

Nos. 2018-1559 (Lead), -1560, -1561, -1562, -1563, -1564, -1565

United States Court of Appeals for the Federal Circuit

**REGENTS OF THE UNIVERSITY
OF MINNESOTA,**

Appellant

v.

**LSI CORPORATION, AVAGO
TECHNOLOGIES U.S. INC.,**

Appellees

GILEAD SCIENCES, INC.,

Intervenor

**REGENTS OF THE UNIVERSITY
OF MINNESOTA,**

Appellant

v.

**ERICSSON INC.,
TELEFONAKTIEBOLAGET LM
ERICSSON,**

Appellees

GILEAD SCIENCES, INC.,

Intervenor

(Lead) Appeal from the U.S. Patent and
Trademark Office, Patent Trial and
Appeal Board in No. IPR2017-01068

Appeals from the U.S. Patent
and Trademark Office, Patent
Trial and Appeal Board in Nos.
IPR2017-01186, IPR2017-
01197, IPR2017-01200,
IPR2017-01213, IPR2017-
01214, and IPR2017-01219

**REPLY BRIEF OF APPELLANT
REGENTS OF THE UNIVERSITY OF MINNESOTA**

September 28, 2018

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CERTIFICATE OF INTEREST

Counsel for Appellant certifies the following:

1. The full name of every party represented by me is:

- Regents of the University of Minnesota

2. The names of the real parties in interest represented by me are:

- Regents of the University of Minnesota

3. All parent corporations and any publicly held companies that own 10 percent of the stock of the parties represented by me are listed below.

- None. The Regents of the University of Minnesota is a State entity created by the constitution of the State of Minnesota.

4. The names of all law firms and the partners and associates that have appeared for the party in the lower tribunal or are expected to appear for the party in this court and who are not already listed on the docket for the current case are:

- K&L GATES LLP: Patrick J. McElhinny, Mark G. Knedeisen
- FISH & RICHARDSON P.C.: W. Karl Renner, Lawrence K. Kolodney

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal:

- *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, Inc.*,
No. 3:17-cv-06056 (N.D. Cal.)
- *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.)
- *Gilead Sciences, Inc. v. Regents of the University of Minnesota*,
No. IPR2017-01753 (P.T.A.B.)
- *Gilead Sciences, Inc. v. Regents of the University of Minnesota*,
No. IPR2017-01712 (P.T.A.B.)
- *Gilead Sciences, Inc. v. Regents of the University of Minnesota*,
No. IPR2017-02004 (P.T.A.B.)
- *Gilead Sciences, Inc. v. Regents of the University of Minnesota*,
No. IPR2017-02005 (P.T.A.B.)
- *Ericsson Inc. v. Regents of the University of Minnesota*,
No. IPR2017-01186 (P.T.A.B.)
- *Ericsson Inc. v. Regents of the University of Minnesota*,
No. IPR2017-01197 (P.T.A.B.)
- *Ericsson Inc. v. Regents of the University of Minnesota*,
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- *Ericsson Inc. v. Regents of the University of Minnesota*,
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- *Ericsson Inc. v. Regents of the University of Minnesota*,
No. IPR2017-01214 (P.T.A.B.)
- *Ericsson Inc. v. Regents of the University of Minnesota*,
No. IPR2017-01219 (P.T.A.B.)
- *LSI Corporation v. Regents of the University of Minnesota*,
No. IPR2017-01068 (P.T.A.B.)

Date: September 28, 2018

/s/ Michael A. Albert
Michael A. Albert

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STATEMENT OF JURISDICTION

Appellee Ericsson Inc., Telefonaktiebolaget LM Ericsson (“Ericsson”) admits this Court has jurisdiction. Dkt. No. 79 (“Ericsson Br.”) at 2. No other Appellee¹ addresses, let alone distinguishes, the overwhelming authority holding that denial of sovereign immunity is immediately appealable under the collateral order doctrine. *See* Dkt. No. 44 (“UMN Br.”) at 3-4.

¹ “Appellees” refers to Appellee LSI Corporation and Avago Technologies U.S. (“LSI”), Ericsson, and Intervenor Gilead Sciences, Inc. (“Gilead”), collectively.

INTRODUCTION

IPR “allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). The proceeding is “sought” and “directed” by private parties. *Id.* at 1354-55.

The Constitution prohibits the federal government from forcing a nonconsenting State to defend itself in such an adjudicative proceeding. In *Alden v. Maine*, 527 U.S. 706, 755 (1999), the Supreme Court found that sovereign immunity bars suits against States that are not “commenced and prosecuted” by the United States. Sovereign immunity thus bars IPRs against a State commenced and prosecuted by private parties such as Appellees, and adjudicated by a federal agency. *Fed. Mar. Comm’n v. S.C. State Ports Auth.* (“FMC”), 535 U.S. 743, 760 (2002). Indeed, this Court in *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1382 (Fed. Cir. 2007), held that USPTO interferences meet FMC’s criteria for State sovereign immunity to apply. Its reasoning is indistinguishable here.

Appellees’ reliance on *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.* (“SRMT”), 896 F.3d 1322 (Fed. Cir. 2018), is misplaced. *SRMT* concerned common-law tribal immunity, which Congress may amend, not the constitutional immunity of a State – which is a co-equal sovereign in our federal system. The distinction is material because (unlike tribes) States are subject only to the types of

suits which existed, and to which they consented, at the founding – which do not include IPRs. Indeed, the *SRMT* panel expressly declined to reach the issue of State immunity. *Id.* at 1329.

SRMT turned on the Director’s discretion whether to institute IPR, finding that this “gatekeeper” function made IPR similar enough to a proceeding brought by the United States that tribal immunity does not apply. *Id.* But even if such purported similarity sufficed to conclude that Congress intended IPR to abrogate **tribal** immunity, the mere presence of a “gatekeeper” cannot avoid **State** sovereign immunity, which is not within the purview of Congress to abrogate.² Indeed, the Supreme Court has repeatedly struck down such attempts to end-run State sovereign immunity. *See* Section II.D *infra*. Numerous proceedings in Article III courts and agencies such as the USPTO, for which State sovereign immunity is well-established, have a gatekeeping stage, including interferences (PTO has discretion whether to declare), declaratory judgment actions (district courts have a similar gatekeeping power), *qui tam* actions (same), and countless others. As a matter of both the IPR statute and its governing regulations, the Board does not commence or prosecute IPRs on behalf of the United States.

² A limited exception to this rule, not applicable here, exists for Fourteenth Amendment violations. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 639-40 (1999).

SRMT is further off-point because its central premise – that “a politically accountable, federal official **has authorized** the institution”³ – does not apply here; the IPRs against UMN have **not** been instituted.

Appellees’ remaining arguments fare no better. Their theory that participation in IPR is “voluntary” would, as *FMC* noted, require us “to blind ourselves to reality.” 535 U.S. at 763-64. Their theories about *in rem* jurisdiction and public policy have been rejected by the Supreme Court, this Court, and the Board. As to waiver, Appellees raise no new issues, and ignore this Court’s clear instruction: “[W]here a waiver of immunity occurs in one suit, the waiver does not extend to an entirely separate lawsuit, even one involving the same subject matter and the same parties.” *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1219 (Fed. Cir. 2010).

ARGUMENT

I. ***SRMT* Does Not Govern This Case Because Tribal and State Sovereign Immunity Are Materially Different.**

State sovereign immunity is a constitutional limit on federal authority that was established when the States joined the Union. Tribal immunity is a common-

³ 896 F.3d at 1327. Citations omitted and emphasis added in this reply, unless otherwise stated.

law doctrine whose scope is subject to Congress’s plenary control. These differences render *SRMT*’s holding and reasoning inapplicable here.

A. *SRMT* Expressly Limited Its Holding to Tribal Immunity.

“[T]he precise contours of tribal sovereign immunity differ from those of state sovereign immunity.” *SRMT*, 869 F.3d at 1326. Accordingly, *SRMT* “only decid[ed] whether tribal immunity applies in IPR” and left State immunity “for another day.” *Id.* at 1326, 1329; *see also Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998) (tribal and State immunity are “not coextensive”).

B. *SRMT*’s Rationale that IPR Is Similar to a Suit by the United States Is Insufficient to Circumvent State Sovereign Immunity.

Under a test held to be applicable to **tribal** immunity, *SRMT* found IPRs to be sufficiently “similar” to actions by the government such that Congress could be deemed to have intended to subject tribes to them. 896 F.3d at 1326-27. That is not the test for State immunity.

States “entered the Union with their sovereignty intact.” *FMC*, 535 U.S. at 751. By ratifying the Constitution, “States consented to suits brought by other States or by the Federal Government,” but not by private parties. *Alden*, 527 U.S. at 755; *FMC*, 535 U.S. at 751-52. Tribes, on the other hand, possess only “common-law immunity from suit” that is “subject to plenary control by Congress.” *Michigan v. Bay Mills Indian Cmty.*, 134 S. Ct. 2024, 2030 (2014).

Thus, while Congress has the power to subject tribes to novel proceedings such as IPRs, Congress cannot subject States to such proceedings which were not within the scope of States' consent when "ratifying the Constitution." *Alden*, 527 U.S. at 755; *FMC*, 535 U.S. at 752; *Hans v. Louisiana*, 134 U.S. 1, 16 (1890). Because the States could not have consented to unknown proceedings, the Supreme Court applies the so-called "*Hans* presumption" that sovereign immunity bars "any proceedings against the States that were 'anomalous and unheard of when the Constitution was adopted.'" *FMC*, 535 U.S. at 755 (quoting *Hans*, 134 U.S. at 18).

No such presumption applies to tribal immunity. The Supreme Court has held that "general Acts of Congress apply to Indians." *Fed. Power Comm'n v. Tuscarora Indian Nation*, 362 U.S. 99, 120 (1960); *id.* at 116.⁴ In other words, the presumption is reversed with respect to tribal immunity. *SRMT*, 896 F.3d at 1329.

Accordingly, even if *SRMT*'s finding that IPR is similar to an agency enforcement action were sufficient in the tribal context, where the presumption is **against** immunity from a general act of Congress, such similarity would provide no rationale for circumventing **States'** immunity. For States, the analysis must consider whether they actually consented, and must apply the *Hans* presumption.

⁴ There are exceptions to *Tuscarora*, but none appear to apply here. *E.g.*, *Nat'l Labor Relations Bd. v. Little River Band of Ottawa Indians Tribal Gov't*, 788 F.3d 537, 541-42 (6th Cir. 2015).

Further, the notion on which *SRMT* relied – that the United States is a “superior sovereign” (*id.*) – is relevant only to tribes, not to States, which have co-equal sovereignty with the United States. *Alden*, 527 U.S. at 714; *FMC*, 535 U.S. at 751.

II. States Did Not Consent to IPR

States consented only to suits against States that were known at the founding – *i.e.*, those **brought by** the United States, not merely ones that involve the United States in some way, as appellees suggest (*e.g.*, Dkt. No. 95 (“Gilead Br.”) at 8-9). IPR against a State was unknown at the founding, and the statute and recent precedent confirm that IPR is not brought by the United States.

A. IPR Against a State Was “Anomalous and Unheard of” at the Founding, Triggering the *Hans* Presumption that It Is Outside the Scope of States’ Consent.

Applying the *Hans* presumption, *FMC* found that States “were not subject to private suits in administrative adjudications at the time of the founding or for many years thereafter.” 535 U.S. at 755. IPR is such a case; it was “anomalous and unheard of when the Constitution was adopted” and therefore is presumptively outside the scope of States’ consent. *Id.*

The existence of the Privy Council does not prove that private patent adjudications **against States** were known at the founding. *Contra* Gilead Br. at 19-20; Ericsson Br. at 37. Appellees make no showing that the Privy Council ever conducted proceedings against sovereigns.

B. IPR Is Not a Suit by the United States, and So It Is Outside the Scope of States’ Consent.

1. Suits by the United States Are Those that Are “Commenced and Prosecuted” by the United States.

Suits by the United States are those “commenced and prosecuted against a State in the name of the United States by those who are entrusted with the constitutional duty to ‘take Care that the Laws be faithfully executed.’” *Alden*, 527 U.S. at 755 (quoting U.S. CONST., art. II, § 3). States were willing to consent to suits by the United States because a federal official would have “political responsibility for each suit prosecuted” against a State, a “control which is absent” when a private party brings the suit. *Id.* at 755-56.

a. “Commenced and Prosecuted” by the United States Means that the United States Both Begins the Process and Directs Its Course.

The established meanings of the terms “commenced” and “prosecuted,” which appear in the Eleventh Amendment, focus on the party asserting a claim: “[t]o commence a suit, is to demand something by the institution of process in a Court of justice; and to prosecute the suit, is, according to the common acceptance

of language, to continue that demand.” *Cohens v. Virginia*, 19 U.S. 264, 408 (1821); see *Blatchford v. Native Vill. of Noatak & Circle Vill.*, 501 U.S. 775, 785 (1991) (States consented to suits “at the instance and under the control of responsible federal officers”); *United States ex rel. Foulds v. Tex. Tech. Univ.*, 171 F.3d 279, 293-95 (5th Cir. 1999) (finding that state sovereign immunity applies where the United States does not commit its own resources, under its own authority and control, to commence and prosecute a *qui tam* case).

States did **not** consent to suits where the United States has any lesser control or involvement than commencement and prosecution. See *Blatchford*, 501 U.S. at 785 (United States cannot delegate its exception from State sovereign immunity); *Foulds*, 171 F.3d at 289 (whether the United States commences a suit is not the same as whether it is a real party in interest). Even suits against a State in the name of another State – where sovereign immunity normally would not apply – are barred when the claim is “under the actual control of individual citizens” and “prosecuted . . . by and for them.” *New Hampshire v. Louisiana*, 108 U.S. 76, 89 (1883). Cf. *Chao v. Va. Dep’t of Transp.*, 291 F.3d 276, 281 (4th Cir. 2002) (distinguishing *New Hampshire*: “The case is being litigated by lawyers within, and is under the full control of, the Executive Branch.”). In contrast, no government lawyer makes an appearance or advocates for a position in IPRs.

b. Suits that the United States Adjudicates Are Not “Commenced and Prosecuted” by the United States.

FMC explained that suits **by** the United States do not include suits that private parties bring to be **adjudicated** by a federal agency – even if the agency has the power to decide whether to proceed. Indeed, the majority in *FMC* rejected precisely the theory underlying *SRMT*’s holding: a dissent in *FMC* suggested that, because the federal agency could launch its own investigation, it must therefore have the power to use its “adjudicative processes” to adjudicate a private party’s complaint. 535 U.S. at 776-77 (Breyer, J., dissenting). The majority rejected that view. Much like the USPTO here (which can initiate a reexamination), the Federal Maritime Commission was free “to institute **its own** administrative proceeding against a state [entity],” but it may **not** “adjudicate a dispute between a private party and a nonconsenting State.” *FMC*, 535 U.S. at 768; *id.* at 768 n.19.

c. An Agency’s Power to Dismiss a Suit Does Not Make It “Commenced and Prosecuted” by the United States.

The existence of agency discretion to terminate a proceeding does not turn it into one “commenced” or “prosecuted” by the United States. For example, State sovereign immunity applies to interferences, even though the Director has “discretion to begin or discontinue” that proceeding. *Eli Lilly & Co. v. Bd. of Regents of Univ. of Wash.*, 334 F.3d 1264, 1267 (Fed. Cir. 2003); *see Vas-Cath*, 473 F.3d at 1382. State sovereign immunity applies to declaratory judgment

actions, although federal judges have discretion not to exercise jurisdiction. 28 U.S.C. §§ 2201-02; *A123*, 626 F.3d at 1221-22. State sovereign immunity applies to *qui tam* actions, although a federal official has the discretion to dismiss such cases against States. 31 U.S.C. § 3730(b)(1), (c)(2)(A); *Foulds*, 171 F.3d at 293-94; see *United States ex rel. Long v. SCS Bus. & Tech. Inst., Inc.*, 173 F.3d 870, 885 (D.C. Cir. 1999), *supplemented*, 173 F.3d 890 (D.C. Cir. 1999); *Vt. Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 787 (2000) (expressing “serious doubt” that State sovereign immunity permits *qui tam* suits against States).⁵ Discretion to end a case does not avoid State sovereign immunity.

2. IPR Is “Commenced and Prosecuted” by the Petitioner, Not by the United States.

“Inter partes” means “between parties.” As those words suggest, IPRs are proceedings between parties that are adjudicated (not brought) by the Board.

The petitioner, not the United States, “commence[s]” IPR with the petition. *SAS* noted that the AIA “doesn’t authorize the Director to start proceedings on his own initiative.” 138 S. Ct. at 1355. Rather, “the proceedings begin with the filing of a petition.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757 (Aug. 14, 2012); *SAS*, 138 S. Ct. at 1353. The petition is how a party “demand[s]

⁵ Before *Stevens*, several courts allowed *qui tam* cases against States because the United States was the “real party in interest.” *E.g.*, *United States ex rel. Rodgers v. Arkansas*, 154 F.3d 865, 868 (8th Cir. 1998). None appear to have done so since *Stevens*.

something by the institution of process.” *Cohens*, 19 U.S. at 408. The “institution” decision just marks the transition from the “Preliminary Proceeding” to the “Trial,” which are the two phases of an IPR “Proceeding.” 37 C.F.R. § 42.2.⁶ Indeed “institution” is a misnomer, or at least potentially confusing: What is being “instituted” by that decision is not the proceeding itself – which the private party had already commenced by filing the petition – but rather the Trial phase.

The petitioner, not the United States, also “prosecute[s]” IPR. *SAS* explained that IPR is “a party-directed, adversarial process,” and rejected the idea that the Board’s discretion made IPR “(another) agency-led, inquisitorial process.” 138 S. Ct. at 1355. Although the Board has “discretion on the question *whether* to institute review” (*i.e.*, the trial phase), *SAS* explained, “the petitioner’s petition, not the Director’s discretion, . . . guide[s] the life of the litigation.” *Id.* at 1356.

The Board adjudicates the parties’ dispute based “on arguments that were advanced by a party”; it cannot “raise, address, and decide unpatentability theories never presented by the petitioner.” *In re Magnum Oil Tools Int’l, Ltd.* (“*Magnum Oil*”), 829 F.3d 1364, 1380-81 (Fed. Cir. 2016). After IPR, the parties, not the Board, may be subject to estoppel. 35 U.S.C. § 315(a)(1)-(2); § 315(e)(2); 37 C.F.R. § 42.73(d)(3).

⁶ The “Preliminary Proceeding” was not at issue in *SRMT*, as the tribe asserted its sovereign immunity only after institution. That case thus does not resolve the issue presented here.

The Board’s authority to either “terminate the proceeding or issue a final written decision” upon settlement does not empower the Board to take over “prosecution” of the IPR. *Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1371 (2018). Even after settlement, the Board can still only adjudicate the parties’ arguments, not raise its own. *See Magnum Oil*, 829 F.3d at 1380-81; 77 Fed. Reg. at 48,768 (USPTO “expects that a proceeding will terminate after the filing of a settlement agreement, unless the Board has already decided the merits of the proceeding”). Thus, the Board’s authority is akin to this or other Circuit Courts’ ability to resolve an appeal even after the parties jointly request dismissal. *E.g., Naruto v. Slater*, No. 16-15469, 2018 WL 3854051, at *2 (9th Cir. Apr. 13, 2018) (federal appellate court retains power to decide case even after settlement and Fed. R. App. P. 42 motion to dismiss).

3. The Director’s Purported “Political Responsibility” Does Not Make IPR a Suit by the United States.

Although *Alden* noted that “political responsibility” helped explain why States, at the founding, consented to suits “commenced and prosecuted” by the United States (527 U.S. at 755-56), that historical explanation does not expand States’ consent to encompass any situation in which the United States has some “political responsibility.” Nothing in *Alden* suggests that State sovereign immunity to suits brought by private parties is abrogated whenever a federal adjudicator’s responsibility is arguably “political.” Indeed, federal officials have discretion to

halt an interference or *qui tam* action, *i.e.*, “political responsibility” under Appellees’ theory, and yet State sovereign immunity applies to those proceedings. *See* Section II.B.1.c *supra*.

Moreover, no federal official has “political responsibility” for commencing or prosecuting IPR. Private parties file petitions, not the Board. The Board, rather than the Director, decides only whether to institute an IPR trial. 37 C.F.R. § 42.4(a); *see SAS*, 138 S. Ct. at 1353. Rather than being politically responsible, Board members are intentionally insulated from political influence. *Covidien LP v. Univ. of Fla. Research Found. Inc.*, IPR2016-01274, Paper 21, 2017 WL 4015009, at *10 (P.T.A.B. Jan. 25, 2017) (Board members are “impartial officers”); *id.* at *7 (rejecting the argument that IPR is “brought by the federal government”); 35 U.S.C. §§ 3(a), 3(c), 6(a); 5 U.S.C. §§ 7511-15, 7521 (Board members are removable only for cause); *see R.I. Dep’t of Env’tl. Mgmt. v. United States*, 304 F.3d 31, 53 (1st Cir. 2002) (review board’s appointment by the Secretary of Labor was “insufficient to defeat sovereign immunity”).

4. *Oil States* Is Not Contrary.

Appellees mistakenly rely on *Oil States*, which concerned whether Congress could allocate a power to review issued patents to the executive branch (USPTO), or whether that power was limited to courts. By contrast, this case concerns a limit

on federal authority that applies regardless of which branch Congress assigns to exercise it.

Appellees miscite *Oil States* as holding that “*inter partes* review ‘is a matter arising between the government and others.’” Gilead Br. at 1 (quoting *Oil States*, 138 S. Ct. at 1373); *see also* Ericsson Br. at 30. Rather, *Oil States* held that **patents** are public rights that “aris[e] between the government and others.” 138 S. Ct. at 1373. But **IPRs** are “adjudication[s] of [those] public rights” between two parties. *Id.* **Adjudications** over public rights are **not** exempt from State sovereign immunity. *S.C. State Ports Auth. v. Fed. Mar. Comm’n*, 243 F.3d 165, 175 n.* (4th Cir. 2001), *aff’d*, *FMC*, 535 U.S. 743 (2002); *see also Covidien*, 2017 WL 4015009, at *6, *11 (no “public rights exception” to State sovereign immunity).

Oil States’ description of IPR as a “second look” and “reconsideration” of issued patents, 138 S. Ct. at 1373-74, does not enlarge the federal government’s authority vis-à-vis the States. Other proceedings that are subject to State sovereign immunity also reconsider issued patents. *AI23*, 626 F.3d at 1219-20 (declaratory judgment actions); *Xechem Int’l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324, 1329-30 (Fed. Cir. 2004) (inventorship actions); *Vas-Cath*, 473 F.3d at 1382 (interferences). The United States’ role in **granting** a patent right does not give the United States the authority to **adjudicate** a private party’s action against a State concerning that right.

C. IPR Shares the Essential Features of Civil Litigation Found in *FMC* to Establish States’ Sovereign Immunity.

IPRs meet *FMC*’s criteria for finding State sovereign immunity to apply.

FMC noted that “the role of the [ALJ]” – which is like that of the Board here – was “functionally comparable to that of a judge,” *FMC*, 535 U.S. at 756.

1. Appellees Do Not Rebut that IPR and Civil Litigation Are Similar in the Ways that *FMC* Found Determinative.

To determine whether the Commission’s adjudications were “the type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union,” *FMC* compared the Commission’s proceedings with private civil litigation, which State sovereign immunity indisputably barred. 535 U.S. at 756-57. IPR is similar to civil litigation in the ways *FMC* found determinative. *UMN Br.* at 30-36; *Covidien*, 2017 WL 4015009, at *8-*10.

Appellees largely concede that IPR has the features *FMC* found determinative, although Ericsson tries to distinguish *FMC* on several irrelevant points (*Ericsson Br.* at 21-26):

- Ericsson suggests Board members may be subject to political influence. *But see Vas-Cath*, 473 F.3d at 1382 (Board members are “**impartial** federal adjudicators”); *Covidien*, 2017 WL 4015009, at *10 (“APJs serve as **impartial** officers”).

- Ericsson argues that APJs, unlike Article III judges, lack lifetime appointments. But the ALJs in *FMC* also lacked life tenure.
- Ericsson notes the Board’s power to expand the panel by adding additional ALJs. But this Court similarly has power to meet *en banc* (Fed. R. App. P. 35). Nothing about this unremarkable power affects whether sovereign immunity applies.
- Ericsson’s argument that IPR discovery is “not at all similar” to civil litigation and that the petition “operates differently” than a civil complaint is contrary to *SAS*. 138 S. Ct. at 1355 (“Much as in the civil litigation system it mimics, in an inter partes review the petitioner is master of its complaint. . . .”); *id.* at 1353-54 (“[T]he matter proceeds before the Board with many of the usual trappings of litigation. The parties conduct discovery and join issue in briefing and at an oral hearing.”); *see also Oil States*, 138 S. Ct. at 1371 (describing the litigation-like elements in IPR, including discovery, memoranda, oral hearing, etc.).

Nor does the Board’s discretion to deny institution undermine *FMC*’s applicability. *Vas-Cath* applied *FMC*, even though the Director had “discretion to begin or discontinue” the interferences that were the subject of that case. *Eli Lilly*, 334 F.3d at 1267. Indeed, *FMC* reasoned that the agency’s obligation to explain its exercise of discretion makes the adjudication **more** like civil litigation. 535 U.S. at

757. Similarly, 35 U.S.C. § 314(c) requires a written opinion explaining the IPR institution decision, including the exercise of discretion.

2. None of the Differences Concern Essential Features of Litigation Against Which State Sovereign Immunity Protects.

Appellees’ emphasis on the differences that do exist between IPR and civil litigation misunderstands *FMC*. Under *FMC*, whether a proceeding is adjudicatory does not turn on tallying similarities to, or differences from, litigation. *FMC* cited similarities merely to “confirm” that the proceeding is adjudicatory – *i.e.*, decided on the evidence and arguments that adversarial parties develop. 535 U.S. at 757-59. No court has required that proceedings be identical to litigation for *FMC* to apply. *Id.* at 761-67 (certain differences irrelevant to the analysis); *Vas-Cath*, 473 F.3d at 1382 (differences between interferences and civil litigation insufficient to prevent the application of *FMC*); *R.I. Dep’t of Env’tl. Mgmt.*, 304 F.3d at 46 (rules that “roughly conform[]” to those of civil litigation suffice under *FMC*).

IPRs are decided based on the evidence and arguments that adversarial parties develop. That makes them adjudicatory under *FMC*. The material similarities with litigation “confirm” that conclusion; but even if there were more differences than similarities, the conclusion would not change.⁷ IPRs were

⁷ As *FMC* explained, proceedings **lacking** features of court litigation are arguably an even “greater insult to a State’s dignity.” 535 U.S. at 760 n.11.

“anomalous and unheard of when the Constitution was adopted,” and are thus presumptively barred under *Hans. FMC*, 535 U.S. at 755, 760 n. 11.

Alden also identified features of a proceeding that impermissibly impair States’ dignity and support applying immunity. Examples include subjecting States to proceedings outside federal courts, threatening the States’ fisc, and impacting their ability to govern themselves. *Alden*, 527 U.S. at 749-52. IPR implicates all of these concerns. As to the venue and self-government issues, *see Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 (1984) (noting States’ right to control “whether,” when, and “where” they are sued); *Tegic Commc’ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335, 1342 (Fed. Cir. 2006) (same). As to impact on the state fisc, *see* 37 C.F.R. § 42.12 (potential monetary sanctions); AIPLA, 2017 Report of the Economic Survey (June 2017) (noting \$324,000 mean cost of defending an IPR through oral hearing). *Alden* thus confirms the result compelled by *FMC* and *Hans*.

3. IPR Has the Features that *Vas-Cath* Found Sufficient.

Vas-Cath – a binding and on-point precedent of this Court – determined that interference proceedings meet *FMC*’s criteria for finding State sovereign immunity applicable. It did so based on features that IPR also has: “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.” *Vas-Cath*, 473 F.3d at 1382; *see also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2145 (2016) (interferences, like IPR, “resemble district court litigation”); *cf.*, *SAS*, 138 S. Ct. at 1355 (IPR is “a party-directed, adversarial process”); *UMN Br.* at 30-36. Moreover, sovereign immunity applied even though, as in IPR, the Director had “discretion to begin or discontinue” interferences. *Eli Lilly*, 334 F.3d at 1267.

Appellees seek to apply *Vas-Cath* narrowly (to its holding about waiver), and disregard its reasoning (about whether interferences meet *FMC*’s criteria). *Gilead Br.* at 24 n.7; *Ericsson Br.* at 27-28. But *SRMT* also has a narrow holding (expressly limited to tribal immunity) – yet Appellees argue *SRMT*’s reasoning is binding here. Appellees cannot have it both ways: If *SRMT*’s reasoning is binding, so too is *Vas-Cath*’s. And although the two cases need not be read to be in conflict, if and to the extent they do conflict, *Vas-Cath* controls since it is “the earlier-issued decision[.]” *Int’l Rectifier Corp. v. IXYS Corp.*, 383 F.3d 1312, 1317 (Fed. Cir. 2004).

D. Extending *SRMT* to State Sovereign Immunity Would Impermissibly Enlarge Congress’s Authority.

Congress lacks Article I authority to subject States to private suits, *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 65 (1996). The Supreme Court has consistently rejected Congressional attempts to enact legislative workarounds to State sovereign immunity. *E.g.*, *Coll. Sav. Bank v. Fla. Prepaid Postsecondary*

Educ. Expense Bd., 527 U.S. 666, 683 (1999) (barring constructive waivers).

Extending *SRMT*'s "gatekeeper" rationale to States would enable such a workaround. Indeed, *Stevens* expressed "serious doubt" that Congress could permit *qui tam* actions against States, which also have a federal gatekeeper. *Vt. Agency of Nat. Res.*, 529 U.S. at 787. *Alden* and *FMC* further establish that Congress cannot do through a different tribunal (*e.g.*, State court or agency) what it could not do in federal court. *Alden*, 527 U.S. at 752; *FMC*, 535 U.S. at 760-61.

The theory that merely having a "gatekeeper" with discretion to decide which cases go forward allows Congress to end-run sovereign immunity flies in the face of the above Supreme Court precedent and endangers a State's Constitutional status and protections.

III. *SRMT* Is Inapplicable Here for the Further Reason that Its Central Premise – the Institution Decision – Has Not Occurred Here.

Moreover, no "gatekeeper" decided that Appellees could file IPR petitions, and subject UMN to substantial defense costs, **prior** to institution. In *SRMT*, institution had already occurred when tribal immunity was first asserted. *SRMT* relied on the fact that a "federal official **has authorized** the institution of that proceeding," and that the Board had limited authority to continue an **instituted** IPR after settlement. 896 F.3d at 1327. It cited other features that also exist only after institution, such as patent owners' option to seek amendment. *Id.*

The IPRs that UMN seeks to dismiss have not been instituted, and so *SRMT*'s rationale does not apply.

UMN challenges here the violation of its sovereignty during the pre-institution "Preliminary Proceeding," which involves pleadings (including a responsive preliminary patent owner response), discovery, protective orders, and potential sanctions. UMN Br. at 25-26; *see also Zerto, Inc. v. EMC Corp.*, No. IPR2014-01254, Paper 15 (P.T.A.B. Nov. 25, 2014) (ordering document requests and a deposition before institution). A State's sovereign immunity is violated by a pre-institution "Preliminary Proceeding," just as sovereign immunity "is for the most part lost as litigation proceeds past motion practice." *P.R. Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 145 (1993); *see SAS*, 138 S. Ct. at 1355 (likening the petition to a complaint).

IV. Appellees' Remaining Arguments are Unpersuasive.

A. State Participation in IPR is Not "Voluntary."

Gilead is wrong that State participation in IPR is "voluntary" and thus not subject to sovereign immunity. Gilead Br. at 12-14. When a State is faced with a choice of appearing in the adjudication or "stand[ing] defenseless," "[t]o conclude that this choice does not coerce a State to participate . . . would be to **blind**

ourselves to reality.” *FMC*, 535 U.S. at 763-64; *see also Alden*, 527 U.S. at 749 (explaining that a State must either “defend or default”).⁸

IPR is no different from civil litigation or Commission proceedings in this respect. *Cf.* *Gilead Br.* at 15-16; *Ericsson Br.* at 24-25. Like the Board, in case of default, a district court may “conduct hearings or make referrals” to “establish the truth of any allegation by evidence” before ordering a non-quantifiable remedy (*e.g.*, invalidity of a patent). Fed. R. Civ. P. 55(b)(2); *e.g.*, *155030 Canada, Inc. v. Magnet 4U Co.*, No. 04-1972, 2006 WL 543993 (D.D.C. Mar. 6, 2006). Likewise, in the Commission, “the presiding officer may . . . require such proof as he or she may deem proper” before ruling against an absent defendant. 46 C.F.R. § 502.64(a) (2001). Yet sovereign immunity still applies.

B. Policy Arguments Are Misplaced and Cannot Supersede UMN’s Constitutional Rights.

Appellees’ and their *amici*’s public policy arguments are irrelevant to the constitutional issues before this Court, and are more properly directed at Congress.⁹ *E.g.*, *Ericsson Br.* at 16; *Gilead Br.* at 2; Dkt. No. 78 (“LSI Br.”) at 9;

⁸ *Gilead*’s argument is, in any event, waived as *Gilead* raised it for the first time on appeal. *Sage Prods., Inc. v. Devon Indus., Inc.*, 126 F.3d 1420, 1426 (Fed. Cir. 1997) (generally, arguments first raised on appeal are waived).

⁹ *Gilead* admits the Court cannot address the purported “additional questions” concerning due process, equal protection and international treaties as those issues are not ripe. *See Gilead Br.* at 25-26.

Dkt. No. 97 at 7, 15-20; Dkt. No. 98 at 4-14; Dkt. No. 115 at 12-17. Even if this were one of the limited circumstances in which Congress, through appropriate findings and express statement, could abrogate State sovereign immunity (which it is not, *see supra* note 2), Congress has not done so. *FMC* explained that State sovereign immunity does not yield to the federal government’s “important interest in regulating maritime commerce,” because State sovereign immunity “is not so ephemeral as to dissipate when the subject of the suit is an area that is under the exclusive control of the Federal Government.” 535 U.S. at 767-68. Similarly, State sovereign immunity does not yield to IPRs merely because they are “beneficial” or “efficient.” *Id.* at 769 (“[O]ur system of dual sovereignty is not a model of administrative convenience.”).

C. IPR Is Not an *In Rem* Proceeding, Nor Are Such Proceedings Categorically Exempted from State Sovereign Immunity.

No exception from State sovereign immunity exists for *in rem* cases. *Idaho v. Coeur d’Alene Tribe of Idaho*, 521 U.S. 261, 281-82 (1997) (State sovereign immunity applies to a quiet title action); *see Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1652 (2018) (recognizing a quiet title action as a type of *in rem* proceeding). Appellees’ bankruptcy cases (*Hood* and *Katz*) are not contrary. *Biomedical Patent Mgmt. Corp. v. Cal., Dep’t of Health Servs.* (“*BPMC*”), 505 F.3d 1328, 1343 (Fed. Cir. 2007) (Supreme Court’s bankruptcy cases are not relevant to patent cases). Further, Appellees’ admiralty case (*Deep*

Sea) turned on the property not being “in the possession of the State,” *California v. Deep Sea Research, Inc.*, 523 U.S. 491, 504 (1998), while here there is no dispute that UMN is the patent owner.

Even if *in rem* proceedings were exempt from State sovereign immunity, IPR is not an *in rem* proceeding. The Board properly reached that conclusion in *Reactive Surfaces LTD. v. Toyota Motor Corp.*, No. IPR2016-01914, Paper 36 at 7-8 (P.T.A.B. July 13, 2017) and *Covidien*, 2017 WL 4015009, at *6-7. Indeed, as discussed in Section II.B above, IPR is statutorily defined as a proceeding **between parties**, not against “the patent.” *See also Huster v. j2 Global Commc’n, Inc.*, 2014 WL 4699675, at *3 (N.D. Ill. Sept. 19, 2014) (proceedings regarding patents are not *in rem*).

V. UMN Did Not Waive Its Immunity From Appellees’ IPRs by Filing an Infringement Action in District Court.

Appellees¹⁰ attempt to “**extend**” UMN’s waiver in federal court to IPR. LSI Br. at 13, 21; Ericsson Br. at 45, 52. But as this Court has repeatedly explained, “waiver of immunity generally does **not extend** to a separate or re-filed lawsuit” in a different forum – even if the separate lawsuit involves the same parties and the

¹⁰ Only Ericsson and LSI assert that UMN waived its immunity. Gilead purports to incorporate LSI’s and Ericsson’s waiver arguments to “limit this brief to 7,000 words.” Gilead Br. at 5 n.1. But “incorporation cannot be used to exceed word count.” *Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 910 (Fed. Cir. 2014). Gilead thus waived any waiver argument.

same subject matter. *BPMC*, 505 F.3d at 1339-40; *also A123*, 626 F.3d at 1219; *Tegic*, 458 F.3d at 1343. Appellees and their *amici* fail to identify any case holding that a State, having voluntarily appeared in federal court, waived immunity to an action filed separately in a different court, let alone with an agency.

The Board and Appellees ignore the limits the Court has properly put on the scope of waiver by litigation. *See Tegic*, 458 F.3d at 1342 (quoting *Pennhurst*, 465 U.S. at 99, in its discussion of waiver by litigation). *Contra* Ericsson Br. at 54-55 (arguing that *Pennhurst* does not apply to waiver by litigation).

UMN chose to litigate against Appellees in an Article III court. The Board's decision would compel UMN to appear in a different forum. The decision is contrary to precedent enforcing the limits federalism places on actions against a State.

A. *Tegic* and *A123* Are Dispositive of the Waiver Question.

Appellees attempt to distinguish *Tegic* and *A123*, but none of their purported distinctions support the Board's finding of waiver.

Tegic did not turn on the fact that *Tegic* was a non-party to the litigation commenced by the university. Rather, the Court found no waiver because: (1) a State controls “not merely **whether** it may be sued, but **where** it may be sued,” 458 F.3d at 1342 (quoting *Pennhurst*, 465 U.S. at 99), and (2) waiver applies only so far as needed for a “complete determination” of “that litigation” (or “that claim” or

“the case at hand”) “**in the same forum**,” *id.* at 1342-43. The Court addressed Tegic’s status as a non-party to reject arguments about the customer suit exception and foreseeability. *Id.* at 1343; *see generally* UMN Br. at 57-59. Indeed, both *A123* and *BPMC* cited *Tegic* as controlling precedent that waiver does not extend to a separate action even though neither case concerned a non-party. *A123*, 626 F.3d at 1219; *BPMC*, 505 F.3d at 1339.

Nor can *A123* be limited to claims of “retroactive waiver,” which the Court mentioned only once when describing the parties’ arguments. *A123*, 626 F.3d at 1219. *A123* relied on *BPMC* and cited *Tegic* for the **general rule** that decides this case: “where a waiver of immunity occurs in one suit, the waiver does not extend to an entirely separate lawsuit, even one involving the same subject matter and the same parties.” *Id.*¹¹ Neither *BPMC* nor *Tegic* involved “retroactive waiver.”

B. An IPR Is a Separate Action that Is Outside the Scope of Waiver.

To distinguish *Tegic* and *A123*, which concerned separate declaratory judgment actions, Appellees assert that IPR is a compulsory counterclaim to and “an integral part of” the parties’ underlying litigation. LSI Br. at 13; Ericsson Br.

¹¹ Contrary to the Board’s reasoning, UMN did not “acknowledge[]” that suing in federal court waives immunity to an IPR. Appx8. *Reactive Surfaces*, No. IPR2016-1914, did not concern waiver; and if UMN’s statements there were nonetheless construed as having been about the circumstances here, the assertion there was wrong and has no estoppel effect here.

at 57-60. Appellees are wrong. IPR is a separate proceeding (much like a separate declaratory judgment action):

- IPR is an optional proceeding that, if brought, proceeds in a different forum subject to different rules. By contrast, compulsory counterclaims must be brought in the same action as the initial claims. *See* Fed. R. Civ. P. 13(a)(1); *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 644 (Fed. Cir. 2015); *see Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1126 (Fed. Cir. 2003) (waiver applies to compulsory counterclaims “in the same forum”).
- Unlike a compulsory counterclaim, IPR can be filed without parallel litigation, and vice versa. Unlike with counterclaims, a one-year window to petition for IPR after being served with a complaint exists regardless of whether the court case is dismissed. *Click-To-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321 (Fed. Cir. 2018).
- IPR must be filed separately with the Board and cannot be joined with a civil litigation. The cases have different records, docket numbers, and captions. The cases also proceed separately, with different schedules, burdens, governing rules, and adjudicators. These “different tracks—one in the Patent Office and one in the courts” can reach different results, and are reviewed through different appeals. *Cuozzo*, 136 S. Ct. at 2146.

- 35 U.S.C. § 315, titled “Relation to other proceedings or actions,” distinguishes between IPR and *other* “civil actions” and “counterclaims” filed by the infringer or patent owner.
- Rulings of law in one proceeding do not make binding law for the other. *See e.g., Novartis AG v. Noven Pharm. Inc.*, 853 F.3d 1289, 1293-94 (Fed. Cir. 2017).

In sum, IPR is not a compulsory counterclaim. Indeed, the Board agrees. Appx7.

The cases Appellees cite do not support their argument. *Vas-Cath* and *Gunter v. Atl. Coast Line R.R. Co.*, 200 U.S. 273 (1906), both concern waiver in one “continuous” action. *BPMC*, 505 F.3d at 1336-37. Further, Appellees mischaracterize *Vas-Cath* as extending waiver to an entire “statutory system.” *Ericsson Br.* at 52. On that view, the waiver would extend to a separate suit seeking a declaration of the patent’s invalidity. *Tegic* holds otherwise. *Vas-Cath* only held that a public university that “invoked the statutory system of agency adjudication” also waived as to **appeal** of that agency decision in court. 473 F.3d at 1383.

Knight and Genentech, Inc. v. Eli Lilly & Co., 998 F.2d 931 (Fed. Cir. 1993) both limit waiver to the **forum** in which the State filed the suit. *Genentech*, 998 F.2d at 946 (waiver by litigation applies to federal and State law defenses raised **in**

the forum where State entity filed patent suit); *Knight*, 321 F.3d at 1126 (when filing suit in court, “the state shall be considered to have consented to have litigated **in the same forum** all compulsory counterclaims”). No court has held that waiver goes further.

And *Regents of Univ. of California v. Eli Lilly & Co.* concerns whether a public university’s infringement suit can be transferred to another district court, not whether filing a suit waives as to another action. 119 F.3d 1559, 1564 (Fed. Cir. 1997). Indeed, the decision noted that it “need not determine whether UC waived its immunity,” because the case did not concern any claims against the State. *Id.* at 1564-65; see *Tegic*, 458 F.3d at 1342 (concluding that *Regents* is “inapposite because there was no claim or counterclaim against the University”).

C. Different Does Not Mean Unfair or Inconsistent.

Appellees and their *amici* complain that it is unfair to deprive infringers of the advantages of IPRs when they are accused of infringing State-owned patents. *E.g.*, *Ericsson Br.* at 58-59. But again, policy questions should be directed to Congress. Moreover, this Court rejected a similar argument in *Tegic* (that it would be unfair to deprive a private party of a declaratory judgment remedy). Permitting a State to consider potential differences in substantive and procedural features between forums is a fundamental aspect of permitting States to decide when and where they can be sued. See *UMN Br.* at 56. For example, States may waive

immunity to claims in State courts without waiving immunity from suit in federal court, which may provide different substantive or procedural safeguards.

Courts have never held such differences “unfair,” nor is that the test of what is constitutional. In the cases cited by Appellees and their *amici* where the courts find “unfairness” and “inconsistency,” it is always in the context of a State invoking the jurisdiction of a particular forum but then trying to avoid unfavorable results in the **same action**. No authority makes IPR part of the same action as a court case.

CONCLUSION

The Board’s decisions denying dismissal should be reversed, and this case remanded with instructions to dismiss the IPRs.

Respectfully submitted,

Date: September 28, 2018

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CERTIFICATE OF COMPLIANCE WITH FED. R. APP. P 32(A)

I, Michael A. Albert, counsel for Appellants, certify that the foregoing Brief complies with the length limits set forth in Federal Circuit Rule 32(a).

Specifically, this brief contains 6,969 words (excluding the parts of the motion exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b)) as determined by the word count feature of the word processing program used to create this brief.

I further certify that the foregoing brief complies with the typeface requirements set forth in Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6). Specifically, this brief has been prepared using a proportionally spaced typeface using Microsoft Word 2013, in 14-point Times New Roman font.

Date: September 28, 2018

/s/ Michael A. Albert
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CERTIFICATE OF SERVICE AND FILING

I, Michael A. Albert, hereby certify that a true and correct copy of the foregoing has been filed using the Court's CM/ECF system. All counsel of record were served via CM/ECF on the 28th day of September, 2018.

Date: September 28, 2018

/s/ Michael A. Albert
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