 (1)(a)(1)–(3) (2014)).

104. *Id.* (citing *Univ. of Fla. Research Found., Inc. v. Medtronic*, No. 1:16CV183-MW/GRJ, 2016 WL 3869877, at *2–3 (N.D. Fla. July 15, 2016)).

105. *Id.* (citing *Univ. of Florida Research Found. Inc.*, 2016 WL 3869877, at *2).

106. *Id.*

107. *Id.* at *15.

108. *Id.* at *15–16.

109. *Id.* at *16.

110. *Id.* at *17.

111. *Id.*

A. Sovereign Immunity is Problematic for Reasons of Policy

The decision in *Covidien* is troubling for several reasons. First, because the panel decided whether to institute an inter partes review based on Covidien's petition, the decision may not be appealable.¹¹² By holding that sovereign immunity applied to inter partes review, the panel fundamentally altered the patent system.¹¹³ An unreviewable change of such magnitude made by a trio of administrative patent judges, rather than the legislature, the U.S. Court of Appeals for the Federal Circuit, or the Supreme Court of the United States, is deeply concerning because it ignores well-established methods of creating and construing law.

The decision is also troubling as a matter of policy. The stringent requirements a patent must meet, both during and after prosecution, are designed to ensure only those patents that truly deserve protection receive it.¹¹⁴ Sovereign immunity does not affect the examination or reexamination of patents, but, as seen in *Covidien*, it blocks the patent from being challenged by lawsuit or inter partes review.¹¹⁵ By sheltering patents owned by sovereign entities, those who would file a petition for inter partes review are prevented from invalidating patents that fail to meet the statutory requirements.¹¹⁶ In essence, sovereign immunity is a means of protecting "bad" patents from scrutiny. This is a major issue because a single patent can control an entire field of innovation.¹¹⁷

112. See 35 U.S.C. § 314(d) (2012) ("The determination by the Director whether to institute an inter partes review . . . shall be final and nonappealable."); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016) (italics omitted) ("Congress has told the *Patent Office* to determine whether inter partes review should proceed, and it has made the agency's decision 'final' and 'nonappealable.' Our conclusion that courts may not revisit this initial determination gives effect to this statutory command.") (alteration in original).

113. See *Covidien*, 2017 WL 4015009, at *12.

114. See discussion of patentability requirements discussion *supra* Section III.A.

115. *Covidien*, 2017 WL4015009, at *2, *17.

116. While the patent prosecution process is designed to weed out bad applications, time constraints on examiners can often lead to the issuance of patents that should have been rejected. See Mark A. Lemley, *Fixing the Patent Office*, STAN. INST. ECON. POL'Y RES. 6–7 (2012), https://siepr.stanford.edu/sites/default/files/publications/11-014_0.pdf. This, in part, leads to the creation of post-grant review, reexamination, and reissue; C. Gregory Gramenopoulos & Elliot C. Cook, *Divine Intervention: Intervening Rights Based on Post-Grant Examination, Before and After Leahy-Smith America Invents Act (AIA)*, CHARTERED INST. PATENT ATT'YS J. (June 2012), <https://www.finnegan.com/en/insights/divine-intervention-intervening-rights-based-on-post-grant.html>. The ability to invalidate a patent by suit also helps eliminate patents that slipped through the cracks during the examination process. Lemley, *supra*, at 13.

117. See generally *Intellectual Property Rights: The Role of Patents in Renewable Energy Technology Innovation*, GLOBAL CC INST. (June 1, 2013), <https://hub.globalccsinstitute.com/publications/intellectual-property-rights-role-patents-renewable-energy-technology-innovation/1-how-patents-encourage-innovation-technological-development-and-deployment>.

For example, imagine if a sovereign entity had owned the Wright brothers' patent, and assume the patent was a "bad" one that could have been invalidated if not for sovereign immunity. In this situation, nearly all progress in the field of aeronautics would have been halted for the life of the patent. If not for the sovereign entity, another inventor could have challenged the "bad" patent and had it invalidated. In fact, if a non-sovereign entity had owned the patent, then that is precisely what would have occurred. This hypothetical highlights the threat sovereign immunity poses to both innovation and the U.S. patent system. If a bad patent is allowed to survive, especially if it controls an entire field of innovation, sheltering that patent harms the public interest of innovation and corporate interests of economic growth.

Additionally, governmental entities that hold such patents typically license them to outside companies.¹¹⁸ Because the government will retain ownership of the patent, licensing allows a corporation to use the patent without fear of having it invalidated. This is an unfair market advantage when compared with companies that develop their own technology and own the patent themselves. For example, if it is assumed Company *A* leases a patent from a sovereign entity that could be invalidated while Company *B* owns a similar patent, then Company *A* will be safe to continue using the patent, and Company *B* will have its patent invalidated. By creating multiple means of challenging bad patents, Congress and the USPTO implicitly encourage invalidation of patents that cannot withstand scrutiny.¹¹⁹ Protecting those patents that cannot stand on their own decreases the strength of, and breeds distrust in, the entire patent system.

This issue will only grow more prevalent as universities and other academic institutions become more heavily involved in research. In 1985, 594 utility patents were issued to academic institutions.¹²⁰ By 2012, that number had risen to 4797 utility patents.¹²¹ Similarly, since the *Florida Prepaid* and *College Savings* decisions, patent applications filed by public universities have increased by twenty-four percent per million dollars spent, and filings from private universities have increased by thirty-four percent per million dollars spent.¹²² Even more dramatic has been the increase in licensing since the two decisions.¹²³ The average number of active patent licenses for public universities has increased by over fifty-five percent, and the average number of private school active patent licenses has increased by forty percent.¹²⁴ This trend is

118. See, e.g., Narechania, *supra* note 2, at 1612; see also *Licensing*, U.S. DEP'T OF AGRIC., <https://www.ars.usda.gov/office-of-technology-transfer/licensing/> (last visited June 20, 2018).

119. See discussion regarding challenging patents *supra* Section III.A.

120. See *U.S. College and Universities – Utility Patent Grants 1969–2012*, USPTO, https://www.uspto.gov/web/offices/ac/ido/oeip/taf/univ/doc/doc_info_2012.htm (last visited June 20, 2018).

121. *Id.*

122. Narechania, *supra* note 2, at 1958 tbl.4, tbl.5.

123. See *id.* at 1601 tbl.8.

124. *Id.*

likely to continue, increasing the number of unduly sheltered patents while simultaneously restricting innovation in countless fields. Further, the panel's decision is not restricted to academic institutions.¹²⁵ As a result, other state government institutions that hold patents may exacerbate this problem should they seek to exploit sovereign immunity and prevent their patents from being challenged.

B. Sovereign Immunity Should Be Deemed Waived in Patent Proceedings

This Section proposes that any patent grant should incorporate a waiver of Eleventh Amendment sovereign immunity. Sovereign immunity poses a significant problem to both inter partes review and the overall patent process. However, both problems can be solved by incorporating a waiver of Eleventh Amendment sovereign immunity into the patent contract between the USPTO and the applicant. This solution is not only synergistic with early patent law, but it also avoids the fact Congress itself cannot unilaterally abrogate the states' Eleventh Amendment sovereign immunity without constitutional amendment.¹²⁶

To solve the issue with abrogating state sovereign immunity via legislation, it is helpful to examine similar issues that have arisen in the past. It appears early English patents were issued with a clause authorizing revocation if "it turns out [the patent] was improperly issued or bec[ame] 'prejudicial or inconvenient.'"¹²⁷ Next, it is useful to look at more modern sources to see if they provide assistance in devising a solution. In her article entitled *Beyond Abrogation of Sovereign Immunity: State Waivers, Private Contract, and Federal Incentives*, Christina Bohannon¹²⁸ examined, in light of the holding in *College Savings*, that there were three situations where a state would be considered to

125. See Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 632 n.3, 647–48 (1999) (finding a state and its arms are protected by the Eleventh Amendment immunity).

126. See *id.* at 647–48 (holding that Congress does not have authority to abrogate Eleventh Amendment immunity with respect to patent infringement by the states).

127. Dennis Crouch, *Correction: Bracha Was Exactly Correct About the Privy Council Exception*, PATENTLYO (August 23, 2017), <https://patentlyo.com/patent/2017/08/correction-exactly-exception.html> [hereinafter *Correction*].

128. Christina Bohannon is a professor at the University of Iowa College of Law who specializes in intellectual property, First Amendment, and competition law. Christina Bohannon, UNIV. IOWA C.L., <https://law.uiowa.edu/christina-bohannon> (last visited June 20, 2018). She has published many works dealing with patents and intellectual property, one of which was cited favorably by the United States Supreme Court in the landmark patent case *Mayo Collaborative Services v. Prometheus Laboratories, Inc.* Christina Bohannon—CV, UNIV. IOWA C.L., <https://law.uiowa.edu/sites/law.uiowa.edu/files/bohannon.pdf> (last visited June 20, 2018); see also *Mayo Collaborative Servs. V. Prometheus Labs., Inc.*, 566 U.S. 66, 86, 92 (2012).

have waived its immunity: (1) by failing to assert immunity as a defense, (2) “by agree[ing] in a private contract,” and (3) by accepting federal funds that were conditioned upon waiving immunity.¹²⁹ With regard to contractual waivers, she concluded that courts should enforce voluntary waivers of immunity and prevent states from reconsidering their waiver when sued.¹³⁰

Patents are most often thought of as a form of intellectual property, but they are also considered a form of contract.¹³¹ While the terms of a patent “do not themselves explicitly recite the terms of a contract between the sovereign and the patentee, such is implicit from the provisions of the patent statute.”¹³² Because a patent can be deemed a type of contract, the terms of the contract between the applicant and the USPTO can theoretically be negotiated. In fact, the current patenting system already involves an exchange of consideration between the two parties.¹³³ In return for a limited monopoly over the invention,¹³⁴ the applicant must satisfactorily disclose the invention to the public and allow it to enter the public domain once the patent expires.¹³⁵

The fact that patents have been deemed a form of contract is significant because it allows for the waiver of sovereign immunity. While Congress is prevented from explicitly abrogating the Eleventh Amendment sovereign immunity of the states via legislation,¹³⁶ there is nothing preventing Congress or the USPTO from altering the patent contract between the USPTO and the patentee. In fact, the United States Supreme Court explicitly said as much in *College Savings* by noting that “a State may, *absent any contractual commitment to the contrary*, alter the conditions of its waiver and apply those changes to a pending suit.”¹³⁷ As a result, it would be possible to amend the terms of the contract between the USPTO and the patentee to add the requirement that sovereign entities who choose to obtain patents must waive their immunity in all proceedings involving those patents.¹³⁸ The proposed waiver would apply even to those patents issued to a third party but later transferred to a sovereign entity. Adding this requirement would avoid the issue of abrogating immunity via legislation because the waiver would be contractual and voluntary. If the governmental applicant did not consent to waiving its immunity, it would still

129. Christina Bohannon, *Beyond Abrogation of Sovereign Immunity: State Waivers, Private Contracts, and Federal Incentives*, 77 N.Y.U. L. Rev. 273, 277 (2002) (emphasis added).

130. *Id.* at 303.

131. JOHN GLADSTONE MILLS III ET AL., 1 PATENT LAW FUNDAMENTALS § 1:2 (2d ed. 2018).

132. *Id.* (citing *Grant v. Raymond*, 31 U.S. 218, 242 (1832)).

133. *Id.*

134. *Id.*; see 35 U.S.C. § 154 (2012).

135. MILLS ET AL., *supra* note 131; see 35 U.S.C. § 112 (2012).

136. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 666, 691 (1999).

137. *Id.* at 676 (emphasis added).

138. See *id.*

be free to forego attaining a patent and attempt to keep its invention as a trade secret instead.

This change would be similar to early English patents in the sense that part of the patent agreement would involve a clause permitting a challenge to the patent.¹³⁹ Like the clause used in early English patents allowing the King and Privy Council to invalidate a patent,¹⁴⁰ adding the requirement that all entities waive any sovereign immunity in claims regarding their patent would prevent patents from being immune to challenge. Further, the existence of a basis in American and English law¹⁴¹ for such an argument to be made indicates that the solution may be effective.

The proposed solution would also address other issues caused by sovereign immunity. For example, a problem currently exists involving corporations using the sovereign immunity of Indian tribes to shield the corporations' patents from review.¹⁴² Allergan, a global pharmaceutical company, "transferred title to all of its Restasis patents to the Saint Regis Mohawk Tribe" in an attempt to immunize its patents, some of which were already being challenged before the Board, from inter partes review.¹⁴³ The decision to transfer title to its patents was based in part upon universities, such as UFRF, having been quite successful fending off "both [inter partes review] and declaratory judgments lawsuits – even when the patents are exclusively licensed to commercial entities."¹⁴⁴

The response to Allergan's decision to transfer title to the Saint Regis Mohawk Tribe and thereby utilize the tribe's sovereign immunity to protect the patents has been swift.¹⁴⁵ Missouri Senator Claire McCaskill introduced Senate Bill 1948, titled, "A bill to abrogate the sovereign immunity of Indian tribes as a defense in inter partes review of patents."¹⁴⁶ The text of the bill is as follows: "Notwithstanding any other provision of law, an Indian tribe may not assert sovereign immunity as a defense in a review that is conducted under

139. See *Correction*, *supra* note 127. It should be noted that early English patents functioned quite differently from the modern patent. With regard to invalidation by the Privy Council, however, the inter partes review process is similar in that both involve a tribunal invalidating a patent post-issue because the patent was improperly issued. This similarity allows for useful comparisons on the issue of waiver despite the vast differences between the early English and modern American patent systems.

140. See *id.*

141. See *id.*; *Coll. Sav. Bank*, 527 U.S. at 676.

142. See Dennis Crouch, *Allergan: Creating Sovereign Immunity with Tribal Pass-Through*, PATENTLYO (September 8, 2017), <https://patentlyo.com/patent/2017/09/allergan-creating-sovereign.html> [hereinafter *Allergan*].

143. *Id.*

144. *Id.*

145. See Dennis Crouch, *A Bill to Abrogate the Sovereign Immunity of Indian Tribes as a Defense in Inter Partes Review of Patents*, PATENTLYO (October 6, 2017), <https://patentlyo.com/patent/2017/10/abrogate-sovereign-immunity.html> [hereinafter *A Bill*].

146. *Id.* (italics omitted).

chapter 31 of title 35, United States Code.”¹⁴⁷ This quick response indicates that at least a portion of Congress thinks that allowing corporations to utilize the sovereign immunity of Indian tribes to immunize their patents from inter partes review poses a significant threat to the patent system.

A governmental entity, such as a university, utilizing its state’s sovereign immunity is no different from Allergan’s use of the Indian tribe’s sovereign immunity and is equally problematic. Unfortunately, because the United States Supreme Court has held Congress cannot abrogate the states’ sovereign immunity, the instant problem cannot be addressed in the same way.¹⁴⁸ Nevertheless, the basic idea of disallowing sovereign immunity in inter partes proceedings can be used to craft a potential solution.

The proposed change would also be similar to the bill introduced by Senator McCaskill. It would effectively prevent the use of sovereign immunity by any party, including Indian tribes, in inter partes review or other patent proceedings.¹⁴⁹ In fact, it would solve the Indian tribe issue without the need to pass legislation specifically targeting native tribes’ sovereign immunity in inter partes review.¹⁵⁰ It would also be an evenhanded solution because it would target companies, like Allergan, that seek to utilize the sovereign immunity of Indian tribes¹⁵¹ and governmental organizations asserting state immunity equally.¹⁵²

The proposed solution also fits the intent of the patentability,¹⁵³ novelty,¹⁵⁴ nonobviousness,¹⁵⁵ and enablement statutes.¹⁵⁶ These statutes are designed to ensure patents are held to a certain standard; preventing sovereign immunity from applying in any patent proceeding would ensure that all patents, regardless of the entity that owns them, could be challenged on the basis of failure to meet this standard. This furthers the goal of allowing only good patents to be entitled to protection.

147. A Bill to Abrogate the Sovereign Immunity of Indian Tribes as a Defense in Inter Partes Review of Patents, S. 1948, 115th Cong. (2017); *see also A Bill, supra* note 145.

148. *See Covidien LP v. Univ. of Fla. Research Found. Inc.*, Nos. IPR2016–01274, IPR2016–0127, IPR2016–01275, IPR2016–01276, 2017 WL 4015009, at *3 (P.T.A.B. Jan. 25, 2017) (citing *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760–61 (2002)).

149. *See A Bill, supra* note 145.

150. *See id.*

151. *See generally Allergan, supra* note 142.

152. *See, e.g., Covidien*, 2017 WL 4015009.

153. 35 U.S.C. § 101 (2012).

154. *Id.* § 102 (2012).

155. *Id.* § 103 (2012).

156. *Id.* § 112 (2012).

VI. CONCLUSION

In *Covidien*, the panel held that sovereign immunity applies to inter partes proceedings.¹⁵⁷ This decision was not only an unreviewable one that fundamentally altered patent law but was also problematic for policy reasons.¹⁵⁸ Allowing government entities, such as universities, to assert sovereign immunity in the patent context creates an uneven playing field where bad patents are made unchallengeable. This allows the universities, and those corporations that license their inventions, to infringe upon others' patents or hold an area of innovation hostage even when their patent would otherwise be voided for failure to meet one of the statutory requirements of a patent. Such action stunts innovation, hurts businesses by preventing research into lucrative fields, and breeds distrust in the patent system.

However, the problem created by the *Covidien* decision can be rectified. By requiring every applicant to elect to waive any rights it may possess to sovereign immunity prior to granting a patent, all patents would be subject to challenge on their merits. Such a solution would have the effect of improving or maintaining the current quality of patents and ensuring innovation is not halted by the invincibility of a keystone patent. The solution accords with early English patents¹⁵⁹ and current U.S. patent law;¹⁶⁰ it also addresses the secondary issue of use of an Indian tribe's sovereign immunity by corporations.¹⁶¹ While the panel's decision may be unreviewable,¹⁶² it is not too late for the USPTO to address the significant threat that sovereign immunity poses to the public, to corporations, and to the patent system by altering the contractual terms of a patent grant to require waiver of sovereign immunity.

157. See *Covidien*, 2017 WL 4015009, at *11.

158. See discussion *supra* Section V.A.

159. See *Correction*, *supra* note 127.

160. See 35 U.S.C. §§ 101–103, 112 (2012).

161. See *A Bill*, *supra* note 145.

162. See 35 U.S.C. § 314 (2012).