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## Patently Absurd: Critiquing the USPTO's Disparate Treatment of Tribal and State Immunity in Inter Partes Review

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# Patently Absurd: Critiquing the USPTO's Disparate Treatment of Tribal and State Immunity in *Inter Partes* Review

Maya Ginga\*

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### I. Introduction

The U.S. biopharmaceutical industry's profits in 2017 were \$453 billion.<sup>1</sup> Innovative drug development and commercialization is a major source of the industry's profits.<sup>2</sup> These medical advances are due in large part to investment in time-consuming and costly research and development efforts.<sup>3</sup> Pharmaceutical companies then protect their investment in research via intellectual property rights—namely, patents.<sup>4</sup> One such Irish-based biopharmaceutical company, Allergan, Inc., grossed approximately \$6.45 billion in

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1. *Global Pharmaceutical Sales From 2014 to 2016*, STATISTA (2017), <https://www.statista.com/statistics/272181/world-pharmaceutical-sales-by-region/> (last visited Sept. 19, 2018) (on file with the Washington and Lee Law Review).

2. See Richard Anderson, *Pharmaceutical Industry Gets High on Fat Profits*, BBC NEWS (Nov. 6, 2014), <https://www.bbc.com/news/business-28212223> (last visited Sept. 19, 2018) (discussing the pharmaceutical industry's large profit margins due to expensive drugs and low manufacturing costs) (on file with the Washington and Lee Law Review).

3. See Richard Frank & Paul B. Ginsburg, *Pharmaceutical Industry Profits and Research and Development*, BROOKINGS INST. (Nov. 17, 2017), <https://www.brookings.edu/blog/up-front/2017/11/17/pharmaceutical-industry-profits-and-research-and-development/> (last visited Sept. 19, 2018) (“[T]he cost of bringing a new drug to market is very high and the process is risky.”) (on file with the Washington and Lee Law Review); Robert Weisman, *Cost of Bringing Drug to Market Tops \$2.5b, Research Finds*, BOS. GLOBE (Nov. 18, 2014), <https://www.bostonglobe.com/business/2014/11/18/cost-bringing-prescription-drug-market-tops-billion-tufts-research-center-estimates/6mPph8maRzxcvftWjr7HUN/story.html> (last visited Sept. 10, 2018) (estimating that bringing a new drug to market costs approximately \$2.5 billion dollars over the course of a decade) (on file with the Washington and Lee Law Review).

4. See Frank & Ginsberg, *supra* note 3 (“[I]f free competition were permitted, firms spending hundreds of millions of dollars to bring a new drug to market would be unlikely to recoup those investments, as competition would drive prices down to production costs.”).

2017.<sup>5</sup> Allergan's second-best-selling drug, a prescription eye-drop medicine called Restasis, earned \$1.4 billion in revenue in 2016.<sup>6</sup>

In theory, pharmaceutical companies' drug monopolies are meant to incentivize medical breakthroughs,<sup>7</sup> though in practice the industry is frequently criticized for exploiting monopolies to make windfall profits at the public's expense.<sup>8</sup> This has come about in a number of forms. For instance, some firms pay generic drug companies to delay selling bioequivalent versions of lucrative medications once their patents expire in exchange for large settlements, otherwise known by the shorthand phrase "pay for delay."<sup>9</sup> Another example that has gained popularity in recent years is "patent hopping."<sup>10</sup> This practice extends a drug's patent monopoly and blocks generic competition by slightly reformulating the medication and filing for a new patent when a drug's original patent is close to expiration.<sup>11</sup> Engendering consumer distrust and

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5. *Annual Financials for Allergan PLC*, MARKETWATCH (2016), <https://www.marketwatch.com/investing/stock/agn/financials?mg=prod/account-mw> (last visited Sept. 19, 2018) (on file with the Washington and Lee Law Review).

6. Ashley E. Petrarca, *Allergan's Battle to Stay in Court: Does Inter Partes Review Violate the Constitution by Circumventing Courtroom Adjudication?*, 2017 B.C. INTEL. PROP. & TECH. F. 1, 6 (2017).

7. See Mark S. Levy, *Big Pharma Monopoly: Why Consumers Keep Landing on "Park Place" and How the Game Is Rigged*, 66 AM. U. L. REV. 247, 247 (2016) ("[P]harmacologists are contributing medical advances to confront ravaging disease. They are developing drugs to mitigate the effects of Alzheimer's, HIV, multiple sclerosis, and various forms of cancer.").

8. See *id.* at 252 (describing one of the most sensational and highly criticized maneuvers when Turing Pharmaceutical CEO Martin Shkreli instituted a 5000% overnight price hike for a medication used to treat a life-threatening illness found in patients with HIV/AIDS).

9. See *FTC v. Actavis, Inc.*, 570 U.S. 136, 160 (2013) (addressing the issue of whether a pharmaceutical company's settlement with generic companies not to challenge the patent in exchange for millions of dollars violates antitrust laws).

10. See Benjamin Lajoie & Lauren Barnes, *Uncertainty Remains for Pharma Product Hopping Liability*, LAW360 (Aug. 31, 2017, 12:48 PM), <https://www.law360.com/articles/959102/uncertainty-remains-for-pharma-product-hopping-liability> (last visited Sept. 19, 2018) (describing the phenomena of "patent hopping") (on file with the Washington and Lee Law Review).

11. *Id.*

political backlash,<sup>12</sup> manipulative practices like these drive legal and policy developments both in antitrust and patent law.<sup>13</sup>

In contrast to highly profitable pharmaceutical companies, many Native American nations suffer from crippling poverty and lack of economic stimulation.<sup>14</sup> A federally recognized tribe, the Saint Regis Mohawk Tribe (the Tribe) is located in northern New York, straddling the U.S. and Canadian border.<sup>15</sup> The Tribe has an unemployment rate double that of its neighboring county—itsself one of the poorest in the nation.<sup>16</sup> The Saint Regis Mohawk Tribe's major source of revenue is the Akwesasne Mohawk Casino Resort, bringing in about \$19 million annually and employing 40% of its

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12. See Andrew Pollack, *Big Price Increase for Tuberculosis Drug Is Rescinded*, N.Y. TIMES (Sept. 21, 2015), <https://www.nytimes.com/2015/09/22/business/big-price-increase-for-tb-drug-is-rescinded.html> (last visited Sept. 19, 2018) (quoting then-Democratic presidential candidate Hillary Clinton that “[p]rice-gouging . . . in the specialty drug market is outrageous”) (on file with the Washington and Lee Law Review).

13. See, e.g., *New York ex rel. Schneiderman v. Actavis PLC*, 787 F.3d 638, 642 (2d Cir. 2015) (considering whether defendant drug company's withdrawal of an older drug from the market “in order to force Alzheimer's patients who depend on [the drug] to switch to [the newly patented version] before [the generic drug] becomes available” is unlawfully anticompetitive); Levy, *supra* note 7, at 254 (discussing recent Supreme Court jurisprudence aiming to curb anticompetitive practices within the pharmaceutical industry).

14. See Robert J. Miller, *American Indian Entrepreneurs: Unique Challenges, Unlimited Potential*, 40 ARIZ. ST. L.J. 1297, 1298 (2008) (“American Indians remain as a group the poorest of the poor in the United States.”); Dao Lee Bernardi-Boyle, *State Corporations for Indian Reservations*, 26 AM. INDIAN L. REV. 41, 41 (2002) (“Reservation American Indians are among the poorest people living in this country.”).

15. See *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*2 (P.T.A.B. Feb. 23, 2018) (describing the factual background and identity of the parties); Joe Jackson, *A Native-American Nation Divided*, AL JAZEERA (Jan. 9, 2015), <http://www.aljazeera.com/indepth/features/2015/01/native-american-nation-divided-20151710544289875.html> (last visited Sept. 19, 2017) (describing the jurisdictional split in the Saint Regis Mohawk Tribe between United States and Canada) (on file with the Washington and Lee Law Review).

16. Adam Davidson, *Why Is Allergan Partnering with the St. Regis Mohawk Tribe?*, NEW YORKER (Nov. 20, 2017), <https://www.newyorker.com/magazine/2017/11/20/why-is-allergan-partnering-with-the-st-regis-mohawk-tribe> (last visited Sept. 19, 2018) (on file with the Washington and Lee Law Review).

staff with members of the Saint Regis Mohawk Tribe.<sup>17</sup> Still, the Tribe's infrastructure struggles to support the community.<sup>18</sup>

These entities, comparatively, are two of the most and least powerful in American society and seemingly share nothing in common. That changed on September 8, 2017, when Allergan and the Tribe announced an agreement to transfer six patents protecting Restasis to the Saint Regis Mohawk Tribe.<sup>19</sup> Lawmakers,<sup>20</sup> judges,<sup>21</sup> and practitioners<sup>22</sup> immediately

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17. Jackson, *supra* note 15; Brief of Appellants at 5, Saint Regis Mohawk Tribe v. Mylan Pharm., Inc., 896 F.3d 1322 (Fed. Cir. 2018).

18. See Katie Thomas, *How to Protect a Drug Patent? Give It to a Native American Tribe*, N.Y. TIMES (Sept. 8, 2017), <https://www.nytimes.com/2017/09/08/health/allergan-patent-tribe.html> (last visited Sept. 10, 2018) (quoting the Tribe's general counsel stating that "[t]he tribe has many unmet [financial] needs") (on file with the Washington and Lee Law Review); Cynthia Koons & Susan Decker, *Casinos Aren't Enough as Native Tribe Makes Deal on Drug Patents*, BLOOMBERG (Sept. 9, 2017, 12:01 AM), <https://www.bloomberg.com/news/articles/2017-09-09/casinos-aren-t-enough-as-native-tribe-makes-deal-on-drug-patents> (last visited Sept. 19, 2018) (quoting the Tribe's general counsel as noting that despite casino revenues, the needs of the Mohawk community are unmet) (on file with the Washington and Lee Law Review).

19. See *Mylan Pharm. Inc.*, 2018 WL 1100950, at \*1 (introducing the chronology of the dispute surrounding the Restasis deal).

20. See S. 1948, 115th Cong. (2017) (proposing a bill restricting an Indian tribe from asserting sovereign immunity as a defense in a review conducted under the Patent Act); Jan Wolf, *U.S. Senator Slams Allergan Patent Deal with Native-American Tribe*, REUTERS (Sept. 20, 2017, 9:38 PM), <https://www.reuters.com/article/legal-allergan-patents/u-s-senator-slams-allergan-patent-deal-with-native-american-tribe-idUSKCN1BQ2BE> (last visited Sept. 19, 2018) (quoting an Ohio democratic senator that Congress should "close loopholes that drug companies exploit to avoid competition") (on file with the Washington and Lee Law Review).

21. See *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*3 (E.D. Tex. Oct. 16, 2017) (comparing the transaction to other "sham" transactions, such as abusive tax shelters).

22. See David Crow, *Pharma Industry Faces Hypocrisy Charge over Patents*, FINANCIAL TIMES (Nov. 1, 2017), <https://www.ft.com/content/ad85104e-bd86-11e7-b8a3-38a6e068f464> (last visited Sept. 19, 2018) (citing a spokesperson for Eli Lilly, a prominent U.S. drug maker, for not supporting the Allergan-Saint Regis deal) (on file with the Washington and Lee Law Review).

questioned the legitimacy of the deal. Still, the deal was not without its supporters<sup>23</sup> and followers.<sup>24</sup>

The transaction received such a swift and polarizing response because it aimed to shield the Restasis patents from an administrative proceeding that could otherwise potentially bring about the patents' cancellation.<sup>25</sup> Briefly summarizing how this is possible, a patent may be subject to a post-issuance review of patentability even after the United States Patent and Trademark Office (USPTO) grants a patent.<sup>26</sup> Such *ex post facto* invalidation can occur through a number of procedures, but generally speaking can be adjudicated either by the Patent Trial and Appeals Board (PTAB)<sup>27</sup> at the request of any party,<sup>28</sup> or in federal district court, or both.<sup>29</sup> In fact, parties almost systematically dispute patent validity in two forums simultaneously—roughly 80% of PTAB invalidation proceedings involve parallel proceedings in federal court.<sup>30</sup>

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23. See Petrarca, *supra* note 6, at 12 (arguing that because IPR “diminishes” patent protections, Allergan was rightly motivated to invent methods to circumvent the proceeding altogether).

24. See Patent Owner’s Motion to Dismiss, *Apple Inc. v. MEC Resources, LLC*, No. IPR2018-00286, at \*1 (P.T.A.B. Feb. 13, 2018) (moving to dismiss IPR proceedings on tribal immunity grounds).

25. See Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe, No. IPR2016-01127, 2018 WL 1100950, at \*1 (P.T.A.B. Feb. 23, 2018) (discussing the Tribe’s motion to terminate the IPR after acquiring the patents); *infra* Part II.A (describing *inter partes* review—a procedure by which a party can petition an administrative body to reconsider an invention’s patentability on limited grounds).

26. See 35 U.S.C. § 311(b) (2012) (dictating the scope of reconsideration during an *inter partes* review proceeding: novelty and nonobviousness in light of prior art consisting of patents or printed publications).

27. *Id.* § 303 (“[T]he Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request [for reexamination] . . .”).

28. *Id.* § 311(a) (“[A] person who is not the owner of a patent may file with the Office a petition to institute an *inter partes* review of the patent . . .”).

29. *Id.* § 282(b)(2) (listing invalidity as a defense available against the claim of infringement); see also *Sovereign Immunity and the Intellectual Property System: Hearing Before the Subcomm. on the Courts, Intellectual Property and the Internet*, 115th Cong. 1 (2017) (testimony of Professor Karl Manheim, Loyola Law School) [hereinafter Professor Manheim Testimony] (“Once issued, patent controversies can arise either in federal court or in the PTO.”).

30. Desmond O’Sullivan, *PTAB Deals a Crippling Blow to Sovereign*

Allergan sought to preemptively evade the PTAB's after-the-fact invalidation by transferring legal rights in the patents to a sovereign entity, the Saint Regis Mohawk Tribe.<sup>31</sup> Tribes, like other sovereign entities such as states or foreign nations, generally enjoy immunity from suit.<sup>32</sup> Allergan and Saint Regis believed that because a suit against the Tribe (either an administrative adjudication or civil litigation) as the patent holder should be dismissed for lack of jurisdiction due to tribal immunity,<sup>33</sup> the drug's intellectual property would remain somewhat insulated from third party legal attacks.<sup>34</sup>

But even before the Tribe became the patent holder, Allergan was involved in ongoing disputes with a number of generic drug companies regarding the Restasis patents.<sup>35</sup> The dispute developed in two forums: one in the U.S. District Court for the Eastern District of Texas<sup>36</sup> and the other in a specialized PTAB

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*Immunity*, LAW360 (Jan. 3, 2018, 4:37 PM), [www.law360.com/articles/998503/ptab-deals-a-crippling-blow-to-sovereign-immunity](http://www.law360.com/articles/998503/ptab-deals-a-crippling-blow-to-sovereign-immunity) (last visited Sept. 19, 2018) (on file with the Washington and Lee Law Review).

31. See Press Release, Allergan, Allergan and Saint Regis Mohawk Tribe Announce Agreements Regarding RESTASIS® Patents (Sept. 8, 2017), <https://www.prnewswire.com/news-releases/allergan-and-saint-regis-mohawk-tribe-announce-agreements-regarding-restasis-patents-300516422.html> (last visited Sept. 19, 2018) [hereinafter Allergan Press Release] (“The Tribe, a recognized sovereign tribal government, is filing a motion to dismiss the ongoing *inter partes* review (IPR) of the RESTASIS® patents based on their sovereign immunity from IPR challenges.”) (on file with the Washington and Lee Law Review).

32. See *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 759 (1998) (comparing tribal, state, and foreign sovereign immunity).

33. See *Covidien LP v. Univ. of Fla. Research Found.*, No. IPR2016-01274, 2017 WL 4015009, at \*11 (P.T.A.B. Jan. 25, 2017) (“[C]onsidering the nature of *inter partes* review and civil litigation, we conclude that the considerable resemblance between the two is sufficient to implicate the immunity afforded to the States by the Eleventh Amendment.”).

34. See *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*1–2 (E.D. Tex. Oct. 16, 2017) (describing the patent holders' intention to avoid the PTAB proceeding, but noting that in the district court litigation the patent holder could not move to dismiss because it initiated the suit, thereby waiving any immunity privilege).

35. See *Allergan, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*1–2 (describing the history of the litigation between Allergan, the generic drug companies, and later the Saint Regis Mohawk Tribe).

36. Allergan, Inc.'s Complaint for Patent Infringement, *Allergan, Inc. v.*



proceeding.<sup>37</sup> Allergan initiated the litigation, suing a number of generic companies in the Eastern District of Texas for infringing the Restasis patents by filing for the right to manufacture a generic bioequivalent version of drug.<sup>38</sup> In response, the defendant generic drug companies asserted the affirmative defense of invalidity—the companies admitted to infringing Allergan’s patents, but claimed that the patents were invalid.<sup>39</sup> In the midst of the litigation, Allergan moved to join the Tribe as party to the lawsuit after it became the purported patent owner.<sup>40</sup>

As in most infringement suits,<sup>41</sup> the generic pharmaceutical companies subsequently initiated the proceeding at the PTAB.<sup>42</sup> Those seeking to invalidate patents tend to prefer the PTAB proceedings over district court litigation for a number of reasons.<sup>43</sup> The petitioners filed a petition for *inter partes* review, a specialized patent review proceeding conducted by the PTAB. *Inter partes* review, or IPR, is a newly created and highly popular type of proceeding that allows any party to challenge a patent’s validity.<sup>44</sup> IPRs have garnered disagreements since their creation in 2011 by the Leahy–Smith America Invents Act.<sup>45</sup>

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Teva Pharm. USA, Inc., No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*1 (E.D. Tex. Oct. 16, 2017).

37. See Mylan Pharm. Inc. v. Allergan, Inc., No. IPR2016-01132, at \*24 (P.T.A.B. Dec. 8, 2016) (instituting *inter partes* review for Allergan’s patents).

38. Allergan, Inc. v. Teva Pharm., Inc., No. 2:15-CV-01455-WCB, 2017 WL 4803941, at \*1 (E.D. Tex. Aug. 24, 2015).

39. See Defendant’s Answer to Plaintiff’s Complaint, Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*21 (E.D. Tex. Oct. 21, 2015) (answering that the Restasis patents are invalid).

40. See Allergan, Inc. v. Teva Pharm. Inc., No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*1–2 (E.D. Tex. Oct. 16, 2017) (describing the procedural background after Allergan notified the court of the patent transfer to Saint Regis).

41. See O’Sullivan, *supra* note 30 (discussing the frequency that patents are disputed in parallel district court litigation and PTAB proceedings).

42. Mylan Pharm. Inc. v. Allergan, Inc., Case IPR2016-01132, 2018 WL 1100950, at \*1 (P.T.A.B. Feb. 23, 2018).

43. See *infra* Part II.B (discussing a number of procedural and substantive advantages for the patent challenger in PTAB proceedings).

44. See Gregory Dolin & Irina D. Manta, *Taking Patents*, 73 WASH. & LEE L. REV. 719, 740–41 (2016) (describing *inter partes* review, a newly crafted reexamination proceeding conducted by a panel of administrative patent judges).

45. See *Oil States Energy Services v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1370 (2018) (challenging the constitutionality of IPR on the grounds

Allergan's CEO is among those that disapprove of the new reexamination process.<sup>46</sup> As such, Allergan, with a history of engaging in controversial business decisions, took affirmative steps to protect its intellectual property rights.<sup>47</sup> Apparently inspired by a recent PTAB decision allowing a state university to invoke immunity in IPR,<sup>48</sup> Allergan agreed to transfer rights in the Restasis patents to the Tribe for \$13.75 million dollars.<sup>49</sup> In return, the Tribe agreed to invoke its sovereign immunity in IPR proceedings.<sup>50</sup>

In the light of the Allergan–Saint Regis deal, this Note argues that the legal framework for sovereign immunity should be the same with respect to state and tribal patent holders. Additionally, this Note argues that because it is unlikely Congress possesses the constitutional authority to abrogate state immunity, that the

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that it violates Article III and the Seventh Amendment).

46. See Brent Saunders, *Reverse Patent Trolls Are Harming Drug Innovation—and Patients*, WALL ST. J. (Oct. 8, 2017, 2:33 PM), <https://www.wsj.com/articles/reverse-patent-trolls-are-harming-drug-innovation-and-patients-1507487600> (last visited Sept. 19, 2018) (arguing that IPRs “disadvantage . . . biopharma innovators and the patients they serve”) (on file with the Washington and Lee Law Review).

47. See Dennis Crouch, *Allergan: Creating Sovereign Immunity with Tribal Pass-Through*, PATENTLYO (Sept. 8, 2017), <https://patentlyo.com/patent/2017/09/allergan-creating-sovereign.html> (last visited Sept. 19, 2018) (“Allergan is a frequent player of jurisdictional games. Its corporate ‘headquarters’ is in Dublin for the tax benefits, although it is ‘actually’ sited in New Jersey.”) (on file with the Washington and Lee Law Review); Chelsea Naso, *Pfizer, Allergan End \$160B Merger After New Inversion Regs*, LAW360 (April 6, 2016, 7:01 AM), <https://www.law360.com/articles/781067/pfizer-allergan-end-160b-merger-after-new-inversion-regs> (last visited Sept. 19, 2018) (reporting that Pfizer and Allergan’s anticipated merger that would save Pfizer \$35 billion in U.S. taxes was thwarted by the IRS) (on file with the Washington and Lee Law Review).

48. See *Covidien LP v. Univ. of Fla. Research Found., Inc.*, IPR2016-01274, 2017 WL 4015009, at \*11 (P.T.A.B. Jan. 25, 2017) (dismissing IPR on state immunity grounds when a third party petitioned for IPR review of a state university patent).

49. See Exhibit 2087 Patent License Agreement at 9, *Mylan Pharm. Inc. v. Allergan, Inc.*, Case IPR2016-01132 (P.T.A.B. Nov. 16, 2017) [hereinafter License Agreement] (stipulating the “upfront payment” between Saint Regis Mohawk Tribe and Allergan).

50. See SHORT FORM PATENT ASSIGNMENT 1–2 (2017), <http://legacy-assignments.uspto.gov/assignments/assignment-pat-43532-422.pdf> (memorializing the patent assignment agreement between Allergan and the Saint Regis Mohawk Tribe).

legislature should unequivocally extend state and tribal sovereign immunity in IPRs. To argue this, this Note explores the policy concerns and justifications of tribal and state immunity within administrative patent review.

In addressing these concerns and justifications, Part II.A discusses patent law's central policy aims. At its core, patent law aims to achieve the constitutional demand to balance incentivizing invention against over-monopolizing patent rights for the benefit of society.<sup>51</sup> Part II.B then describes the administrative scheme that governs patent rights. In particular, this legal background will focus on the recent development of *inter partes* review as instituted by the America Invents Act.<sup>52</sup>

Part III first discusses the history of tribal sovereign immunity and its contemporary understanding. Specifically, this historical analysis focuses on the congressional policy objective of tribal self-determination.<sup>53</sup> Second, Part III considers state sovereignty, notably, the recent judicial reinforcement of state sovereign immunity during the Rehnquist Court's "New Federalism" Era.<sup>54</sup> This discussion illuminates the differences between the two sovereigns as stemming from their disparate legal bases: tribal sovereignty was judicially created but long understood as subject to congressional regulation<sup>55</sup> whereas state sovereignty is tethered to the Eleventh Amendment and largely insulated from congressional control.<sup>56</sup>

Part IV then analyzes the long-term implications of the Allergan–Saint Regis deal against this legal backdrop. Chiefly, the analysis focuses on a critique of the PTAB and Federal Circuit's

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51. See *infra* Part II.A (discussing the constitutional and philosophical justifications for the American patent regime).

52. Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified in scattered sections of 28 and 35 U.S.C.).

53. See *infra* Part III.B (discussing the interplay between tribal economic opportunities and immunity).

54. See *In Defense of Tribal Sovereign Immunity*, *infra* note 249 and accompanying text (discussing a series of Supreme Court decisions during the Rehnquist Court that bolstered state sovereign immunity).

55. See *Michigan v. Bay Mills Indian Cmty.*, 134 S. Ct. 2024, 2030 (2014) (“[T]ribes are subject to plenary control by Congress.”).

56. See discussion *infra* Part III.C (noting the decisions where the Court struck Congress's attempts to abrogate state immunity).

recent decisions in response to the Allergan–Saint Regis deal.<sup>57</sup> The main shortcoming of the PTAB’s reasoning is an unexplained departure from the existing, albeit developing, legal framework for sovereign immunity in administrative patent proceedings.<sup>58</sup> The argument follows that the PTAB’s inconsistent treatment of tribes and states is not premised on discernible legal or policy reasons. The Federal Circuit, although identifying the proper legal standard, misapplies it. This has led to states and tribes possessing different rights within administrative patent reexamination. Finding that sovereign patent owners are interchangeable under the proper legal framework, this Note argues that their legal rights within the patent administrative reexamination process should likewise be identical.

Furthermore, the only governing body with the authority and policymaking capability to address this inconsistency is Congress.<sup>59</sup> Moreover, if Congress precludes this maneuver through legislation, it should not treat states and tribes differently. Two justifications support this conclusion, one pragmatic and one ethical. First, abrogating only tribal immunity in PTAB reexamination hearings does not effectively close the loophole because state universities will continue to successfully assert immunity.<sup>60</sup> Second, robbing only one sovereign of its immunity privilege derogates Congress’s goal to incentivize tribal self-determination and economic development—a grave impairment to tribes’ dignitary and financial interests.<sup>61</sup>

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57. See *infra* Part IV.B–C (arguing that the PTAB and Federal Circuits reasoning is unsound).

58. See *Covidien LP v. Univ. of Fla. Research Found., Inc.*, No. IPR2016-01274, 2017 WL 4015009, at \*11 (Jan. 25, 2017) (holding that state immunity applies to IPR because of the similarity between IPR and civil litigation).

59. See Brief of Amici Scholars in Support of Patent Owner the Saint Regis Mohawk Tribe at 1, *Mylan Pharm., Inc. v. Allergan, Inc.*, No. IPR2016 01127, 2016 WL 10655556 (P.T.A.B. Feb. 23, 2018) [hereinafter *Scholars’ Brief*] (“Congress, not the Board (nor Article III courts), is the arbiter of tribal immunity and the proper forum for considering the policy arguments and objections raised by Petitioners.”).

60. See Professor Manheim Testimony, *supra* note 29 (“Whatever the outcome in *Allergan*, the issue is likely to recur.”).

61. See Bernardi-Boyle, *supra* note 14, at 41 (“[G]reater access to private

This leads to Congress's second potential response: abrogating neither tribal nor state immunity in IPR. Allowing a sovereign entity to benefit from the patent system and simultaneously evade unfavorable outcomes certainly seems unfair and undermines the patent system because it forecloses the PTO from certain procedures;<sup>62</sup> however, every invocation of sovereign immunity at the expense of the complaining party is inherently unfair.<sup>63</sup> But more importantly, any attempt to judicially curtail both sovereigns' immunity would likely not withstand the Supreme Court's scrutiny. That is to say that if the Federal Circuit finds that both tribal and state immunity is inapplicable in IPR,<sup>64</sup> it is likely that the Supreme Court would reverse only the restriction of state immunity.<sup>65</sup>

Furthermore, the Federal Circuit's decision fails to consider the implications on federal Indian law more broadly. An unthinking condemnation of the Saint Regis deal conflates the pharmaceutical industry's pattern of dubiousness with tribal economic diversification. Abrogation of sovereign immunity in patent proceedings uniquely damages tribes because of the difficulties that tribes face generating revenue. Congress should

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capital is an essential ingredient for improving conditions on reservations.”).

62. See Professor Manheim Testimony, *supra* note 29 (advocating for legislation that abrogates state and tribal immunity in IPR).

63. See SHORTELL, *infra* note 140 and accompanying text (noting that many scholars denounce the doctrine of sovereign immunity because of its impact on plaintiffs).

64. See *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1326 (Fed. Cir. 2018) (holding “that tribal sovereign immunity cannot be asserted in IPRs); Brief of the States of Indiana, Hawaii, Illinois, Massachusetts, Texas, Utah, and Virginia as Amici Curiae in Support of En Banc Rehearing at 1–2, *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. July 20, 2018) (No. 18-1638) [hereinafter *State Amicus Brief Support En Banc Rehearing*] (supporting the Tribe for its application for a rehearing en banc due to the likelihood that the Federal Circuit's decision will also affect state immunity in IPR). It should be noted that the litigation could unfold in a number of ways. For instance, the Federal Circuit may reverse the PTAB's holding during an en banc rehearing. Alternatively, the Supreme Court may not grant certiorari for either case. But in a number of different scenarios, the chance of differing legal precedents concerning tribes and states is possible, if not likely.

65. See *infra* Part III.A–C (explaining the difference between tribal and state sovereign immunity and Congress's ability to affect each).

therefore allow continued invocation of sovereign immunity within patent review in the name of continued tribal economic development.

## II. Introduction to Patent Law

Normatively speaking, opposition to the Tribe's motion to dismiss the IPR proceeding stems from the concern that sovereigns should not be able to evade the U.S. patent scheme that carefully determines which inventions should benefit from protection.<sup>66</sup> To understand this concern, it is essential to begin by examining the philosophical justifications for granting protection to patent owners. Although it is perhaps impossible to discern a singular justification for protecting intellectual property,<sup>67</sup> utilitarianism is the primary rationalization.<sup>68</sup>

### A. Philosophical Justifications

Thomas Jefferson believed that “an inventor ought to be allowed a right to the benefit of his invention for some certain time . . . [I]ngenuity should receive a liberal encouragement.”<sup>69</sup> Jefferson's beliefs likely stemmed from intellectual property

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66. See Professor Manheim Testimony, *supra* note 29 (“State and tribal sovereign immunity in patent cases distorts the patent system and can lead to anticompetitive conduct harming consumers and the public welfare.”).

67. See, e.g., Margaret Jane Radin, *Property and Personhood*, 34 STAN. L. REV. 957, 957 (1982) (maintaining Hegel's theory of personhood related to property which argues that “to achieve proper self-development—to be a person—an individual needs some control over resources in the external environment”); WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 4 (2003) (“Patent law [has] long been defended by reference to Locke's theory that labor creates an entitlement to its fruits.”).

68. See Abraham Bell & Gideon Parchomovsky, *A Theory of Property*, 90 CORNELL L. REV. 531, 542 (2005) (“[M]ost scholars today base their understandings of property on a model where property is justified by utilitarianism and defined by positive law rather than upon natural rights theories.”).

69. *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 8 (1966).

protections existing in English jurisprudence.<sup>70</sup> Later, Jefferson's view on intellectual property, particularly the incentive theory, was codified in the Constitution. The Patent and Copyright Clause of Article I gives Congress the authority "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries[.]"<sup>71</sup> Unlike other rights, there is no natural right to intellectual property.<sup>72</sup> Rather, patent rights are government-created rights. In creating the patent system, the government generally seeks to advance two competing goals which, when balanced, promote scientific advancement for the benefit of society.<sup>73</sup> These two competing goals are: promoting invention and limiting diffusion costs.<sup>74</sup> The following discussion is a simplistic, but nevertheless helpful, description of the economic justification for patent protections.

Patents, like other types of intellectual property, are ideas or inventions that have been "propertized."<sup>75</sup> Thus, patents are subject to protection only under a formal legal regime.<sup>76</sup> In other words, patents are "limited private monopol[ies]."<sup>77</sup> Because ideas and inventions are different from other commodities, they require formalized protection to generate value for the inventor.<sup>78</sup> The key

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70. See *Oil States Energy Services v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1377 (2018) ("The Patent Clause in our Constitution 'was written against the backdrop' of the English system."); LANDES & POSNER, *supra* note 67, at 1 (noting early law protection of intellectual property such as the English Statute of Monopolies of 1624 and the Statute of Anne).

71. U.S. CONST. art. I, § 8, cl. 8.

72. See Bell & Parchomovsky, *supra* note 68, at 542 (2005) (noting the gradual decline in the natural rights theory of property, especially in light of the realist movement).

73. See *id.* at 563 (balancing "incentives for innovation against the costs produced by monopoly-induced deadweight loss" and ultimately concluding that determining this precise trade-off is "elusive" in the real world).

74. See PETER S. MENELL, MARK LEMLEY & ROBERT P. MERGES, *I INTELLECTUAL PROPERTY IN THE NEW TECHNOLOGICAL AGE: 2017* 16–20 (describing the economic justifications for intellectual property).

75. See LANDES & POSNER, *supra* note 67, at 1 (noting the historical development of intellectual property legal protection in the United States).

76. *Id.*

77. *Graham*, 383 U.S. at 9.

78. See MENELL, ET AL., *supra* note 74, at 17–18 (describing public goods'

difference between inventions and other commodities is that inventions are public goods whereas other commodities are private goods—the former can be disbursed endlessly without cost whereas the latter is a finite quantity, which the owner only grants access to by selling it.<sup>79</sup>

Therefore, an unscrupulous copyist can steal an idea from its original creator, circumventing any development costs, and selling the embodiment of the idea into the market at a lower cost.<sup>80</sup> This, then, discourages the original inventor from investing time and money into an invention that can easily be stolen. Without some form of legal protection, scientific and artistic progress is impeded. To accomplish this, the U.S. patent regime confers on its owner “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.”<sup>81</sup>

However, unfettered monopolies would drive prices of public goods above their marginal costs and thereby reduce access at the detriment to society.<sup>82</sup> The government, therefore, limits patent monopolies by way of its duration and scope.<sup>83</sup> The scope of protection, for instance, does not extend to “small details, obvious improvements, or frivolous devices.”<sup>84</sup> Rather, only those inventions that contribute a truly novel, nonobvious contribution

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inherent depletion sans formal protections and noting another examples of a public good as national defense); Davidson, *supra* note 16 (“When it comes to physical goods and land, property rights are usually fairly intuitive. But intellectual property is inherently more arbitrary.”).

79. MENELL, ET AL., *supra* note 74, at 17–18.

80. See Frank & Ginsburg, *supra* note 3 (discussing the effect of patent monopolies within the context of the pharmaceutical industry).

81. 35 U.S.C. § 154(a)(1) (2012).

82. See Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co., 324 U.S. 806, 816 (1945) (“The far-reaching social and economic consequences of a patent . . . give the public a paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.”); LANDES & POSNER, *supra* note 67, at 1 (“[E]nabling the creator of intellectual property to charge a price for copies . . . in excess of his marginal cost, prevents access to (use of) the intellectual property by persons who value that access at more than the marginal cost but less than the price.”).

83. See MENELL, ET AL., *supra* note 74, at 19 (“One of the reasons that intellectual property rights are limited to scope, duration, and effect is to balance these costs and benefits.”).

84. *Graham*, 383 U.S. at 9.



are protected.<sup>85</sup> Similarly, a patent monopoly is further controlled by limiting its duration.<sup>86</sup> Because innovation necessarily requires a rich public domain, it is in society's best interest to limit the length of time inventions are protected to encourage others to improve upon the invention without infringing.<sup>87</sup>

### *B. The Contemporary Patent System*

Balancing these two objectives, however, is a tricky feat.<sup>88</sup> The difficulty of balancing incentives against over-monopolization is evident in Congress's numerous attempts to amend the USPTO's administrative proceedings throughout the twentieth century.<sup>89</sup> Congress thus passed the 1952 Patent Act to address the concern that the USPTO granted too many weak patents.<sup>90</sup> The drafters had the ambitious goal of overhauling the patent system and "recogniz[ed that] patents are distinct from obnoxious monopolies and are a reward or an inducement to bring forth new knowledge."<sup>91</sup> The 1952 Act made significant improvements, such as delineating distinct grounds for patentability that were previously lacking.<sup>92</sup> Nevertheless, the complaint about low quality

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85. See 35 U.S.C. §§ 101–103 (2012) (codifying criteria for an invention to be patentable).

86. See WILLIAM NORDHAUS, INVENTION, GROWTH, AND WELFARE: A THEORETICAL TREATMENT OF TECHNOLOGICAL CHANGE 3–7 (1969) (arguing that the best way to balance the social costs versus the benefits of monopolies is by their term lengths).

87. See *id.* at 20 ("Knowledge in society is cumulative.").

88. See *id.* at 22 ("[S]ociety must determine the appropriate requirements for, duration and scope of, and set of rights afforded intellectual property."); Bell & Parchomovsky, *supra* note 68, at 563 ("[D]etermining where this balance lies in the real world has proved to be elusive.").

89. See Dolin & Manta, *supra* note 44, at 735 ("Congress made several attempts to create procedures that would address the 'lax' standards of the Patent Office that supposedly resulted in 'low quality' patents.").

90. See Rudolph P. Hofmann, Jr. & Edward P. Heller, III, *The Rosetta Stone for the Doctrines of Means-Plus-Function Patent Claims*, 23 RUTGERS COMPUTER & TECH. L.J. 227, 272 (1997) ("The Patent Act of 1952 was enacted in part as a response to the harsh attitude toward patents in the thirties and forties.").

91. *Id.* at 273.

92. See Dolin & Manta, *supra* note 44, at 734 (describing the 1952 Patent Act's substantive provisions).

patents persisted despite the 1952 Act's substantial contribution to substantive patent law.<sup>93</sup>

Amidst these complaints, the first post-grant administrative proceedings were created.<sup>94</sup> Although litigants could always bring an invalidation proceeding in district court, administrative reexamination was meant to correct the USPTO's errors more efficiently and cheaply.<sup>95</sup> The first post-grant examination mechanism was created in 1980 by the Bayh-Dole Act.<sup>96</sup> However, the experiment was quickly met with criticism, particularly because it operated largely like the initial patent prosecution.<sup>97</sup> This meant that the party that requested reexamination was never party to the proceeding, and hence could not argue for invalidation.<sup>98</sup> Addressing the concern, Congress again set out to cure the plague of low quality patents through post-issuance examination, this time involving third parties in the proceeding.<sup>99</sup> This too was largely unsuccessful.<sup>100</sup>

The latest change came by way of the Leahy–Smith America Invents Act (AIA) passed in 2011.<sup>101</sup> The AIA amended and expanded the previous post-grant review proceedings in several

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93. *See id.* (“The drumbeat of complaints about ‘poor quality’ patents that make it through the porous sieve of the PTO continued even after Congress enacted the far-reaching reforms in the 1952 Patent Act.”).

94. *See* Saint Regis Mohawk Tribe v. Mylan Pharm. Inc., 896 F.3d 1322, 1330–34 (Fed. Cir. 2018) (Dyk, J., concurring) (explaining the history of reexamination procedures that preceded IPR).

95. *See* Sherry M. Knowles et al., *Inter Partes Patent Reexamination in the United States*, 86 J. PAT. & TRADEMARK OFF. SOC'Y 611, 611 (2004) (“The reexamination process was intended to . . . ‘settle validity disputes more quickly and less expensively than litigation.’”).

96. Bayh-Dole Act, Pub. L. No. 96-517, 94 Stat. 3015 (1980).

97. Dolin & Manta, *supra* note 44, at 736–37.

98. *Id.*

99. *See* American Inventors Protection Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (codified in relevant part in 35 U.S.C. §§ 311–318 (2006)) (repealed 2012) (creating *inter partes* reexamination).

100. *See* Knowles et al., *infra* note 95, at 614 (“A common complaint [of the AIPLA] was that the *inter partes* procedure left a patent challenger with less options, not more input.”).

101. Pub. L. No. 112-29, 125 Stat. 284 (codified in scattered Sections of 28 U.S.C. and 35 U.S.C.).

significant ways.<sup>102</sup> Relevant here, the Act replaced the former *inter partes* reexamination proceedings with *inter partes* review.<sup>103</sup> Congress passed the AIA with the purpose of “establish[ing] a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”<sup>104</sup> To achieve these ends, the AIA and the USPTO structured IPRs with a number of procedural and substantive changes to the prior reexamination procedure.

First, IPRs were meant to give “broader participation rights” to third parties.<sup>105</sup> As such, IPRs allow any third party to assert that the PTO should never have issued the patent in the first instance—that is, to challenge the patent’s validity.<sup>106</sup> IPRs also allow joinder to an existing proceeding.<sup>107</sup> Second, a patent holder’s ability to amend her claim in an IPR, unlike in the former *inter*

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102. See EDWARD D. MANZO, AMERICA INVENTS ACT—A GUIDE TO PATENT LITIGATION AND PATENT PROCEDURE § 15:1 (2016) (listing the PTAB’s four post-grant review proceedings: “(1) review adverse decisions of examiners upon applications for patents pursuant to 35 U.S.C. § 134(a); (2) review appeals of reexaminations pursuant to § 134(b); (3) conduct derivation proceedings pursuant to § 135; and (4) conduct inter partes reviews and post-grant reviews pursuant to Chapters 31 and 32”); Sarah Tran, *Policy Tailors and the Patent Office*, 46 U.C. DAVIS L. REV. 487, 498–99 (2012) (“The USPTO’s toolbox of new or fortified proceedings . . . includes post-grant review, inter partes review, supplemental examination, and derivation proceedings, as well as a transitional post-grant review program for certain business methods patents.”).

103. See MANZO, *supra* note 102, § 16:1 (describing the AIA’s procedural changes to post-grant review proceedings).

104. Press Release, Sen. Patrick Leahy, Senate Begins Debate on Leahy–Smith America Invents Act (Sept. 6, 2011) (on file with the Washington and Lee Law Review).

105. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016).

106. See 35 U.S.C. § 311(b) (2012) (“A petitioner in an *inter partes* review may request to cancel as unpatentable 1 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.”); *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 96 (2011) (“[A]n alleged infringer may assert the invalidity of the patent—that is, he may attempt to prove that the patent never should have issued in the first place.”).

107. See Saurabh Vishnubhakat, Arti K. Rai & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 58 (2016) (finding that permitting joinder and a lack of standing creates “opportunities for robust public participation”).

*partes* reexamination, is far more limited if not impossible.<sup>108</sup> Third, IPRs are adversarial proceedings that more closely resemble traditional litigation than its administrative predecessor.<sup>109</sup>

Still, there are significant substantive differences that distinguish IPR from traditional litigation.<sup>110</sup> For instance, the AIA mandates a lower burden of proof than the district court's "clear and convincing evidence" to a "preponderance of the evidence" standard.<sup>111</sup> Additionally, the standard for claim construction in IPR is the "broadest reasonable construction in light of the specification" standard.<sup>112</sup> By contrast, a claim is assessed by its "ordinary meaning . . . as understood by a person of skill in the art" in federal court.<sup>113</sup> Because a claim is given its "broadest reasonable construction," in IPR it is more likely that the patent will overlap with prior art,<sup>114</sup> rendering the patent invalid.

The idea behind these changes was to create an adversarial proceeding that allows third party challengers an efficient and cost-effective means of challenging questionable patents.<sup>115</sup> In

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108. See Dolin & Manta, *supra* note 44, at 786 ("Th[e] radical shift from an examinational to an adjudicatory model, which deprives the patentee of the actual ability to continue its *pas de deux* with the PTO, is what separates inter partes reexamination from IPR.").

109. See 35 U.S.C. § 316(a) (stating the Director is to promulgate regulations for *inter partes* review proceedings that enact many features common to judicial proceedings, including discovery, depositions, protective orders, the imposition of sanctions, and an oral hearing); H.R. REP. NO. 112-98, at \*46, 2011 U.S.C.C.A.N. 67, 77 ("The Act converts inter partes reexamination from an examinational to an adjudicative proceeding.").

110. See *Cuozzo Speed*, 136 S. Ct. at 2143 ("[I]nter partes review is less like a judicial proceeding and more like a specialized agency proceeding."); Tran, *supra* note 102, at 496 ("The [AIA] requires the USPTO, rather than the courts, to make core judgments that affect patent policy and substantive patent rights.").

111. See 35 U.S.C. § 316(e) (2012) ("[T]he petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.").

112. 37 C.F.R. § 42.100(b) (2016).

113. *Cuozzo Speed*, 136 S. Ct. at 2142.

114. See 35 U.S.C. § 102 (2012) (defining "prior art" as an "invention [that] was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public" before an inventor applies for a patent).

115. See Vishnubhakat et al., *supra* note 107, at 45 ("A major normative argument for administrative ex post review is that it should be an efficient, accessible, and accurate substitute for Article III litigation over patent validity.").

particular, Congress sought to address so-called “patent trolls.”<sup>116</sup> Patent trolls are non-practicing entities that acquire patent rights without operationalizing them and make a business out of suing infringers.<sup>117</sup> Non-practicing entities therefore undermine the patent regime’s central goal: to encourage technological advances for the benefit of society.<sup>118</sup> Furthermore, addressing non-practicing entities was part of the overall goal to decrease the number of weak or low quality patents.<sup>119</sup> Indeed, IPRs have proven a popular and effective alternative to litigation for parties seeking to invalidate issued patents *ex post facto*.<sup>120</sup>

In fact, some groups argue that the pendulum swung too far in the other direction—unduly disfavoring legitimate patent holders and therefore hindering innovation.<sup>121</sup> One former Federal Circuit Chief Judge famously dubbed IPRs as the “death squad” for patent holders because of the reasons noted above.<sup>122</sup> Those who

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116. See ABBOTT ET AL., *CRIPPLING THE INNOVATION ECONOMY: REGULATORY OVERREACH AT THE PATENT OFFICE*, REGULATORY TRANSPARENCY PROJECT 11 (2017) (Reg. Transparency Project Working Paper Grp.), <https://regproject.org/wp-content/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf> (listing non-practicing entity concerns as one of Congress’s three main objectives when passing the AIA).

117. See *id.* at 10–11 (using the example of MPHJ Technologies, an entity sanctioned by the Federal Trade Commission for deceptively threatening patent infringement suits).

118. See David L. Schwartz & Jay P. Kesan, *Analyzing the Role of Non-Practicing Entities in the Patent System*, 99 CORNELL L. REV. 425, 427 (2014) (noting that some scholars find that “NPEs hinder rather than encourage innovation”).

119. See Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. REV. 881, 881 (2015) (“Congress attempted to ‘reform’ the patent system in the name of reducing the prevalence of dubious patents.”).

120. See Susan Decker, *Apple Likes Patent ‘Death Squad.’ Allergan Pays to Avoid It*, BLOOMBERG TECH. (Sept. 20, 2017, 4:00 AM), <https://www.bloomberg.com/news/articles/2017-09-20/apple-likes-the-patent-death-squad-allergan-pays-to-avoid-it> (last updated Sept. 20, 2017) (last visited Sept. 19, 2018) (citing statistics from Unified Patents that challengers prefer the PTAB over federal district court) (on file with the Washington and Lee Law Review).

121. See Dolin, *supra* note 119, at 882 (arguing that the AIA “failed to fully take into account all of the costs of ‘weeding out’ the improperly granted patents and the fact that such costs fall disproportionately on the legitimate patentees”).

122. Rob Sterne & Gene Quinn, *PTAB Death Squads: Are All Commercially Viable Patents Valid*, IPWATCHDOG (Mar. 24, 2014), <http://www.ipwatchdog.com/>

oppose IPRs argue that a troubling circuitous relationship exists when the same administrative body both grants intellectual property rights and then extinguishes them.<sup>123</sup> As Justice Gorsuch recently put it,

After much hard work and no little investment you devise something you think truly novel. . . . The patent affords you exclusive rights to the fruits of your labor for two decades. But what happens if someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled?<sup>124</sup>

IPR critics went so far as to challenge the constitutionality of the proceeding in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*.<sup>125</sup> The petitioners raised two constitutional issues: whether a non-Article III court can terminate patent rights without a jury—or, whether IPR violates (1) Article III and (2) the Seventh Amendment.<sup>126</sup> Although the case had the potential to drastically disrupt administrative patent reexamination, the Court found that neither of these constitutional issues foreclose the PTAB from reconsidering patents in IPR.<sup>127</sup> *Oil States*, together

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2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/ (last visited Sept. 19, 2018) (on file with the Washington and Lee Law Review).

123. See Charles Kennedy, *Standing on Edge: The Lack of Standing Requirements in the U.S.P.T.O. Inter Partes Review Raises a Constitutional Issue*, 45 RUTGERS L. REC. 13, 14 (2018) (“Inter partes review is unconstitutional because it is an improper delegation of judicial power, in that it confers the ability to decide on an issue already adjudicated by an administrative agency and removes this authority from the constitutional protection provided by an Article III court proceeding.”); Brian Mahoney, *Software Patent Ruling A Major Judicial Failure, Rader Says*, Law360 (Oct. 25, 2013, 6:36 PM), <https://www.law360.com/articles/482264/software-patent-ruling-a-major-judicial-failure-rader-says> (last visited Sept. 19, 2018) (quoting Judge Rader, “There’s a tension throughout the system . . . you’ve got an agency with 7,000 people giving birth to property rights, and then you’ve got, in the same agency, 300 or so people on the back end . . . acting as death squads, kind of killing property rights”) (on file with the Washington and Lee Law Review).

124. *Oil State Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1380 (2018) (Gorsuch, J., dissenting).

125. 138 S. Ct. 1365 (2018).

126. See *id.* at 1370 (addressing the issue of “whether inter partes review violates Article III or the Seventh Amendment of the Constitution”).

127. See *id.* at 1373 (“Inter partes review falls squarely within the

with the Allergan–Saint Regis deal, raise interesting philosophical questions about the PTAB’s authority relative to the nature of patent rights, that is, the extent to which patent rights are like other property rights.<sup>128</sup>

Other practitioners claim these fears are hyperbolic.<sup>129</sup> Citing to statistics that these arguments are overdrawn,<sup>130</sup> supporters of IPR think that its opponents are merely protecting their monopolies on lucrative technologies at the public’s expense.<sup>131</sup> A lobbyist organization supporting IPR whose members include Amazon, Dell, Google, Intel, and Oracle cite several statistics that seem to cast doubt on the claim that IPR hinders innovation.<sup>132</sup> For instance, the group notes an increase in research and development spending, capital venture investments, patent filings, and

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public-rights doctrine. . . . Thus, the PTO can [reconsider patents] without violating Article III.”).

128. *See id.* (Gorsuch, J., dissenting) (“Until recently, most everyone considered an issued patent a personal right—no less than a home or a farm—that the federal government could revoke only with the concurrence of independent judges.”).

129. *See* Ryan Davis, *Law360’s AIA Survival Guide Reveals Tips for PTAB Success*, LAW360 (Sept. 4, 2015, 3:33 PM), <https://www.law360.com/articles/698621?scroll=1> (last visited Sept. 25, 2018) (quoting Scott Kamholz, former PTAB judge, noting that “the board has only invalidated 25 percent of the claims challenged”) (on file with the Washington and Lee Law Review).

130. *See* Erica Teichert, *PTAB Says it’s not a ‘Death Squad’ for Patents*, LAW360 (Apr. 15, 2014, 8:16 PM), <https://www.law360.com/articles/528519/ptab-says-it-s-not-a-death-squad-for-patents> (last visited Sept. 19, 2018) (“Although 167 patents have been brought to the PTAB for inter partes review . . . , only nine of those patents have been completely invalidated and another [nineteen] have had some of their claims thrown out . . . .”) (on file with the Washington and Lee Law Review).

131. *See* Brief Amicus Curiae of the Software and Information Industry Association in Support of Petitioners, *Mylan Pharm., Inc. v. Allergan, Inc.*, No. IPR2016-01127, 2017 WL 6272019 (P.T.A.B. Dec. 1, 2017) [hereinafter *Software Industry Association Amicus Brief*] (supporting IPR by filing an amicus brief with the PTAB urging the agency not to grant the Tribe’s motion to dismiss for lack of jurisdiction).

132. *See* HIGH TECH INVENTOR’S ALLIANCE, AN OPEN LETTER: INNOVATION IS THRIVING (2017), [https://docs.wixstatic.com/ugd/3929b0\\_74c746db8c9e4cf9ad37421bb614ec02.pdf](https://docs.wixstatic.com/ugd/3929b0_74c746db8c9e4cf9ad37421bb614ec02.pdf) (presenting data to support the assertion that cancellation of weak patents is good for innovation).

increased start-ups to argue that innovation is actually “thriving” post-IPR.<sup>133</sup>

As noted, Allergan’s CEO fell into the first camp—that IPR hampers innovation because the system is unstable for patent holders and instability is bad for investment.<sup>134</sup> To unpack how Allergan sought to avoid IPR through transacting with the Tribe, it is necessary to explore the historical justifications for sovereign immunity as well as the doctrinal development of tribal and state immunity.

### *III. Sovereign Immunity*

While the linkage between sovereignty and immunity dates back to the feudal age,<sup>135</sup> the survival of sovereign immunity rests on a variety of justifications that have shifted over time.<sup>136</sup> In pre-colonial British law, the concept of sovereign immunity was derived from the theory of *rex gratia dei*, or “king by the grace of God.”<sup>137</sup> The religious explanation for immunity was premised on the idea that the king, as an extension of God, “can do no wrong.”<sup>138</sup> However, the Framers abandoned that religious foundation of sovereign immunity.<sup>139</sup> Instead, sovereign immunity persisted in the United States initially because of the practical consideration that states were financially unstable after the Revolutionary War

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133. *Id.*

134. *See* Saunders, *supra* note 46 (arguing that IPR puts stress on Allergan’s “social contract” it has with its patients).

135. *See* LEON HURWITZ, *THE STATES AS DEFENDANT: GOVERNMENTAL ACCOUNTABILITY AND REDRESS OF THE INDIVIDUAL GRIEVANCES* 10–11 (1981) (describing how the pyramid structure of the feudal system prevented those on a lower class from taking action against his superiors).

136. *See* *Three Affiliated Tribes of Fort Berthold Reservation v. Wold Eng’g*, 476 U.S. 877, 890 (1986) (observing that immunity is “a necessary corollary” to a sovereign’s functions).

137. *See* HURWITZ, *supra* note 135, at 18–21 (discussing the evolution of sovereign immunity in British law through the system of requesting suit from the government through a petition of right).

138. *Id.* at 11.

139. *See id.* at 17 (discussing the Lockean conception of society in which the people, not the government, were sovereign and thereby dictated the laws).



and reluctant to open themselves up to liability.<sup>140</sup> Later, the Court repeatedly mentions the “dignitary” interest inherent in sovereign immunity<sup>141</sup> and that it is “a government’s right not to be haled into court without its consent.”<sup>142</sup>

These two justifications are reflected in contemporary sovereign immunity jurisprudence. The Court’s commonly cited justifications for immunity are therefore twofold: to allow the sovereign to protect its financial<sup>143</sup> and dignitary interests.<sup>144</sup> In recent years, especially with respect to state immunity, the Court has emphasized that the dignitary concern is superior to the economic justification.<sup>145</sup> Hence, the Court finds for sovereign immunity regardless of the forum or type of relief sought by the suing party.<sup>146</sup> This means that injured parties may be without

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140. See *id.* at 20 (explaining that many of the American colonies were heavily in debt); MICHAEL SHORTELL, RIGHTS, REMEDIES, AND THE IMPACT OF STATE SOVEREIGN IMMUNITY 28–29 (2008) (outlining the indebtedness of each state after the war and characterizing financial concerns as the driving force behind adoption of British sovereign immunity doctrine into American life).

141. See *Alden v. Maine*, 527 U.S. 706, 715 (1999) (“The generation that designed and adopted our federal system considered immunity from private suits central to sovereign dignity.”); *Edelman v. Jordan*, 415 U.S. 651, 663 (1974) (noting that a suit between two private parties may be barred by the Eleventh Amendment if the damages are paid from a state’s treasury).

142. William Baude, *Sovereign Immunity and the Constitutional Text*, 103 VA. L. REV. 1, 4 (2017).

143. See William Wood, *It Wasn’t an Accident: The Tribal Sovereign Immunity Story*, 62 AM. U. L. REV. 1587, 1615 (2013) (arguing that “sovereign immunity protected the states’ treasuries” as one of the driving justifications of sovereign immunity jurisprudence).

144. See *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 769 (2002) (acknowledging both objects of sovereign immunity, but ranking dignitary interests as more important than “protect[ing] state treasuries”).

145. See *infra* Part III.C (discussing the Supreme Court trend towards bolstering state immunity, irrespective of whether the plaintiff sues for money damages, because the vitality of state immunity is concerned primarily with preserving the dignity of state independence).

146. See *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 58 (1996) (“[W]e have often made it clear that the relief sought by a plaintiff suing a State is irrelevant to the question whether the suit is barred by the Eleventh Amendment.”); *Alden*, 527 U.S. at 749 (“Private suits against nonconsenting States . . . present ‘the indignity’ of subjecting a State to the coercive process of judicial tribunals at the instance of private parties, regardless of the forum.”) (citation omitted).

judicial recourse.<sup>147</sup> For this reason, sovereign immunity is not without its critics.<sup>148</sup>

Still, sovereign immunity remains a bedrock principle of American federal jurisprudence.<sup>149</sup> The federal government, states,<sup>150</sup> tribes,<sup>151</sup> and foreign nations<sup>152</sup> all enjoy some species of sovereign immunity.<sup>153</sup> Both statutory and common law shape the scope of each respective sovereign's immunity from suit.<sup>154</sup> Therefore, to understand the nuances of tribal and state immunity, it is necessary to review the relevant history, case law, and legislation affecting sovereignty. Each is discussed in turn.

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147. See SHORTELL, *supra* note 140, at 4 (“To opponents, decisions [upholding sovereign immunity] are a travesty of justice, denying legal remedy to those who are harmed by the states.”).

148. See Akhil Reed Amar, *Of Sovereignty and Federalism*, 96 YALE L.J. 1425, 1426 (1987) (arguing that the constitution guarantees both sovereignty and individual rights, but that the former often trumps the latter at the expense of the people).

149. See *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 758 (1998) (noting Congress’s “intention not to alter” tribal sovereign immunity).

150. See *Alden v. Maine*, 527 U.S. 706, 715 (1999) (upholding state immunity in its own courts).

151. See *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 71 (1978)

Although we early rejected the notion that Indian tribes are “foreign states” for jurisdictional purposes under Art. III, . . . we have also recognized that the tribes remain quasi-sovereign nations which, by government structure, culture, and source of sovereignty are in many ways foreign to the constitutional institutions of the federal and state governments.

152. See, e.g., *Schooner Exch. v. McFaddon*, 11 U.S. 116, 123 (1812) (“[T]he commander of the national vessel exercises a part of his sovereign power; and in such a case no consent to submit to the ordinary judicial tribunals of the country can be implied . . .”).

153. See *Wood*, *supra* note 143, at 1621 (“[T]he Supreme Court unquestioningly applied the sovereign immunity doctrine to foreign, the federal, and the state governments based on already established and commonly understood principles.”).

154. See *id.* at 1591 (discussing the tension between Supreme Court decisions reluctantly upholding the doctrine in deference to Congress).

### A. Tribal Sovereignty

Tribal sovereignty is premised on a deep history of cultural and political independence predating the ratification of the Constitution.<sup>155</sup> Tribal sovereignty stems, therefore, not from any congressional delegation of power, but from tribes' inherent sovereignty preceding colonial settlement of North America.<sup>156</sup> Tribal sovereignty is, however, subject to congressional "plenary" control.<sup>157</sup> Congress's control over tribes is premised on roughly three interrelated constitutional provisions: the Treaty Clause, the Indian Commerce Clause, and the Property Clause.<sup>158</sup>

In early Supreme Court jurisprudence, Chief Justice Marshall authored three foundational decisions<sup>159</sup> that articulated the legal relationship between the United States and Indian nations as dual sovereigns.<sup>160</sup> First, Marshall posited that "[t]he Indian nations

155. See *Michigan v. Bay Mills Indian Cmty.*, 134 S. Ct. 2024, 2030 (2014) (describing tribes as "separate sovereigns pre-existing the Constitution").

156. See *White v. Univ. of Cal.*, 765 F.3d 1010, 1024 (9th Cir. 2014) ("[T]ribes retain whatever inherent sovereignty they had as the original inhabitants of this continent to the extent that sovereignty has not been removed by Congress."); FELIX S. COHEN'S HANDBOOK OF FEDERAL INDIAN LAW 231–32 (Rennard Strickland et al. eds., 1982) [hereinafter COHEN'S HANDBOOK] (discussing the historical roots of tribal sovereignty).

157. See COHEN'S HANDBOOK, *supra* note 156, at 217 (describing Congress's control over tribes as limited by the strictures of the Constitution).

158. See U.S. CONST. art. I, § 8, cl. 3 ("To regulate Commerce with . . . the Indian Tribes."); U.S. CONST. art. II, § 2, cl. 2 (granting the executive treaty making power with the consent of the senate); U.S. CONST. art. I, § 2, cl. 3 (excluding Indians from the legislative's taxing power); COHEN'S HANDBOOK, *supra* note 156, at 207–12 (noting that although there are distinct constitutional provisions relating to Congress's power over Indian affairs, "it is somewhat artificial to analyze the constitutional provisions separately").

159. See *Johnson v. M'Intosh*, 21 U.S. 543, 562 (1823) ("The exclusive right of the British government to the lands occupied by the Indians, has passed to that of the United States"); *Cherokee Nation v. Georgia*, 30 U.S. 1, 7 (1831) ("The effect of [Georgia's state] laws, and their purposes, are . . . to abolish the Cherokee laws, and to deprive the Cherokees of the protection of their laws"); *Worcester v. Georgia*, 31 U.S. 515, 519 (1832) ("The constitution, by declaring treaties . . . to be the supreme law of the land, has adopted and sanctioned the previous treaties with the Indian nations, and consequently admits their rank among those powers who are capable of making treaties.").

160. See *Cherokee Nation v. Georgia*, 30 U.S. 1, 2 (1831) ("[T]he relation of the Indians to the United States is marked by peculiar and cardinal distinctions which exist no where else."); *Worcester*, 31 U.S. at 519 ("The whole intercourse

had always been considered as distinct, independent political communities, retaining their original natural rights, as the undisputed possessors of the soil, from time immemorial . . .”<sup>161</sup> Second, he analyzed the Indian tribes as an entity similar to both states and foreign nations, ultimately describing tribes as “domestic dependent nations.”<sup>162</sup> Moreover, together these observations established that congressional control over tribes does not abolish their autonomy altogether.<sup>163</sup> Marshall at once established Native American tribes as sovereigns, but conditioned tribal political independence on federal control.<sup>164</sup>

Marshall’s characterization of the federal–Indian dynamic continues to pervade both the judicial and congressional development of Indian law.<sup>165</sup> Tribes are independent entities yet “are neither States nor foreign nations—rather, they lie somewhere between the two.”<sup>166</sup> Marshall thereby laid the foundation for the “trustee” relationship between the federal government and tribes—as the United States grew towards the west, the government entered into treaties with tribes that traded land for protection.<sup>167</sup> While dependent on the federal government

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between the United States and this nation, is, by our constitution and laws, vested in the government of the United States.”); *NLRB v. Pueblo of San Juan*, 30 F. Supp. 2d 1348, 1354 (D.N.M. 1998) (“Indian tribes and the federal government are dual sovereigns.”).

161. *Worcester*, 31 U.S. at 519.

162. *Cherokee Nation*, 30 U.S. at 2.

163. See *Worcester*, 31 U.S. at 520 (“[T]he settled doctrine of the law of nations is, that a weaker power does not surrender its independence—its right to self-government, by associating with a stronger, and taking its protection.”).

164. See COHEN’S HANDBOOK, *supra* note 156, at 232 (stating that tribal autonomy is “subject to paramount authority” of the federal government).

165. See *In re Mayes*, 294 B.R. 145, 149 (B.A.P. 10th Cir. 2003) (describing tribes as “quasi-sovereigns” whose concomitant immunity is distinct from that possessed by states); Gavin Clarkson, *Tribal Bonds: Statutory Shackles and Regulatory Restraints on Tribal Economic Development*, 85 N.C. L. REV. 1009, 1020 (2007) (“The concept that so confounds both Congress and the courts is that, on one hand, Indian tribes are separate sovereigns, ‘domestic dependent nations’ that are ensconced as a ‘third sovereign’ in the federal framework. On the other hand, Congress has plenary authority over Indian tribes.”).

166. RICHARD S. JONES, CONG. RESEARCH SERV., 81-137 GOV, ANALYSIS OF AMERICAN INDIAN POLICY: BACKGROUND, NATURE, HISTORY, CURRENT ISSUES, FUTURE TRENDS 1 (1980) [hereinafter ANALYSIS OF AMERICAN INDIAN POLICY].

167. See *id.* at 1 (discussing the trustee relationship between the federal

for a multitude of benefits, tribes also retain key independent political functions—the most important of which is the control over internal self-government.<sup>168</sup> This unique protectorate dynamic shapes much of the seemingly contradictory concepts in federal Indian law because the federal government’s control over tribes is both because of and limited by its trustee responsibilities.<sup>169</sup>

After Marshall’s establishment of tribes’ sovereign status, the Court later accepted tribal sovereign immunity as a truism with little analysis of its legal basis.<sup>170</sup> Indeed, the case that is widely considered the judicial basis of tribal immunity, *Turner v. United States*,<sup>171</sup> was not a declaration of a novel legal principle so much as an assumption that a tribe is not liable for its members’ tortious actions.<sup>172</sup> Nevertheless, *Turner* recognized the general understanding that tribal sovereignty includes immunity from suit.<sup>173</sup> Tribal immunity was an accepted legal doctrine by the mid-twentieth century.<sup>174</sup>

Although judicially created, the legislature has extensive constitutional authority to shape tribal sovereignty.<sup>175</sup> Federal

government and the tribes as stemming from early treaties in which the tribes ceded land and power in exchange for protection).

168. See *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 55 (1978) (“Although no longer ‘possessed of the full attributes of sovereignty,’ they remain a ‘separate people, with the power of regulating their internal and social relations.’” (internal citation omitted)).

169. See COHEN’S HANDBOOK, *supra* note 156, at 220–21 (noting the “guardian-ward” relationship between the federal government and tribes as both a source and limit to federal control over tribes).

170. See *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 757 (1998) (“*Turner*’s passing reference to immunity, however, did become an explicit holding that tribes had immunity from suit . . . . Later cases, albeit with little analysis, reiterated the doctrine.”).

171. 248 U.S. 354, 357–58 (1919).

172. See *Kiowa*, at 757 (“*Turner*, then, is but a slender reed for supporting the principle of tribal sovereign immunity.”).

173. See *Turner*, 248 U.S., at 357–58 (describing the tribe as a “distinct political community” that, “[l]ike other governments, . . . was free from liability for injuries to persons or property due to mob violence or failure to keep the peace.”).

174. See *United States v. U.S. Fid. & Guar. Co.*, 309 U.S. 506, 512 (1940) (“These Indian Nations are exempt from suit without Congressional authorization.”).

175. See *Michigan v. Bay Mills Indian Cmty.*, 134 S. Ct. 2024, 2030 (2014)

legislation, however, is far from uniform. Policy reform efforts that influence legislation have shifted in phases—each shift fluctuating between greater federal control and greater tribal independence.<sup>176</sup>

The Indian Reorganization Act (IRA), passed in 1934, represents one such policy shift.<sup>177</sup> Prior to the IRA's passage, the 19th century approach to tribal regulation was defined by devastating tribal land allotment and a focus on assimilation with Anglo-American norms.<sup>178</sup> These policies did little to improve Indian communities and engendered widespread criticism.<sup>179</sup> To address the public outrage at poor living conditions within tribal communities, the IRA aimed to fundamentally restructure the federal government's relationship to tribal entities by giving the tribes greater political and economic independence.<sup>180</sup>

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("[T]ribes are subject to plenary control by Congress."); *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 56 (1978) ("Congress has plenary authority to limit, modify or eliminate the powers of local self-government which the tribes otherwise possess."); Note, *In Defense of Tribal Sovereign Immunity*, 95 HARV. L. REV. 1058, 1059 (1982) (discussing the first legislation governing tribal sovereignty); Thomas P. McLish, *Tribal Sovereign Immunity: Searching for Sensible Limits*, 88 COLUM. L. REV. 173, 178 (1988) ("Under the Indian Commerce Clause, Congress has 'plenary' authority over the tribes.").

176. See ANALYSIS OF AMERICAN INDIAN POLICY, *supra* note 166, at 15 (describing nine major trends in congressional policymaking: "(1) trading; (2) treaty-making; (3) creation of an administrative structure to effect Federal policy; (4) removal and concentration westward; (5) establishment of the reservation system; (6) allotment and citizenship (7) reform and tribal reorganization; (8) termination; and (9) self-determination").

177. Pub. L. No. 73-383, 48 Stat. 984 (1934) (codified at 25 U.S.C. §§ 461–479 (1976)).

178. See *Tribal Self-Government and the Indian Reorganization Act of 1934*, 70 MICH. L. REV. 955, 960 (1972) (describing *Meriam Report's* exposure of Indian-American living conditions ineptly addressed by the federal government).

179. See COHEN'S HANDBOOK, *supra* note 156, at 144 (explaining the cultural impact of the *Meriam Report*, a non-governmental study, as the "primary catalyst for change" among federal legislators that led to the passage of the IRA).

180. See *Cotton Petroleum Corp. v. New Mexico*, 490 U.S. 163, 201, (1989) (Blackmun, J., dissenting) ("The political climate changed dramatically with the passage in 1934 of the IRA in which '[t]he policy of allotment and sale of surplus reservation land was repudiated' as antithetical to tribal interests."); *Id.* (discussing the Wheeler-Howard Bill, a precursor to the Indian Reorganization Act, which sought to "gradually relinquish" federal power over tribes back to the tribes themselves to effectuate self-governance).

The sections most emblematic of the IRA's purposes are found in sections 16 and 17.<sup>181</sup> Together these sections allow tribes to create constitutions and by-laws and incorporate under federal law.<sup>182</sup> Federal recognition lent stability to tribal organization, thereby encouraging private parties to engage commercially with tribes.<sup>183</sup> Furthermore, the Act delineated a tribe's governmental unit from its business units.<sup>184</sup> When tribes are acting in their commercial capacity, the IRA permits tribes to include "sue and be sued" clauses into commercial contracts that constitutes a waiver of immunity specific to a particular transaction.<sup>185</sup> This way a tribe can waive its immunity as to a specific business dispute without risking exposure to liability in other contexts.<sup>186</sup> The IRA's intent to create a bright line distinction between tribal governmental and commercial activities, however, soon muddied because of ongoing ideological shifts.<sup>187</sup> Additionally, the nature of tribal enterprises

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181. See Clay Smith, *Tribal Sovereign Immunity: A Primer*, 50 ADVOCATE 19, 20 (2007) ("[Section 17] has as its animating purpose enabling tribes 'to conduct business through th[e] modern device' of corporations.").

182. *Id.*

183. See COHEN'S HANDBOOK, *supra* note 156, at 325 ("Congress intended to allow the tribes a certain amount of freedom to enter and compete in the private business world."); McLish, *supra* note 175, at 190 ("[A] tribal corporation can subject itself to suit in order to obtain credit and otherwise engage in normal business while the tribal government remains protected.").

184. See Sandra Day O'Connor, *Lessons From the Third Sovereign: Indian Tribal Courts*, 33 TULSA L.J. 1, 1 (1997) ("Passage of the Indian Reorganization Act allowed the tribes to organize their governments, by drafting their own constitutions, adopting their own laws through tribal councils, and setting up their own court systems."); Amelia A. Fogleman, *Sovereign Immunity of Indian Tribes: A Proposal for Statutory Waiver for Tribal Businesses*, 79 VA. L. REV. 1345, 1362 (1993) ("[T]he IRA creates two distinct entities, a tribal government with sovereign immunity and a tribal corporation, which may waive its immunity.").

185. See COHEN'S HANDBOOK, *supra* note 156, at 326 (explaining that while some courts construe such suability clauses as waivers of immunity, it is specific "to actions involving the business").

186. See, e.g., *Home Bingo Network v. Multimedia Games, Inc.*, No. 1:05-CV-0608, 2005 WL 2098056, at \*1 (N.D.N.Y. Aug. 30, 2005) ("Section 302(c) [of the Tribe Ordinance] specifically states that . . . [the] Tribe waives its immunity 'only to the extent of the specific terms of the applicable contract or obligation.'").

187. See COHEN'S HANDBOOK, *supra* note 156, at 152 (discussing the termination phase of federal Indian law, which sought to end federal programming aimed at helping Indians, thus confusing much of the IRA-era

rendered the distinction difficult to apply because tribal government functions are frequently tied to economic ventures for the purpose of generating revenue.<sup>188</sup>

Still, courts continue to draw a distinction between a tribe's governmental and business functions to determine whether immunity attaches to a given dispute by assessing whether the tribal entity is an "arm of the tribe."<sup>189</sup> Among the factors examined under this test is "whether the purposes of tribal sovereign immunity are served by granting them immunity."<sup>190</sup> This factor is quite broad and reflects the notion that tribes, unlike other sovereigns, face unique obstacles for economically supporting its members.<sup>191</sup> Thus, courts often find that what may facially seem like a purely commercial activity actually touches tribal self-governance.<sup>192</sup> For instance, tribal-run casinos are often considered arms of the tribes and therefore immune from suit because it relates to the tribe's economic policies.<sup>193</sup> That these tests frequently favor finding for the immunity privilege is in keeping with the Supreme Court's recent holding that even a

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legislation).

188. *See* *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 758 (1998) ("Tribal enterprises now include ski resorts, gambling, and sales of cigarettes to non-Indians.").

189. *See* *White v. Univ. of Cal.*, 765 F.3d 1010, 1025 (9th Cir. 2014)

In determining whether an entity is entitled to sovereign immunity as an "arm of the tribe," we examine several factors including: "(1) the method of creation of the economic entities; (2) their purpose; (3) their structure, ownership, and management, including the amount of control the tribe has over the entities; (4) the tribe's intent with respect to the sharing of its sovereign immunity; and (5) the financial relationship between the tribe and the entities."

190. *Breakthrough Mgmt. Grp., Inc. v. Chukchansi Gold Casino & Resort*, 629 F.3d 1173, 1191 (10th Cir. 2010).

191. *See id.* (considering whether policies such as promoting tribal autonomy, protecting tribal finances, preserving tribal self-determination would be best served by granting a tribal corporation immunity).

192. *See* *Smith*, *supra* note 181, at 21 (noting that within the "arm of the tribe" test, court's focus on the impact that liability will have on a tribe's economic functions notwithstanding the tribal government's detachment from the underlying business dispute).

193. *See Breakthrough Mgmt.*, 629 F.3d at 1195 ("After considering these factors, it is patent to us that the Authority and the Casino are so closely related to the Tribe that they should share in the Tribe's sovereign immunity.").



tribe's off-reservation commercial activity is protected by tribal immunity.<sup>194</sup>

In addition to IRA Section 17 contractual waivers, tribes may also waive their immunity by consenting to litigation.<sup>195</sup> A litigation waiver is distinct from a contractual waiver because it is implicit in a tribe's decision to either initiate suit or voluntarily participate.<sup>196</sup> However, the Supreme Court has held that immunity still applies to the opposing party's compulsory counterclaims.<sup>197</sup> Ordinarily, a litigation waiver is contained to a single proceeding and does not transfer to separate suits that consider similar issues and parties.<sup>198</sup>

Like congressional control over tribal sovereignty, Congress may also abrogate tribal immunity. But Congress has abrogated tribal immunity sparingly.<sup>199</sup> In the limited instances Congress has chosen to abrogate, its intent to abrogate "cannot be implied but must be unequivocally expressed"<sup>200</sup> in "explicit legislation."<sup>201</sup>

194. See *Kiowa*, 523 U.S. at 760 ("Tribes enjoy immunity from suits on contracts, whether those contracts involve governmental or commercial activities and whether they were made on or off a reservation."); *Michigan v. Bay Mills Indian Cmty.*, 134 S. Ct. 2024, 2036 (2014) (upholding *Kiowa*).

195. 42 LONNIE E. GRIFFITH, JR., C.J.S. INDIANS § 50 (2018).

196. *Id.*

197. See *Okla. Tax Comm'n v. Citizen Band Potawatomi Indian Tribe*, 498 U.S. 505, 510 (1991) ("Tribe did not waive its sovereign immunity merely by filing an action for injunctive relief."). *But see* *Regents of Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1126 (Fed. Cir. 2003) ("We thus hold that when a state files suit in federal court to enforce its claims to certain patents, the state shall be considered to have consented to have litigated in the same forum all compulsory counterclaims . . .").

198. See Patent Owner's Supplemental Brief on Litigation Waiver, *Mylan Pharm. Inc. v. Allergan, Inc.*, No. IPR2016-01132, at \*1 (P.T.A.B. Jan. 12, 2018) ("[W]aiver cannot extend from one proceeding to another."); GRIFFITH, *supra* note 195, § 50 ("A tribe's voluntary participation in administrative proceedings does not waive its immunity in a subsequent court action filed by another party seeking review of the agency proceedings.")

199. See *Federal Jurisdiction and Procedure: Tribal Immunity*, 112 HARV. L. REV. 273, 273 (1998) ("Congress, far from abrogating the now-developed judicially constructed doctrine, has made few references to the doctrine in legislation."); COHEN'S HANDBOOK, *supra* note 156, at 246 (noting that federal limitations on tribal self-government "are few and are to be construed strictly").

200. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978).

201. *White v. Univ. of Cal.*, 765 F.3d 1010, 1024 (9th Cir. 2014).

Allowing an implied congressional waiver of immunity would impede Congress's deliberate and measured choice to abrogate or limit immunity in specified contexts.<sup>202</sup> Therefore, when determining whether a statute abrogates tribal immunity, courts construe a legislative ambiguity in favor of tribes.<sup>203</sup>

### *B. Tribal Economic Liberty and Self-Determination*

The latest trend in federal Indian policy is self-determination.<sup>204</sup> The era of self-determination endorses the idea that "Indian tribes are the basic governmental units of Indian policy."<sup>205</sup> Effectuating this program, however, can be difficult.<sup>206</sup> Regulatory expansion amongst countless separate agencies led to increased bureaucracy and, in turn, a concern that the federal government was not discharging its trustee duties effectively.<sup>207</sup>

Therefore, Congress passed the Indian Self-Determination Act of 1975 to increase tribal control over Indian programming.<sup>208</sup> The Act is noted among Indian law scholars as the most symbolic legislation embracing the policy of self-determination.<sup>209</sup> Congress firmly states that "the prolonged Federal domination of Indian service programs has served to retard rather than enhance the

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202. See *In Defense of Tribal Sovereign Immunity*, *supra* note 175, at 1060 ("[A]n implied waiver exception would undermine the federal concern for tribal political and economic development.").

203. *Furry v. Miccosukee Tribe of Indians of Fla.*, 685 F.3d 1224, 1232–33 (11th Cir. 2012) ("[S]tatutes are to be construed liberally in favor of the Indians, with ambiguous provisions interpreted to their benefit.") (citation omitted).

204. See COHEN'S HANDBOOK, *supra* note 156, at 180 (noting the era of self-determination as beginning in 1961).

205. *Id.* at 181.

206. See COHEN'S HANDBOOK, *supra* note 156, at 188–191 (discussing the legislative and administrative programs that began to extend programs to including Indians, such as public housing programs and job training programs).

207. See *id.* at 191 ("Dispersion of Indian programs among many federal agencies acting under the auspices of several congressional committees may have reduced Congress's ability to uphold trust duties through sufficient oversight of legislative impact on the exercise of Indian rights.").

208. 25 U.S.C. § 5301 (2012).

209. See COHEN'S HANDBOOK, *supra* note 156, at 719; DAVID GETCHES ET AL., FEDERAL INDIAN LAW 110–11 (1979).

progress of Indian people and their communities by depriving Indians of the full opportunity to develop leadership skills crucial to the realization of self-government . . . .”<sup>210</sup> Flowing from this policy statement, a series of laws were passed to enable economic self-sufficiency, including revolving credit loans and job training programs.<sup>211</sup>

Examining the role of immunity as it relates to tribal economic independence in light of self-determination poses an interesting dynamic. Many scholars argue that strict adherence to sovereign immunity impinges tribes’ economic independence because third party investors are deterred by instability that immunity inherently creates.<sup>212</sup> Ordinarily, a tribe’s immunity from suit forecloses creditors’ willingness to extend loans to an organization that is legally protected from securing its debts.<sup>213</sup>

As it relates to the Allergan–Saint Regis deal, though, it is precisely the Saint Regis Tribe’s immunity that led to the business opportunity. Far from deterring private business opportunities, the tribe’s immunity was the very reason Allergan conducted business with the Tribe. In essence, Saint Regis successfully “forge[d] the shield of sovereign immunity into an economic sword.”<sup>214</sup>

### C. State Sovereignty

While similar in some respects, it is helpful to observe the distinction between tribal and state sovereignty through the lens of federalism.<sup>215</sup> The tension between the federal government and

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210. 25 U.S.C. § 5301(a)(1).

211. See COHEN’S HANDBOOK, *supra* note 156, at 719 (summarizing legislation passed in response to a call for economic development).

212. See, e.g., Fogleman, *supra* note 184, at 1361 (“Courts, legal scholars, and some tribes have recognized that at least a partial waiver of sovereign immunity may be necessary before other parties will enter into business arrangements with a tribal enterprise.”).

213. McLish, *supra* note 175, at 189 (“Potential commercial partners or lenders may be reluctant to deal with a party who is immune from suit.”).

214. Fogleman, *supra* note 184, at 1380.

215. See *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998) (“[I]mmunity possessed by Indian tribes is not coextensive with that of the

states, and its effect on sovereignty, is illustrated in the peculiar history of the Eleventh Amendment. The Eleventh Amendment came about directly in response to the Court's contentious decision<sup>216</sup> in *Chisholm v. Georgia*.<sup>217</sup> There, the Court held that Article III<sup>218</sup> permits a federal court to hear a suit between a private citizen and the state of Georgia because Article III states that federal courts have jurisdiction over controversies arising "between a State and Citizens of another State."<sup>219</sup>

Justice Iredell's dissent, however, would later become the meaning of state sovereignty.<sup>220</sup> He argued that the majority's holding, although textually logical was contrary to history, usage, and the Framers' vision of state sovereignty.<sup>221</sup> The *Chisholm* decision is widely noted to "shock[]"<sup>222</sup> the American political understanding because it was so divergent from the settled view that a state was immune from suit brought by a private citizen.<sup>223</sup>

In response, Congress drafted, and the states thereafter ratified, the Eleventh Amendment.<sup>224</sup> The Eleventh Amendment

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States."); *In re Mayes*, 294 B.R. 145, 149 (B.A.P. 10th Cir. 2003) ("The doctrine of tribal immunity developed under federal common law and is similar, but not identical, to the sovereign immunity of States as preserved by the Eleventh Amendment.").

216. See DAVID P. CURRIE, *THE CONSTITUTION IN CONGRESS: THE FEDERALIST PERIOD 1789–1801* 196 (1997) (noting that the Eleventh Amendment was proposed the day after *Chisholm* was decided).

217. 2 U.S. 419 (1793), *superseded by constitutional amendment*, U.S. CONST. amend. XI.

218. U.S. CONST. art. III, § 2, cl. 1.

219. *Id.*

220. See *Alden v. Maine*, 527 U.S. 706, 715 (1999) (quoting Justice Iredell's *Chisholm* dissent that it was "well established" that a sovereign could not be sued without its consent in its own courts).

221. See *Chisholm v. Georgia*, 2 U.S. 419, 437–450 (1793) (Iredell, J., dissenting) (analyzing English law and early U.S. common law and concluding "that the suit in question cannot be maintained").

222. *Hans v. Louisiana*, 134 U.S. 1, 10 (1890).

223. See James E. Pfander, *History and State Suability: An "Explanatory" Account of the Eleventh Amendment*, 83 CORNELL L. REV. 1269, 1278 (1998) ("The *Chisholm* decision does appear to have fallen upon the country with a profound shock, and does appear to have touched off a widespread political reaction leading to the ratification of the Eleventh Amendment.").

224. See CURRIE, *supra* note 216, at 196–197 (discussing the passage of the Eleventh Amendment and the rejection of any proposals to "water down" its main

reads, “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 . . . .”<sup>225</sup> Ironically, despite the public outrage in response to *Chisolm*, the literal reading of the Eleventh Amendment is rather narrow. It proscribes a private citizen of one state from suing another state. Yet, neither the Court<sup>226</sup> nor scholars have interpreted the Eleventh Amendment to be so limited because of the history between *Chisholm* and the subsequent passage of the Eleventh Amendment.<sup>227</sup> Thus, because of the Eleventh Amendment’s extra-textual understanding, state sovereign immunity, and its relationship to the Eleventh Amendment, is anything but settled.<sup>228</sup>

Because of this history, the scope of state sovereignty has since developed detached from its textual anchor.<sup>229</sup> Instead, the

proposition).

225. U.S. CONST. amend. XI.

226. See *Hans*, 134 U.S. at 10 (finding that a citizen of Louisiana is barred from suing the state of Louisiana in federal court, even though under federal question jurisdiction); *Principality of Monaco v. Mississippi*, 292 U.S. 313, 322 (1934) (“We cannot . . . assume that the letter of the Eleventh Amendment exhausts the restrictions upon suits against non-consenting States. Behind the words of the constitutional provisions are postulates which limit and control.”).

227. See James E. Pfander, *An Intermediate Solution to State Sovereign Immunity: Federal Appellate Court Review of State-Court Judgments After Seminole Tribe*, 46 UCLA L. REV. 161, 167 (1998) (“Despite the Eleventh Amendment’s language, which bars only two disfavored suitors from bringing suit against the states in federal court, the Supreme Court has broadly interpreted the amendment to prohibit individuals and foreign states themselves from suing states in federal court.”); Mark Strasser, *Chisholm, the Eleventh Amendment, and Sovereign Immunity: On Alden’s Return to Confederation Principles*, 28 FLA. ST. U. L. REV. 605, 617–18 (2001) (“[I]t is not immediately clear how to construe the Amendment, and current commentators not only engage in extratextual analysis, but also seem to ignore or radically alter the text.”).

228. See Pfander, *supra* note 223, at 1275 (making a revisionist argument that the Eleventh Amendment should be understood for the benefit of a national fiscal policy as opposed to the basis of state sovereign immunity).

229. See *Alden*, 527 U.S. at 713 (“The phrase [Eleventh Amendment immunity] is convenient shorthand but something of a misnomer, for the sovereign immunity of the States neither derives from, nor is limited by, the terms of the Eleventh Amendment.”); John F. Manning, *The Eleventh Amendment and the Reading of Precise Constitutional Texts*, 113 YALE L.J. 1663, 1666 (2004) (“[I]t is a familiar reality that almost none of the Court’s important cases involving the [Eleventh] Amendment deal with matters that fall within its terms.”); *Hans*, 134

doctrinal evolution of state sovereign immunity relies on “history and experience, and the established order of things.”<sup>230</sup> That is, Eleventh Amendment immunity is derived from the structure and understanding of the original Constitution.<sup>231</sup> In recent decades,<sup>232</sup> Eleventh Amendment immunity doctrine has become largely impenetrable by the federal government, regardless of whether suit is brought in the state’s own court,<sup>233</sup> in federal court,<sup>234</sup> or in an administrative proceeding.<sup>235</sup> There are, however, a few narrow exceptions.<sup>236</sup>

First, states, like tribes, can waive their immunity.<sup>237</sup> Such waiver can be implicit or explicit. For instance, a state may waive its immunity by specifically declaring a waiver of immunity via statute or by consenting to a court’s jurisdiction.<sup>238</sup> Similar to

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U.S. at 10 (finding that a literal reading of the Eleventh Amendment would create an “anomalous result”).

230. *Alden*, 527 U.S. at 727 (quoting *Hans v. Louisiana*, 134 U.S. 1, 13 (1890)).

231. *See id.* at 728 (“[T]he scope of the States’ immunity from suit is demarcated not by the text of the Amendment alone but by fundamental postulates implicit in the constitutional design.”).

232. *See, e.g., Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996) (overruling *Union Gas*, which held Congress could abrogate state immunity via the commerce clause).

233. *See Alden v. Maine*, 527 U.S. 706, 743 (1999) (“In light of history, practice, precedent, and the structure of the Constitution, we hold that the States retain immunity from private suit in their own courts, an immunity beyond the congressional power to abrogate by Article I legislation.”).

234. *See Seminole Tribe of Fla.*, 517 U.S. at 76 (“The Eleventh Amendment prohibits Congress from making the State of Florida capable of being sued in federal court.”).

235. *See Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 760 (2002) (“Given both th[e] interest in protecting States’ dignity and the strong similarities between [administrative] proceedings and civil litigation, we hold that state sovereign immunity bars the [agency] from adjudicating complaints filed by a private party against a nonconsenting State.”).

236. *See, e.g., Pfander, supra* note 227, at 168 (describing six exceptions to state immunity, namely *Ex Parte Young* which allows a suit to be brought against a state official in his individual capacity).

237. *See Arcibo Cmty. Health Care, Inc. v. Puerto Rico*, 270 F.3d 17, 24 (1st Cir. 2001) (“It has long been recognized that a state’s sovereign immunity is ‘a personal privilege which it may waive at pleasure.’”).

238. *See id.* at 24–25 (noting that a state can waive immunity by either express statutory or constitutional statement an unequivocal waiver or affirmative conduct in litigation).

consent, a state's participation in a federal program may constitute a waiver.<sup>239</sup>

However, the state's participation constitutes a waiver only if the federal program in question explicitly conditions a state's participation on waiver.<sup>240</sup> Therefore, "[t]he question of waiver or consent under the Eleventh Amendment . . . turn[s] on . . . whether the State by its participation in the program authorized by Congress had in effect consented to the abrogation of that immunity."<sup>241</sup> This is in keeping with protecting both a state's dignitary interests and its financial interests. Because states can choose whether to engage in the federal program knowing it could be subjected to liability, the state engages in a cost-benefit analysis of whether to risk liability for the benefit of participating in the federal programing.

Second, Congress can abrogate state immunity.<sup>242</sup> States are presumed to have immunity from suit in federal courts.<sup>243</sup> Congressional power to abrogate state sovereign immunity hinges first on the initial hurdle of whether Congress's intent to abrogate was clear,<sup>244</sup> and second, whether Congress is acting pursuant to an enumerated competence to abrogate.<sup>245</sup> Yet, Congress's inherent legislative power does include the automatic ability to

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239. See *id.* at 24 ("[A] state may also explicitly waive the protections of the Eleventh Amendment by choosing to participate in a federal program . . .").

240. See *Edelman v. Jordan*, 415 U.S. 651, 673 (1974) ("The mere fact that a State participates in a program through which the Federal Government provides assistance for the operation by the State of a system of public aid is not sufficient to establish consent on the part of the State to be sued in the federal courts.").

241. *Id.* at 672.

242. See MICHAEL P. ALLEN, MICHAEL FINCH & CAPRICE L. ROBERTS, *FEDERAL COURTS: CONTEXT, CASES, AND PROBLEMS* 504 (2d ed. 2015) (noting congressional abrogation as a limitation on state immunity).

243. See *Hans v. Louisiana*, 134 U.S. 1, 11 (1890) (finding that despite any ambiguity in the Eleventh Amendment, the Constitution presumes that states are immunity from suit in federal court).

244. See ALLEN ET AL., *supra* note 242, at 504 ("[B]ecause of the importance of state sovereign immunity in the federal system, Congress must be extraordinarily clear about its intent to alter the federal-state balance.").

245. See *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 59 (1996) ("[W]hether Congress has the power to abrogate unilaterally the States' immunity from suit is narrowly focused on one question: Was the Act in question passed pursuant to a constitutional provision granting Congress the power to abrogate?").

abridge state sovereignty.<sup>246</sup> Because the Court considers Eleventh Amendment immunity suits based on “history, practice, precedent, and the structure of the Constitution,”<sup>247</sup> inherent in this inquiry is the principle of comity.<sup>248</sup>

The Court’s propensity to reaffirm state autonomy beyond the bounds of the Eleventh Amendment has escalated in keeping with the constitutional trend of “New Federalism.”<sup>249</sup> New Federalism, a term coined by Chief Justice Rehnquist, promotes a shift towards limiting federal power and necessarily reinforcing state autonomy.<sup>250</sup> The aims of New Federalism are particularly geared toward limiting congressional competence pursuant to the commerce clause.<sup>251</sup> Such efforts are observable in Justice Rehnquist’s opinion *Seminole Tribe of Florida v. Florida*.<sup>252</sup>

In *Seminole Tribe*, the Court overtly overruled a prior case, finding that Congress cannot abrogate state immunity under its

246. See *id.* at 72 (“Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States.”); *Alden v. Maine*, 527 U.S. 706, 371 (1999) (“The Constitution, by delegating to Congress the power to establish the supreme law of the land when acting within its enumerated powers, does not foreclose a State from asserting immunity . . .”).

247. *Alden*, 527 U.S. at 741.

248. See Note, *Reconciling State Sovereign Immunity with the Fourteenth Amendment*, 129 HARV. L. REV. 1068, 1068 (2016) [hereinafter *Reconciling State Sovereign Immunity*] (“[T]he balance between state autonomy and federal rights turns in large part on a concept not designed with dual federalism in mind: state sovereign immunity.”).

249. See *In Defense of Tribal Sovereign Immunity*, *supra* note 175, at 1074–75 (“[T]he constitutional protection of state sovereignty has been bolstered in recent years under the banner of the new federalism.”).

250. See *Reconciling State Sovereign Immunity*, *supra* note 248, at 1073 (“[I]n the mid-1990s, the Rehnquist Court was caught in the throes of a federalism revolution that emphasized the rights of states against the federal government in a number of constitutional areas.”).

251. See, e.g., *United States v. Lopez*, 514 U.S. 549, 567 (1995) (finding that Congress exceeded its authority under the commerce clause to pass the Gun-Free School Zones Act of 1990).

252. 517 U.S. 44 (1996); see *Pennsylvania v. Union Gas Co.*, 491 U.S. 1, 15 (1989), *overruled by Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996) (“Congress has the authority to abrogate States’ immunity when acting pursuant to the Commerce Clause.”).



commerce clause authority.<sup>253</sup> Justice Rehnquist reasoned that Congress may abrogate state immunity only under the Fourteenth Amendment<sup>254</sup> because, unlike the commerce clause, the Fourteenth Amendment authorized congressional intrusion into state sovereignty via its enforcement clause.<sup>255</sup> Furthermore, by declaring that the “Eleventh Amendment 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,”<sup>256</sup> Justice Rehnquist emphasized that whether a state is immune from suit turns not on whether Congress is acting within its traditional authority, but whether in doing so it offends state independence.<sup>257</sup> *Seminole Tribe* seemed to effectively foreclose Congress from abrogating state immunity when acting in accordance with any Article I power.<sup>258</sup>

After *Seminole Tribe* and its progeny, there are only a few narrow circumstances in which Congress can abrogate state immunity.<sup>259</sup> One limited circumstance in which state immunity yields to federal lawmaking arises in the context of in rem proceedings.<sup>260</sup> A prerequisite for a federal court to hear a claim

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253. See *id.* at 66 (“We feel bound to conclude that *Union Gas* was wrongly decided and that it should be, and now is, overruled.”).

254. See *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976) (“[T]he Eleventh Amendment, and the principle of state sovereignty which it embodies, are necessarily limited by the enforcement provisions of § 5 of the Fourteenth Amendment.”).

255. See *Seminole Tribe*, 517 U.S. at 65 (“[T]he bounds of Article III could be expanded by Congress operating pursuant to any constitutional provision other than the Fourteenth Amendment.”).

256. See *id.* at 77.

257. See *id.* at 72 (“Even when the Constitution vests in Congress complete law-making authority over a particular area, the Eleventh Amendment prevents congressional authorization of suits by private parties against unconsenting States.”).

258. ALLEN ET AL., *supra* note 242, at 527.

259. See *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 446 (2004) (“States, nonetheless, may still be bound by some judicial actions without their consent.”); *Fitzpatrick*, 427 U.S. at 456 (holding that Congress, due to Enforcement Clause, may abrogate state immunity pursuant to the Fourteenth Amendment).

260. See *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 364 (2006) (finding that a state is bound to comply with a bankruptcy discharge notwithstanding state immunity); *California v. Deep Sea Research, Inc.*, 523 U.S. 491, 494–95 (1998)

requires one of three species of personal jurisdiction: in personam, in rem, or quasi-in rem jurisdiction.<sup>261</sup> The first is required for a court to adjudicate a claim involving a particular person or entity,<sup>262</sup> whereas the latter two types of jurisdiction allow a federal court to hear claims concerning property located within its jurisdiction.<sup>263</sup> The purpose of in rem jurisdiction is to settle claims to property against the entire world.<sup>264</sup> For instance, bankruptcy courts have in rem jurisdiction over all creditors' claims to the debtor's assets, regardless of whether the creditor is joined in the action.<sup>265</sup> The bankruptcy court nevertheless has jurisdiction to distribute the debtor's remaining assets and cancel further liabilities as to the rest of the world.<sup>266</sup>

Ordinarily, “[s]overeign immunity affects personal jurisdiction.”<sup>267</sup> But in bankruptcy, the court's jurisdiction is based on the rem, not the persona. For this reason, states cannot assert immunity.<sup>268</sup> In *Tennessee Student Assistance Corp. v. Hood*,<sup>269</sup> the Court found that “a proceeding initiated by a debtor to determine the dischargeability of a . . . debt is not a suit against the State for purposes of the Eleventh Amendment.”<sup>270</sup> Interestingly, the Court

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(“We conclude that the Eleventh Amendment does not bar the jurisdiction of a federal court over an in rem admiralty action where the res is not within the State's possession.”).

261. JAMES WM. MOORE, ALLAN D. VESTAL, PHILLIP B. KURKLAND, 1 MOORE'S MANUAL: FEDERAL PRACTICE AND PROCEDURE § 6.01 (2017).

262. *See id.* (“Personal jurisdiction refers to court's ability to assert judicial authority over particular parties and bind them by its adjudication.”).

263. *Id.* § 6.20.

264. *Id.*

265. *See Katz*, 546 U.S. at 369 (“Bankruptcy jurisdiction, as understood today and at the time of the framing, is principally *in rem* jurisdiction.”).

266. *See Hood*, 541 U.S. at 447 (summarizing typical Chapter 7 bankruptcy procedure and relief, which ultimately “provide[s] the debtor a fresh start, despite the lack of participation of all of his creditors, because the court's jurisdiction is premised on the debtor and his estate, and not on the creditors”).

267. *Lundgren v. Upper Skagit Indian Tribe*, 389 P.3d 569, 578 (2017) (Stephens, J., dissenting).

268. *See Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 448 (2004). (“[E]xercise of [a court's] in rem jurisdiction to discharge a debt does not infringe state sovereignty.”).

269. 541 U.S. 440 (2004).

270. *Id.* at 443; *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 72 (1996)

did not reach the original issue on appeal of whether Congress may abrogate state immunity pursuant to the Bankruptcy Code.<sup>271</sup> In so holding, the majority gave less attention to the fact that the proceeding was adversarial, but focused instead on the unique nature of bankruptcy, and the pragmatic concern that a debtor can cancel some debts, but not those where the state is the creditor.<sup>272</sup> Generally speaking, a federal bankruptcy court has jurisdiction over a state notwithstanding its ordinary Eleventh Amendment immunity in district court litigation.<sup>273</sup>

What then is the role of sovereign immunity, state or tribal, in administrative adjudications that are similar, but distinct from traditional litigation? In recent years the Supreme Court, the Federal Circuit, district courts, and the USPTO have struggled to determine a clear answer.<sup>274</sup> The following discussion outlines the jurisprudential developments that inform the consideration of tribal immunity in IPR.

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(explaining that state sovereignty is a “background principle” in federal court); ALLEN ET AL., *supra* note 242, at 526 (noting that although *Seminole Tribe’s* broad principle that Congress cannot abrogate by way of its Article I powers, bankruptcy poses a strange exception).

271. *Hood*, 541 U.S. at 443.

272. *See id.* at 455 (“[A]s the Court concludes today, the in rem nature of bankruptcy proceedings might affect the ability of a debtor to obtain, by motion, a bankruptcy court determination that affects a creditor-State’s rights.”).

273. *See id.* at 448 (“Under our longstanding precedent, States, whether or not they choose to participate in the proceeding, are bound by a bankruptcy court’s discharge order no less than other creditors.”).

274. *See* Fed. Mar. Comm’n v. S.C. State Ports Auth., 535 U.S. 743, 760 (2002) (finding the Federal Maritime Commission’s procedures sufficiently similar to litigation to warrant dismissal due to state immunity); *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1385 (Fed. Cir. 2007) (applying the *FMC* standard to patent interference proceedings); *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1326 (Fed. Cir. 2018) (“IPR is neither clearly a judicial proceeding instituted by a private party nor clearly an enforcement action brought by the federal government.”); *Reactive Surfaces Ltd. v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429, at \*3 (P.T.A.B. July 13, 2017) (finding that state immunity applies to IPR).

*IV. The Intersection of Intellectual Property and  
Sovereign Immunity*

The doctrines of intellectual property and sovereign immunity have increasingly converged in the past two decades. The following discussion is an introduction to the cases that preceded the Allergan-Saint Regis Mohawk transaction and bare on its judicial treatment.

*A. The Doctrinal Development of Patent Law and  
Sovereign Immunity*

One of the first cases where the Supreme Court considered state sovereign immunity relative to patent rights was *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*.<sup>275</sup> There, the Court held that Congress is not authorized to abrogate state immunity pursuant to the Patent Clause under the reasoning of *Seminole Tribe*.<sup>276</sup> College Savings Bank invented a patented program that helped parents finance college education.<sup>277</sup> Florida Prepaid Postsecondary Education Expense Board, an arm of the state of Florida, crafted a similar program for Florida residents.<sup>278</sup> College Savings Bank brought an infringement action against Florida Prepaid under the Patent Remedy Act,<sup>279</sup> which unequivocally abrogated state immunity.<sup>280</sup> Although the first requirement for congressional abrogation was met,<sup>281</sup> the Court nevertheless found that *Seminole Tribe*

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275. 527 U.S. 627 (1999).

276. *Id.* at 636 (“*Seminole Tribe* makes clear that Congress may not abrogate state sovereign immunity pursuant to its Article I powers; hence the Patent Remedy Act cannot be sustained under either the Commerce Clause or the Patent Clause.”).

277. *Id.* at 631.

278. *Id.*

279. *Id.*

280. See 35 U.S.C. § 296(a) (1994), held unconstitutional by Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627 (1999) (“Any State . . . shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court . . . for infringement of a patent.”).

281. See Fla. Prepaid, 527 U.S. at 635 (1999) (“[We] must answer two

foreclosed Congress from abrogating state immunity pursuant to its Article I powers.<sup>282</sup>

Three years after *Florida Prepaid*, the Court recognized that states sovereign immunity privilege may extend to some administrative proceedings.<sup>283</sup> Although not directly bearing on patent law, this is significant because before this case, Eleventh Amendment immunity was presumed in Article III courts, not in Article II executive agency adjudications.<sup>284</sup> In *Federal Maritime Commission v. South Carolina State Ports Authority*,<sup>285</sup> the Court acknowledged some differences between the Federal Maritime Commission's (FMC) proceeding and traditional litigation, but nevertheless found that those differences had no bearing on whether it would be an affront to state sovereignty to subject it to the proceeding.<sup>286</sup> Justice Thomas' decision, in accordance with the Court's trend towards robust state autonomy, is rife with federalism rhetoric.<sup>287</sup> Indeed, *FMC*'s reasoning was rooted in the general principle that the state's "dignity" must be protected.<sup>288</sup> The *FMC* standard, therefore, established the framework that

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questions: first, whether Congress has unequivocally expresse[d] its intent to abrogate the immunity . . .").

282. *Id.* at 636.

283. *See Fed. Mar. Comm'n*, 535 U.S. at 760

[I]f the Framers thought it an impermissible affront to a State's dignity to be required to answer the complaints of private parties in federal courts, we cannot imagine that they would have found it acceptable to compel a State to do exactly the same thing before the administrative tribunal of an agency, such as the FMC.

284. ALLEN ET AL., *supra* note 242, at 533 ("[T]he Court . . . expanded sovereign immunity to include the Article II executive branch.").

285. 535 U.S. 743 (2002).

286. *See id.* at 762 (finding that any distinction between the FMC's proceeding and district court litigation is "it is a distinction without a meaningful difference").

287. *See id.* at 769 ("By guarding against encroachments by the Federal Government on fundamental aspects of state sovereignty, such as sovereign immunity, we strive to maintain the balance of power embodied in our Constitution and thus to 'reduce the risk of tyranny and abuse from either front.'" (quoting *Gregory v. Ashcroft*, 501 U.S. 452, 458 (1991))).

288. *See id.* at 770 (Stevens, J., dissenting) (noting that the "predicate" for the majority's opinion is the "'preeminent' interest in according States the 'dignity' that is their due").

dictates sovereign immunity application in an administrative proceeding.<sup>289</sup> This framework was then applied to patent administrative hearings.

Applying *FMC*, the Federal Circuit impliedly found that the Eleventh Amendment immunity doctrine applied to interference proceedings at the PTO in *Vas-Cath, Inc. v. Curators of University of Missouri*.<sup>290</sup> Interference proceedings were a pre-America Invents Act proceeding initiated by the PTO to determine priority between two competing inventors.<sup>291</sup> It allows an inventor of a pending patent application to initiate review of another competing patent to determine which applicant invented first.<sup>292</sup> Because the AIA converted the American patent system to a first-to-file, rather than a first-to-invent regime, interference proceedings are obsolete for patents filed after March 2013.<sup>293</sup> Despite this, *Vas-Cath* influenced the PTAB's consideration of Eleventh Amendment immunity in IPR.<sup>294</sup>

Here, the University of Missouri successfully interfered with *Vas-Cath's* patent.<sup>295</sup> *Vas-Cath* then appealed the Board's finding of priority to federal district court.<sup>296</sup> The significant holding in *Vas-Cath* was that the University of Missouri waived its immunity

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289. See *id.* at 751 (finding that Eleventh Amendment immunity applies where a “proceeding walks, talks, and squawks like a lawsuit”).

290. 473 F.3d 1376, 1382 (Fed. Cir. 2007) (“[I]nterference proceedings in the PTO . . . can indeed be characterized as a lawsuit.”).

291. Pub. L. No. 98–622, 98 Stat. 3383, *amended by Leahy–Smith America Invents Act of 2011*, Pub. L. No. 112–29, 125 Stat. 284 (codified as amended at 35 U.S.C. 135(a) (2011)).

292. See *Vas-Cath*, 473 F.3d at 1378 (“A patent interference proceeding, 35 U.S.C. § 135, is conducted for the purpose of determining priority of invention as between competing applicants for patent on the same invention.”).

293. See *Leahy–Smith America Invents Act Implementation: Patent Examination*, USPTO, <https://www.uspto.gov/patent/laws-and-regulations/america-invents-act-ia/patents-examination#heading-10> (last visited Sept. 19, 2018) (“The First Inventor to File (FITF) provisions transition the U.S. to a first-inventor-to-file system from a first-to-invent system.”) (on file with the Washington and Lee Law Review).

294. See, e.g., *Reactive Surfaces Ltd. v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429, at \*2 (P.T.A.B. July 13, 2017) (“Accordingly, under *FMC* and *Vas-Cath*, *inter partes* reviews are similar to lawsuits.”).

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

296. *Id.*

by instituting the interference proceeding.<sup>297</sup> When Vas-Cath then appealed the result of the interference proceeding to federal court, the University of Missouri could not then invoke immunity to evade review of a favorable decision—rather, the University waived immunity by participating in an adversarial PTO proceeding.<sup>298</sup> The analysis that would inform subsequent PTAB decisions, however, was the Federal Circuit’s analytically thin comparison of interference proceedings to civil litigation under *FMC*.<sup>299</sup> The Federal Circuit concluded that PTO interference proceedings contain procedural characteristics like “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” that support a finding that Eleventh Amendment immunity likely applies.<sup>300</sup>

The PTAB has now applied the *FMC* framework to find that a number of state university-held patents are immune from IPR review.<sup>301</sup> First among them was *Covidien LP v. University of*

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297. *See id.* at 1378 (“By requesting and participating in the interference proceeding in the PTO, the University waived its constitutional immunity not only in that proceeding but also in the appeal taken by the losing party.”).

298. *See id.* at 1385 (“The University initiated and participated in the contested PTO interference against Vas–Cath; we conclude that the University cannot both retain the fruits of that action and bar the losing party from its statutory right of review, even if that review is conducted in federal court.”).

299. *See id.* at 1382 (“Like proceedings in the Federal Maritime Commission, contested interference proceedings in the PTO bear ‘strong similarities’ to civil litigation . . .”).

300. *Id.*

301. *See Covidien LP v. Univ. Fla. Research Found. Inc.*, No. IPR2016–01274, 2017 WL 4015009, at \*17 (P.T.A.B. Jan. 25, 2017) (“[W]e conclude that Eleventh Amendment immunity applies to inter partes review proceedings, and that UFRF, having shown it is an arm of the State of Florida, is entitled to assert its sovereign immunity as a defense to the institution of an inter partes review of the ‘251 patent.”); *Neochord, Inc. v. Univ. of Maryland*, No. IPR2016-00208, at \*20 (P.T.A.B. May 23, 2017) (“[T]he University has shown sufficiently that it may raise Eleventh Amendment Immunity as a defense in this inter partes review proceeding.”); *Reactive Surfaces Ltd. v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429, at \*3 (P.T.A.B. July 13, 2017) (“Given the presence of ‘adjudicatory characteristics’ that were found to make agency proceedings similar to civil litigation in *FMC* and *Vas–Cath*, we consider it more likely that *inter partes* reviews have sufficient *in personam* character for the Eleventh Amendment to apply.”).

*Florida Research Foundation, Inc.*<sup>302</sup> There, the petitioner, Covidien, petitioned for review of University of Florida Research Foundation's patent, an arm of the State of Florida.<sup>303</sup> Florida moved to dismiss, invoking its state immunity privilege to shield itself from Covidien's cancellation claim.<sup>304</sup> The issue was whether *FMC* was applicable—whether Eleventh Amendment immunity was applicable—in an IPR proceeding.<sup>305</sup> Covidien argued first that, like non-infringement of Article III or the Seventh Amendment as argued by the petitioner in *Oil States*,<sup>306</sup> adjudication of patent rights in an administrative proceeding does not implicate the Eleventh Amendment.<sup>307</sup> The PTAB rightly rejected Covidien's argument, finding that whether the Eleventh Amendment is enforceable in a particular proceeding does not turn on the same considerations as the Article III and Seventh Amendment issues.<sup>308</sup>

Rather, the PTAB found that application of Eleventh Amendment immunity hinges on whether the state is called upon to defend itself in an adversarial proceeding against a private party, thus offending the state's sovereign dignity.<sup>309</sup> UFRF, using the framework established in *FMC*, illustrated the similarities between IPR and district court litigation.<sup>310</sup> The PTAB agreed, finding that “[o]n the whole, considering the nature of *inter partes* review and civil litigation, we conclude that the considerable resemblance between the two is sufficient to implicate the

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302. No. IPR2016-01274, 2017 WL 4015009 (P.T.A.B. 2017).

303. *See id.* \*12–17 (analyzing whether UFRF is an arm of the state of the Florida by analyzing facts drawn from Florida's agency law).

304. *Id.* at \*1.

305. *Id.* at \*5.

306. Covidien relied on *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015), which addressed issues identical to those argued in *Oil States*.

307. *Covidien LP*, 2017 WL 4015009, at \*5.

308. *See id.* (finding Covidien's argument “unpersuasive”).

309. *See id.* at \*6 (quoting *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 58 (1996) that “the doctrine's central purpose is to accord the States the respect owed them as joint sovereigns”).

310. *See id.* at \*10–11 (listing such similarities with filing a petition/complaint, discovery, and protection of confidential information).



immunity afforded to the States by the Eleventh Amendment.”<sup>311</sup> Therefore, the PTAB found that the *FMC* rationale similarly applies in an IPR proceeding.<sup>312</sup>

It is against this background that the Tribe approached Allergan with the licensing scheme designed to protect Restasis from IPR review.

### B. The “Sham” Transaction in District Court

Amidst the recent development of sovereign immunity in administrative proceedings,<sup>313</sup> the contentious constitutionality of IPRs,<sup>314</sup> and the morass of Indian law<sup>315</sup> lies the Allergan–Saint Regis Mohawk Tribe deal.<sup>316</sup> But the Restasis patent litigation predates the sensational transaction by nearly two years.<sup>317</sup> Allergan initiated the suit in the Eastern District of Texas in 2015, claiming that a number of generic drug companies<sup>318</sup> infringed Allergan’s Restasis patents.<sup>319</sup> In response, the defendants asserted the affirmative defense of invalidity.<sup>320</sup>

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311. *Id.* at \*11.

312. *Id.* at \*6.

313. *See* Neochord, Inc. v. Univ. of Md., No. IPR2016-00208 (P.T.A.B. May 23, 2017) (upholding the finding that state immunity applies in IPR).

314. *See supra* Part II.B (discussing the issue litigated in *Oil States*—whether patent rights are private property rights that can only be adjudicated in an Article III court).

315. *See* United States v. Lara, 541 U.S. 193, 219 (2004) (“Federal Indian policy is, to say the least, schizophrenic.”).

316. *See* Allergan Press Release, *supra* note 31 (“Allergan . . . and the Saint Regis Mohawk Tribe today announced that the Tribe now owns all patents for RESTASIS . . . and that Allergan has been granted exclusive licenses in the patents related to the product.”).

317. *See* Allergan’s E.D. Texas Complaint, *supra* note 36, at 1 (bringing an action for infringement of patents “relating to Allergan’s treatment for chronic dry eye, Restasis®”).

318. The defendant generic drug companies include Teva Pharmaceuticals, USA, Inc., Apotex Corp., Akorn, Inc., and Mylan Pharmaceuticals, Inc., and their respective affiliates. *Id.* Together these companies are referenced throughout this Note as the “generic pharmaceutical companies.”

319. Allergan’s E.D. Texas Complaint, *supra* note 36, at 1.

320. Defendant’s Answer and Counterclaim at 146, Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-CV-1455-WCB, 2017 WL 4619790 (E.D. Tex. Oct. 16,

Apparently inspired by *Covidien*, the Saint Regis Mohawk Tribe approached Allergan with a patent transfer proposal.<sup>321</sup> As noted, Allergan transferred the Restasis patents to the Tribe conditioned on the related license agreement worth \$13.75 million dollars upfront and \$3.75 million quarterly in royalties thereafter.<sup>322</sup> In exchange, the Tribe agreed to move to dismiss suit in any USPTO examination proceedings and license operational use of the Restasis patents back to Allergan.<sup>323</sup> Notably, the agreement did not contemplate a similar covenant to dismiss suits brought in district court.<sup>324</sup> Because the district court litigation here was initiated by Allergan, the infringement suit constituted a waiver of any immunity now afforded by the Tribe in the district court action.<sup>325</sup>

Importantly, the Patent Assignment Agreement distributes various legal rights between the parties as licensor (the Tribe) and licensee (Allergan).<sup>326</sup> Patent ownership includes a number of different legal rights,<sup>327</sup> much like the “bundle of sticks” metaphor used in property law.<sup>328</sup> Furthermore, a license agreement between

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2017).

321. See Allergan Press Release, *supra* note 31 (announcing the Restasis assignment).

322. Mylan Pharm. Inc. vs. Allergan, Inc., No. IPR2016-01132 (P.T.A.B. June 3, 2016), Exhibit 2086 Patent Assignment Agreement at §§ 4.1, 4.2 [hereinafter Patent License Agreement].

323. See Patent License Agreement at § 10.8.9

Licensor has not and agrees that it will not waive its . . . sovereign immunity in relation to any inter partes review or any other proceeding in the United States Patent & Trademark Office or any administrative proceeding that may be filed for the purpose of invalidating or rendering unenforceable any Licensed Patents.

324. *Id.*

325. See GRIFFITH, JR., *supra* note 195, at § 50 (explaining the tribal litigation waiver doctrine, whereby a tribal sovereign may waive its immunity from suit by participating in litigation). *But see* Ericsson Inc. v. Regents of Univ. of Minn., No. IPR2017-01186, 2017 WL 6517563, at \*1 (P.T.A.B. Dec. 19, 2017) (finding that sovereign immunity waiver is not forum-limited).

326. Patent License Agreement, *supra* note 322, at Preamble.

327. 35 U.S.C. § 154(a)(1) (2012).

328. See Intellectual Ventures I LLC v. AT&T Mobility, LLC, 203 F. Supp. 3d 436, 443 (D. Del. 2016) (“A patent is ‘a bundle of rights which may be divided and assigned, or retained in whole or part.’”); United States v. Craft, 535 U.S. 274, 278 (2002) (“A common idiom describes property as a ‘bundle of sticks’—a

the patent holder and licensee distributes rights amongst the parties, but transfers “something less than full title and rights” to the licensee.<sup>329</sup> The significant rights distributed here, as set out in the Patent Assignment Agreement, include the right to (1) sue for infringement, (2) exclusively make, use, and sell Restasis, and (3) reversionary rights.<sup>330</sup>

Once Allergan transferred the patents to the Tribe, Allergan moved to join Saint Regis to the Eastern District of Texas suit.<sup>331</sup> The court ordered Allergan to submit briefs answering questions to substantiate and legitimize the transaction.<sup>332</sup> Notably, Judge Bryson, a Federal Circuit judge sitting by designation, exhibited skepticism about the transaction from the moment Allergan moved to join the Tribe—framing the issue as whether the transaction was a “sham.”<sup>333</sup>

Notwithstanding Judge Bryson’s apprehension, he granted Allergan’s motion to join the Tribe to the litigation.<sup>334</sup> Nevertheless, he embraced the opportunity to voice his “serious concerns” about the legitimacy of the transaction.<sup>335</sup> Judge Bryson articulated two sub-issues pertinent to joining the Tribe as party to the lawsuit: (1) whether the transaction is “legitimate”<sup>336</sup> and (2) whether the licensing agreement transferred “all substantial rights” back to Allergan, making Allergan the actual patent holder

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collection of individual rights which, in certain combinations, constitute property.”).

329. *Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 823 F.3d 615, 618 (Fed. Cir. 2016).

330. *See Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*20–34 (P.T.A.B. Feb. 23, 2018) (analyzing rights distributed from the Tribe to Allergan under the license agreement).

331. *See Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*2 (E.D. Tex. Oct. 16, 2017) (“Allergan moved to substitute the Tribe as the plaintiff in this action pursuant to Federal Rule of Civil Procedure 25(c), which the defendants opposed.”).

332. *See id.* at \*1 (requesting the parties submit briefs on whether the tribe should be joined as co-plaintiff).

333. *Id.*

334. *Id.* at \*5.

335. *Id.* at \*2.

336. *Id.*

despite the assignment.<sup>337</sup> Only the substantial rights issue is within the scope of the PTAB's authority and, as noted in Part IV.B, was central to the PTAB's treatment of the Restasis patents.

First, the legitimacy of the patent transfer contemplates the policy considerations underlying the invocation of tribal sovereign immunity relative to patent rights.<sup>338</sup> That is, the court explicitly questions whether such a transaction distorts the role of tribal sovereign immunity to such an extent that it violates public policy.<sup>339</sup> Likening the deal to an abusive tax shelter,<sup>340</sup> the decision describes the transaction as treating sovereign immunity as a "monetizable commodity" to "evade legal responsibility."<sup>341</sup> As such, Judge Bryson hinted that the contract might be voidable on policy grounds.<sup>342</sup> Finally, without actually holding the transaction invalid, the court expressed its "serious reservations" about the widespread implications of the transaction.<sup>343</sup>

Second, the court inquired whether the license agreement transferred "all substantial rights" back to Allergan, thereby effectively maintaining Allergan as the patentee.<sup>344</sup> An assignment and license differ in that "[a]n assignment of patent rights operates to transfer title to the patent, while a license leaves title in the patent owner and transfers something less than full title and rights."<sup>345</sup> Therefore, distinguishing between an assignment and a

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337. *Id.*

338. *See id.* at \*3 (citing to the Restatement (Second) of Contracts §§ 178–179, 186 establishing the standard for holding a contract void as against public policy).

339. *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, at \*3 (E.D. Tex. Oct. 16, 2017).

340. *See id.* (noting that the Allergan–Saint Regis transaction and abusive tax shelters share the same concern: "[W]hether the party invoking a particular legal protection has engaged in a bona fide transaction of the sort for which that legal protection was intended.").

341. *Id.*

342. *Id.*

343. *See id.* at \*2 ("Allergan's tactic, if successful, could spell the end of the PTO's IPR program . . .").

344. *See id.* at \*3 ("[T]he Tribe would not be considered the owner of the patents if, through the exclusive license agreement, it has transferred all substantial rights in the patents except for the right to receive royalties on the sale of Restasis.").

345. *Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 823 F.3d 615, 619 (Fed. Cir. 2016).

license hinges on whether “all substantial rights” were transferred to the licensee.<sup>346</sup> Which rights constitute “all substantial rights” such to determine patent ownership is not comprised of a “complete list of rights.”<sup>347</sup> However, the Federal Circuit identified that a patentee’s “retained rights to sue,” among other rights, is an “important factor.”<sup>348</sup>

Here, Judge Bryson conceded that the substantial rights issue was a “close one.”<sup>349</sup> Allergan argued that the Tribe maintained largely educational rights to use the patents along with “first right to sue third parties not related to Restasis bioequivalents.”<sup>350</sup> Still, the court was largely unimpressed that the rights retained by the Tribe were sufficient to establish its patentee status.<sup>351</sup> In particular, Judge Bryson noted that the limitation on Allergan’s otherwise exclusive right to operationalize and manufacture Restasis in the United States gives the Tribe some “nominal rights” with little “practical value.”<sup>352</sup>

Resignedly granting Allergan’s motion to join without holding definitively on either the transaction validity or the substantial rights issue,<sup>353</sup> Judge Bryson’s sharp disapproval of the transaction was ultimately dicta.<sup>354</sup> More conclusive was the district court’s holding that the patents-at-issue were invalid on obviousness grounds.<sup>355</sup> Moreover, because Saint Regis did not move to dismiss

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346. *See id.* at 618 (“[T]he entire exclusive patent right’ must include all substantial rights in the patent.”).

347. *Id.* at 619.

348. *Id.*

349. *Allergan Inc.*, 2017 WL 4619790, at \*4.

350. *Id.*

351. *See id.* (“There is no doubt that at least with respect to the patent rights that protect Restasis against third-party competitors, Allergan has retained all substantial rights in the patents, and the Tribe enjoys only the right to a revenue stream in the form of royalties.”).

352. *Id.*

353. *See id.* (finding that “the validity of the assignment and exclusive license transaction . . . do[es] not bear on this Court’s power to hear this case”).

354. *Id.* at \*3.

355. *See Findings of Fact and Conclusions of Law* at 135, *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790 (E.D. Tex. Oct. 16, 2017) (“Allergan is not entitled to renewed patent rights for Restasis in the form of a second wave of patent protection.”).

the suit on immunity grounds, “the assignment d[id] not operate as a bar to th[e] Court’s continued exercise of its jurisdiction over th[e] matter.”<sup>356</sup> Because Allergan initiated the infringement suit in the first instance, the Tribe, as the predecessor in interest, waived its immunity in the Eastern District of Texas litigation.<sup>357</sup> Nevertheless, Judge Bryson’s overt condemnation for the transaction in fact foreshadowed the Federal Circuit’s treatment of the issue on appeal.<sup>358</sup>

### *C. The PTAB Rejects Tribal Immunity*

The Tribe did, however, move to terminate the IPR proceeding on immunity grounds during IPR.<sup>359</sup> Unlike the district court litigation, the PTAB’s adjudicative authority is limited in IPR to considering the validity of the patent under Sections 102 and 103 of the Patent Act.<sup>360</sup> Considering whether the Tribe has immunity only arises because of the threshold question of whether the Board has jurisdiction to consider patent validity.<sup>361</sup> In this context, though, the jurisdictional inquiry is more politically loaded than a

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356. See *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, \*1 (E.D. Tex. Oct. 16, 2017) (invalidating the patents on obviousness and anticipation grounds).

357. See *id.* at \*4 (“[A]ny possible immunity from suit that might be applicable to avoid litigation brought against the Tribe has no application to this action.”).

358. See *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1325 (Fed. Cir. 2018) (“The Board denied the Tribe’s motion to terminate on the basis of sovereign immunity and Allergan’s motion to withdraw from the proceedings. Allergan and the Tribe appeal, arguing the Board improperly denied these motions. We affirm.”).

359. See *Patent Owner’s Motion to Dismiss for Lack of Jurisdiction Based on Tribal Sovereign Immunity, Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*1 (P.T.A.B. Sept. 22, 2017) (moving to dismiss IPR for lack of personal jurisdiction).

360. See 35 U.S.C. § 311(b) (2012) (establishing the scope of IPR); Software Industry Association Amicus Brief, *supra* note 131 (“Agency proceedings involving patent validity do not involve private rights and duties.”).

361. See *Mylan Pharm. Inc.*, 2018 WL 1100950, at \*16 (acknowledging that the Board’s congressional authority is limited to assessing the patentability of the challenged claims).

typical patent dispute.<sup>362</sup> Indeed, the PTAB itself, when considering the applicability of Eleventh Amendment immunity, acknowledged that the issue is more weighty than deciding the validity of a patent.<sup>363</sup>

Yet, unhindered by these political considerations, the PTAB found that tribal immunity does not apply to IPR.<sup>364</sup> On February 23, 2018, the Board denied the Tribe's motion to terminate, thus continuing its jurisdiction over the Restasis patents.<sup>365</sup> The Board found that Allergan remained the effective patent holder after assigning the patents-at-issue to the Tribe because Allergan retained substantial rights via the license agreement.<sup>366</sup> Additionally, the PTAB determined that because Allergan remains the effective patent holder, the IPR proceeding can continue without joining the Tribe.<sup>367</sup>

The PTAB's reasoning is unpersuasive in two respects. First, the PTAB found that that *FMC*'s analysis does not extend to tribal immunity,<sup>368</sup> but nevertheless underwent a similar comparative analysis.<sup>369</sup> The Board, instead, states the platitude that tribes enjoy "the common law immunity from suit traditionally enjoyed by sovereign powers[]," but concludes that IPR is not a "suit"

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362. See *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018) (discussing the PTO Director's political accountability in deciding whether to institute IPR).

363. See *Ericsson Inc. v. Regents of Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at \*1 (P.T.A.B. Dec. 19, 2017) (using the board's authorization to expand the ordinary three judge panel on the grounds that Eleventh Amendment immunity poses an issue of "exceptional importance").

364. See *Mylan Pharm. Inc.*, 2018 WL 1100950, at \*11 ("Tribal immunity does not apply to inter partes review.").

365. *Id.*

366. See *id.* at 20-35 (discussing the substantial rights distributed between licensor and the licensee to determine the true patent holder, including the right to sue for infringement; right to make, use, and sell products or services under the patents; right to sublicense; reversionary rights in patents; right to litigation or licensing proceeds, among others).

367. See *id.* at 35 ("Because Allergan remains the effective patent owner, we determine that these proceedings can continue with Allergan's participation only, regardless of whether tribal immunity applies to the Tribe.").

368. See *id.* at 7-8 (concluding that the Board is not mandated to extend *FMC* to tribal immunity).

369. *Id.* at 16.

within the meaning of the tribal sovereign immunity doctrine.<sup>370</sup> The Board thereafter employs the very same comparative analysis as in *Covidien*, comparing IPR to the traditional litigation, but reaches a wholly different conclusion—ultimately finding that tribal immunity does not apply to IPR.<sup>371</sup>

This conflicting outcome is perplexing. Whether IPR is similar to civil litigation should not turn on which sovereign is asserting immunity. Either IPR is sufficiently similar to civil litigation to require application of the immunity doctrine or it is insufficiently similar. To rationalize this flagrant contradiction, the panel rightly notes that tribal and state immunity are not identical.<sup>372</sup> Indeed, Part III.A and C of this Note explore those differences. Yet, none explain why one sovereign patent owner should fare differently in an administrative patent reexamination hearing than another. Additionally, the panel states that the Supreme Court and Congress are silent as to tribal sovereign immunity in IPR.<sup>373</sup> But neither the Court nor Congress has spoken to the applicability of state immunity in IPR, yet the PTAB nevertheless found Eleventh Amendment immunity applicable.<sup>374</sup>

Second, the PTAB's decision effectively abrogates tribal immunity via an interpretation of congressional silence. The Court ordinarily refuses to read de facto abrogation into a generally applicable statute.<sup>375</sup> Such an interpretation is at odds with the

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370. See *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, 2018 WL 1100950, at \*1 (quoting *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978)).

371. See *id.* at 16–18 (comparing IPR and other “suits,” finding that the Board’s scope is limited to considering issues of patentability regardless of the patent holder).

372. See *id.* at 9 (“[T]he immunity possessed by Indian Tribes is not co-extensive with that of the States.” (quoting *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998))).

373. See *id.* at 8 (“The Tribe and its supporting *amici*, however, have not pointed to any federal court or Board precedent suggesting that *FMC*’s holding with respect to state sovereign immunity can or should be extended to an assertion of tribal immunity in similar federal administrative proceedings.”).

374. *But see Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1382 (Fed. Cir. 2007) (applying the *FMC* standard to patent interference proceedings at the PTAB).

375. See *Bryan v. Itasca Cty.*, 426 U.S. 373, 381 (1976) (“This omission has significance in the application of the canons of construction applicable to statutes affecting Indian immunities, as some mention would normally be expected if such



widely accepted rule of construction that congressional abrogation must be explicit.<sup>376</sup> It is true that generally applicable laws ordinarily apply to Native American tribes, but this is not the same thing as congressional waiver, or abrogation.<sup>377</sup> That is, Congress can pass a generally applicable law that applies to Indian tribes without authorizing private suits against tribes to enforce the statute.<sup>378</sup> In fact, federal courts have considered this dynamic in the context of the Patent Act—concluding that no reference to tribes within the Patent Act warrants tribal immunity during patent infringement suits.<sup>379</sup>

#### *D. The Federal Circuit Applies FMC to IPR*

In July, 2018, the Federal Circuit largely upheld the PTAB's denial of the Tribe's motion to dismiss based on sovereign immunity grounds. The key difference, though, is that the Panel admitted, unlike the PTAB, that "[a]lthough the precise contours of tribal sovereign immunity differ from those of state sovereign immunity, the *FMC* analysis is instructive."<sup>380</sup> Nevertheless it

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a sweeping change in the status of tribal government and reservation Indians had been contemplated by Congress."); Smith, *supra* note 181, at 21 ("Absolute [statutory] silence, of course, deposes of the issue altogether.").

376. See *supra* Part III.A (discussing congressional abrogation of tribal immunity).

377. See *Fed. Power Comm'n v. Tuscarora Indian Nation*, 362 U.S. 99, 116 (1960) ("[I]t is now well settled by many decisions of this Court that a general statute in terms applying to all persons includes Indians and their property interests.").

378. See *Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 357 (2d Cir. 2000) ("[T]he fact that a statute applies to Indian tribes does not mean that Congress abrogated tribal immunity in adopting it.").

379. See *Home Bingo Network v. Multimedia Games, Inc.*, No. 1:05-CV-0608, 2005 WL 2098056, at \*1 (N.D.N.Y. Aug. 30, 2005) ("Plaintiff points to no authority that Congress has expressly waived tribal immunity with respect to the enforcement of patents."); *Specialty House of Creation, Inc. v. Quapaw Tribe*, No. 10-CV-371-GKF-TLW, 2011 WL 308903, at \*1 (N.D. Okla. Jan. 27, 2011) ("[T]his court concludes that the Quapaw Tribe is immune from private suits under federal patent law.").

380. *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1326 (Fed. Cir. 2018).

concluded that IPR is sufficiently distinct from civil litigation that tribal immunity does not apply.<sup>381</sup>

The Federal Circuit also had the benefit of two influential Supreme Court decisions decided after the PTAB's *Saint Regis Mohawk* decision that shed more, albeit conflicting, light on the degree to which IPR is similar to civil litigation.<sup>382</sup> *Oil States*, mentioned *supra*, reinforced that it is within the government's authority to reconsider its own prior issuance of a public right.<sup>383</sup> Within the framework of *FMC*, the Federal Circuit found this suggests IPR is not a dispute between two private parties, but principally one between the government and the patent holder.<sup>384</sup>

On the same day as *Oil States*, the Court held in *SAS Institute, Inc. v. Iancu* ("SAS")<sup>385</sup> that the Director does not have the discretion to hear some of a petitioner's claims and dismiss others, but must issue a written decision on *all* claims.<sup>386</sup> SAS had the effect of significantly limiting the PTO Director's authority.<sup>387</sup> Therefore, "it's the petitioner, not the Director, who gets to define the contours of the proceeding."<sup>388</sup> This has major implications for the analysis in *Saint Regis Mohawk* because it suggests that the

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381. See *id.* at \*2 ("IPR is neither clearly a judicial proceeding instituted by a private party nor clearly an enforcement action brought by the federal government.").

382. See *id.* (discussing *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018) and *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018)).

383. See *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) ("[T]he public-rights doctrine applies to matters 'arising between the government and others, which from their nature do not require judicial determination and yet are susceptible of it.'").

384. See *Saint Regis Mohawk Tribe*, 896 F.3d, at 1327 ("[T]he [*Oil States*] Court emphasized the government's central role in IPR and the role of the USPTO in protecting the public interest.").

385. 138 S. Ct. 1348 (2018).

386. See *id.* at 1354 ("So when § 318(a) says the Board's final written decision 'shall' resolve the patentability of 'any patent claim challenged by the petitioner,' it means the Board must address every claim the petitioner has challenged.").

387. See Oral Argument at 21:33, *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, No. 2018-1638, 2018 WL 3484448 (Fed. Cir. July 20, 2018), <https://www.courtlistener.com/audio/36881/saint-regis-mohawk-tribe-v-mylan-pharmaceuticals-inc/> (probing the appellee's attorney whether filing a complaint in federal court and filing a petition at the PTO differs after SAS).

388. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018).

PTAB, much like an Article III judge must adjudicate a plaintiff's complaint, must issue a written decision on all the petitioner's claims.<sup>389</sup> Yet the Federal Circuit found that although the Director's discretion is curtailed under *SAS*, he still makes the pivotal decision of whether to institute review.<sup>390</sup> Therefore, in theory, the Director has the capability to weigh the political considerations of whether to initiate IPR review of a patent held by a sovereign.<sup>391</sup> Practically speaking, whether this balancing actually occurs—and whether the same balancing considerations are engaged when considering state versus tribal immunity—is unknown.

Like the Panel's overly formalistic consideration of *SAS*, it also misses the spirit of *FMC* by focusing too narrowly on minor procedural differences between IPR and civil litigation.<sup>392</sup> In *FMC*, the Court used the similarity of procedures as helpful benchmarks,<sup>393</sup> but also took note of the broader similarities that were pertinent to the central concern—"whether they are the type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union."<sup>394</sup> Borrowing from a case where the Court decided that Administrative Law Judges possess absolute immunity like Article III judges for their judicial decisions, the Court observed:

[F]ederal administrative law requires that agency adjudication contain many of the same safeguards as are available in the judicial process. The proceedings are adversary in nature. They are conducted before a trier of fact insulated from political influence. A party is entitled to present his case by oral or documentary evidence, and the transcript of testimony and

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389. *Id.*

390. *See Oil States*, 138 S. Ct. at 1371 ("The decision whether to institute inter partes review is committed to the Director's discretion.")

391. *See Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018) ("The Director bears the political responsibility of determining which cases should proceed.")

392. *See id.* at 1328 ("[T]he USPTO procedures in IPR do not mirror the Federal Rules of Civil Procedure.")

393. *See Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 758 (2002) (discussing the similarities between ALJs and district court judges, the Federal Rules of Procedures and the FMC's procedures, and discovery practices).

394. *Id.* at 757–60.

exhibits together with the pleadings constitute the exclusive record for decision. The parties are entitled to know the findings and conclusions on all of the issues of fact, law, or discretion presented on the record.<sup>395</sup>

Undoubtedly, IPR features much of these same broader characteristics. But the Panel's analysis obscures the practical reality that IPR has the spirit of an adversarial proceeding. As a result, it has "many of the usual trappings of litigation,"<sup>396</sup> without identical procedures.

Another shortcoming of the Federal Circuit's decision is the absence of any mention of *Vas-Cath*,<sup>397</sup> which was itself a Federal Circuit decision that influenced the PTAB's findings for state immunity.<sup>398</sup> Each proceeding at the PTO can be understood on a continuum between inquisitorial and adversarial. On the far left side, proceedings like *ex parte* reexamination are plainly inquisitorial and therefore do not implicate sovereign immunity.<sup>399</sup> On the right side of the continuum are those proceedings that are unmistakably adversarial.<sup>400</sup> But many proceedings fall somewhere in the middle, forcing courts to engage in the practice

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395. See *id.* (citing *Butz v. Economou*, 438 U.S. 478 (1978)).

396. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353–54 (2018).

397. 473 F.3d 1376 (Fed. Cir. 2007).

398. See, e.g., *Covidien LP v. Univ. of Fla. Research Found., No. IPR2016-01274*, 2017 WL 4015009, at \*4–5 (P.T.A.B. Jan. 25, 2017) (discussing *Vas-Cath* before comparing civil litigation and IPR).

399. See 35 U.S.C. § 302 (2012) ("Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art . . . ."); *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018) ("The Tribe acknowledged that sovereign immunity would not apply in *ex parte* or *inter partes* reexamination proceedings because of their inquisitorial nature.").

400. There is no administrative patent proceeding in which immunity definitely applies. However, clearly the most adversarial patent proceeding in which sovereign immunity applies would be district court litigation. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 635 (1999) (finding unconstitutional a statute abrogating state immunity in patent disputes and thus allowing states to assert immunity in patent litigation); *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Texas Sys.*, 458 F.3d 1335, 1344–45 (Fed. Cir. 2006) (finding that plaintiff was barred from bringing a declaratory action against a state patent holder).

of line-drawing and resulting in a handful of contradicting opinions.<sup>401</sup>

Here, *Saint Regis Mohawk* and *Vas-Cath* further compound these inconsistencies. But rather than clarify the apparent conflict, the Federal Circuit ignored this precedent entirely. Because *Vas-Cath* concerned an interference proceeding rather than IPR, and because the case dealt directly with the issue of waiver and not applicability of sovereign immunity, it does not explicitly control the outcome of *Saint Regis Mohawk*.<sup>402</sup> Still, the *Vas-Cath* holding inescapably implied that sovereign immunity applies to interference proceedings.<sup>403</sup> It seems that interference proceedings fall to the right of IPR on the inquisitorial–adversarial continuum (meaning interference and derivation proceedings are more adversarial than IPR) because the petitioner has a stake in the dispute, whereas in IPR the petitioner may lack constitutional standing.<sup>404</sup> But rather than address and distinguish *Vas-Cath* head on, the Federal Circuit failed to cite or discuss it at all.

Perhaps wary of the discrepancy between the PTAB's state immunity decisions and the *Saint Regis Mohawk* holding, the Federal Circuit interestingly concluded, “[w]hile we recognize there are many parallels, we leave for another day the question of whether there is any reason to treat state sovereign immunity

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401. *Compare* *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (emphasizing that it is within the USPTO’s authority to reexamine and cancel patent rights and therefore that IPR does not violate Article III), *and* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143–44, (2016) (distinguishing IPR from civil litigation to find that the PTO was reasonable for imposing a different standard of proof in IPR than in litigation), *with Iancu*, 138 S. Ct. at 1352 (explaining that IPR “mimics” civil litigation).

402. *See supra* Part IV (discussing *Vas-Cath* and its effect on the intersection of sovereign immunity and IPR).

403. *See, e.g.*, *Reactive Surfaces Ltd. v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429, at \*2–3 (P.T.A.B. July 13, 2017) (relying on *Vas-Cath*’s finding that sovereigns are immune from interference proceedings to conclude that states are likewise immune from IPR).

404. *Compare* 35 U.S.C. § 135(a)(1) (2012) (“*An applicant for patent may file a petition with respect to an invention to institute a derivation proceeding in the Office.*” (emphasis added)), *with id.* § 311 (“[A] person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.”).

differently.”<sup>405</sup> Because the Federal Circuit evaluated tribal immunity under the *FMC* standard, which was originally created to determine applicability of state immunity in administrative proceedings, it seems nearly impossible that the court will come to a different conclusion if and when it considers the issue of state immunity in IPR.<sup>406</sup> But the difficulty and capaciousness of determining whether IPR is akin to civil litigation, together with the federalism implications inherent in the federal government’s affecting a state patent holder,<sup>407</sup> suggests that continuing application state but not tribal immunity in IPR is not a foregone conclusion.

Illustrating this point, Senator McCaskill introduced a bill directly in response to the announcement of the Allergan–Saint Regis deal that would abrogate only tribal immunity in IPR.<sup>408</sup> Additionally, the issue of whether a state university waives its Eleventh Amendment immunity in IPR by filing an infringement suit in federal court is unfolding at the time of publication.<sup>409</sup> As such, the potential for disparate and conflicting legal standards regarding states and tribes, and their corresponding immunity

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405. Saint Regis Mohawk Tribe, 896 F.3d at 1329.

406. See State Amicus Brief Support En Banc Rehearing, *supra* note 64, at 1–2 (filing an amicus brief in support of an en banc rehearing because of the likelihood that the Federal Circuit’s *Saint Regis Mohawk* decision will affect state immunity in IPR).

407. Note that under *FMC*, the federal government can institute a proceeding against a state. See *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 764 (2002) (“[T]he States have consented to actions brought by the Federal Government.”). Still, the Court’s recent state immunity jurisprudence is increasingly sensitive to the federal government’s encroachment on state authority. See Christopher G. Paulraj, *Federal Maritime Commission v. South Carolina State Ports Authority: Extending the States’ Sovereign Immunity to Administrative Adjudications*, 55 ADMIN. L. REV. 679, 680 (2003) (“[T]he Supreme Court has extended the principles of federalism to unprecedented new heights, resulting in a drastic curtailment of the federal government’s ability to regulate the states and their instrumentalities.”).

408. See S. 1948, 115th Cong. (1st Sess. 2017) (“Notwithstanding any other provision of law, an Indian tribe may not assert sovereign immunity as a defense in a review that is conducted under chapter 31 of title 35, United States Code.”).

409. See *Ericsson Inc. v. Regents of Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at \*2 (P.T.A.B. Dec. 19, 2017) (“[W]e determine . . . Patent Owner has waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement of the patent being challenged in this proceeding.”).

within patent administrative adjudication, is growing ever complex. To ensure uniformity both in law and policy, Congress is the organ of government best equipped to address the applicability of sovereign immunity in administrative patent review.

Abrogating immunity should not be taken lightly, as evidenced by Congress's continued reluctance to do so.<sup>410</sup> This is especially true in the area of Indian law. The Supreme Court repeatedly emphasizes that "federal encroachment upon Indian tribes' natural rights is a serious undertaking."<sup>411</sup> The trepidation with which the Court approaches sovereign immunity reflects an understanding that Congress's decision not to abrogate is purposeful, not accidental.<sup>412</sup>

Furthermore, tribal immunity is one narrow legal principle embedded within a far-reaching socio-political landscape—one which oftentimes robs tribes of other opportunities for economic development.<sup>413</sup> The PTAB and the Federal Circuit, in considering just the isolated issue of tribal immunity in IPR, unavoidably misses the broader political ramifications of its decision.

The proceeding discussion examines the broader implications of the PTAB and Federal Circuit's decisions. In doing so, this Note argues that Congress should not legislate differently with respect to tribes and states in IPR proceedings—whether it upholds immunity for both governmental units or forecloses each from asserting immunity in IPR. This discussion offers a potential avenue for congressional abrogation of both tribes and states despite Congress' constitutional constraint to affect state immunity.

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410. See *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 758 (1998) ("It has restricted tribal immunity from suit in limited circumstances."); MAUREEN M. MURPHY, CONG. RESEARCH SERV., 97-851 A, FEDERAL INDIAN LAW: BACKGROUND AND CURRENT ISSUES 26–27 (1997) [hereinafter *Murphy Congressional Research*] (questioning a proposal to abrogate tribal immunity upon receipt of federal funding because of the statute's overly broad language).

411. *Fla. Paraplegic, Ass'n v. Miccosukee Tribe of Indians*, 166 F.3d 1126, 1130 (11th Cir. 1999).

412. See *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 61 (1978) (finding that congressional silence is not a passive delegation to the courts, but a deliberate choice not to afford a remedy that would abrogate tribal immunity).

413. See *Allergan's E.D. Texas Complaint*, *supra* note 36, at 9–10 (discussing tribal initiatives to generate income to support its infrastructure).

*V. Sovereign Patent Holders in IPR*

That the PTAB has held that state universities, but not tribes, are immune from *inter partes* review is illogical from both a legal and policy standpoint. The PTAB's finding, affirmed by the Federal Circuit, that tribal sovereign immunity does not apply to IPR creates a disparity between the two sovereigns unsupported by any meaningful justification.<sup>414</sup> What is more, this differential treatment does little to abate the legitimate concern that sovereign immunity in IPR manipulates the U.S. patent regime because state universities continue to enjoy immunity from IPR review.

The Board misconstrued any differences between tribal and state immunity in finding that tribal immunity is inapplicable to IPR.<sup>415</sup> Furthermore, although not so flagrantly treating tribes and states differently, the Federal Circuit did little to clarify earlier decisions upholding Eleventh Amendment immunity patent administrative proceedings and declining to extend tribal immunity to IPR.<sup>416</sup> As described in Parts II and III, tribal and state sovereign immunity are indeed different in some respects—the most important difference being Congress's ability (and inability) to affect the scope of their sovereignty. But those differences are not significant, let alone dispositive, in the context of patent reconsideration.

Amici supporting the petitioner generic drug companies lumped the two sovereigns together in their argument that “a State or a Tribe may, on the one hand, take full advantage of the remedies and benefits afforded the patent owner, but yet use sovereign immunity to escape IPR.”<sup>417</sup> Additionally, a number of states have filed an amicus brief supporting the Tribe's petition for

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414. See *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*2 (P.T.A.B. Feb. 23, 2018) (“[W]e determine the Tribe has not established that the doctrine of tribal sovereign immunity should be applied to these proceedings.”).

415. See Brief of Appellants at 23, *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018) (No. 18-1638) (“But the Board never explained the differences or why they dictated opposite results.”).

416. See *supra* Part IV.C (pointing to the *Vas-Cath* gap in the Federal Circuit's *Saint Regis Mohawk* analysis)

417. Software Industry Association Amicus Brief, *supra* note 131, at 3.



en banc reconsideration, arguing that the Panel misapplied *FMC* and the decision gravely harms states and tribes.<sup>418</sup> This demonstrates that opponents of sovereign immunity in IPR place no significance on whether the entity is a state or a tribe—both are equally damaging to the patent system. Similarly, states are wary that exclusion of tribal sovereign immunity presupposes the same fate for state sovereign immunity in IPR. As such, states and tribes are fungible, that is, interchangeable in their participation in IPR as patent holders.<sup>419</sup>

Accepting that patent owners are fungible, there is no policy reason for state and tribal patent owners to possess different legal rights during administrative patent reexamination hearings. Either shielding patent rights intolerably harms the patent system or immunity is necessary to protecting sovereign dignity.

To correct the currently disparate treatment of each sovereign within IPR, Congress should speak to this issue unequivocally and uniformly. Accepting that Congress has the authority to abrogate tribal immunity, the proceeding analysis explores one avenue which Congress may utilize to abrogate state immunity. It is therefore arguable that Congress has the authority to abrogate both state and tribal immunity in IPR to prevent evasion of the PTO's administrative reexamination system.<sup>420</sup>

#### *A. Congressional Abrogation of Tribal and State Immunity in Inter Partes Review*

To take this position, this Note argues that state sovereign immunity may not apply in IPR at all because the PTAB's

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418. See State Amicus Brief Support En Banc Rehearing, *supra* note 406, at 2 (“Sovereign immunity protects States’ sovereign dignity and the value of patents held by States and their public universities.”).

419. See Petition for Rehearing *En Banc* of Appellants Saint Regis Mohawk Tribe and Allergan, Inc., *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018) (No. 18-01638) (“Although the panel stated that its decision was limited to the assertion of tribal immunity, the panel’s holding turns entirely on the inherent attributes of the IPR proceeding itself. Those attributes are the same for all IPRs . . .” (citations omitted)).

420. See S. 1948, 115th Cong. (1st Sess. 2017) (abrogating only tribal sovereign immunity in IPR).

jurisdiction is a species of in rem jurisdiction. This analysis is similar to the *FMC* standard: that application of the immunity presumption turns on “whether [it is] the type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.”<sup>421</sup> But instead of observing the similarities and differences between IPR and civil litigation, comparing the similarities between a bankruptcy court’s in rem jurisdiction over debts and the PTAB’s jurisdiction over patents demonstrates a lack of the state immunity presumption.

The following discussion considers the similarities and differences between in rem jurisdiction and the PTAB’s jurisdiction, ultimately finding that there is a legitimate argument that PTAB jurisdiction inheres no state immunity presumption.<sup>422</sup>

The similarities between a bankruptcy proceeding and IPR flow from the fact that both are types of in rem jurisdiction.<sup>423</sup> Like a bankruptcy court’s jurisdiction over an individual’s assets, the USPTO has jurisdiction over patent reexamination claims because of the patent, irrespective of the identity of the patent holder.<sup>424</sup> Put differently, the PTAB has jurisdiction over “the res, not on the persona.”<sup>425</sup> Additionally, the Director does not require the patent owner’s continued participation to have jurisdiction over the

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421. *Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 756 (2002).

422. *See Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 452 (2004) (“We noted that we have applied a presumption since *Hans v. Louisiana*, ‘that the Constitution was not intended to rais[e] up any proceedings against the States that were anomalous and unheard of when the Constitution was adopted.’”) (internal citations omitted).

423. *See Ericsson Inc. v. Regents of Univ. of Minn.*, 2017 WL 6517563, No. IPR2017-01186 at \*6 (Dec. 19, 2017) (“At its core, inter partes review is a circumscribed in rem proceeding, in which the Patent Office exercises jurisdiction over the patent challenged, rather than the parties named.”).

424. *See Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (explaining that because the USPTO has authority to grant patents, it also has the authority to reconsider them).

425. *Hood*, 541 U.S. at 450; *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322 (Fed. Cir. 2018) (“[IPR] does not involve exercise of personal jurisdiction over the patent holder . . .”).

patent,<sup>426</sup> much like a bankruptcy court need not join every creditor to discharge the debtor's liabilities.<sup>427</sup>

Both the PTAB and the Federal Circuit support this argument. In the PTAB's decision denying the Tribe's motion to terminate, it stated that "Congress has enacted a generally applicable statute providing that *any* patent (regardless of ownership) is subject to the U.S. patent regime."<sup>428</sup> Similarly, reinforcing the majority holding that tribal immunity is inapplicable in IPR because the USPTO's reexamination is sufficiently dissimilar to civil litigation, Judge Dyk noted in his concurrence that "the Supreme Court has held that 'adversarial proceedings' that do not involve the exercise of personal jurisdiction do not necessarily raise sovereign immunity concerns."<sup>429</sup>

The differences between PTAB jurisdiction and in rem jurisdiction, however, highlight the weaknesses in this comparison. Thus, there is a significant likelihood that if Congress were to statutorily eliminate state immunity in IPR, the Supreme Court would find the abrogation unconstitutional. The most notable difference between a bankruptcy discharge and a patent invalidation is that a bankruptcy discharge cancels the debtor's liability against the entire world,<sup>430</sup> whereas a patent invalidation does the opposite—the invalidation renders the invention *available* to the entire world by entering the invention into the public domain.<sup>431</sup> Second, the very name of the proceeding, *inter*

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426. See 35 U.S.C. §§ 317(a), 318(a) (2012) ("If no petitioner remains in the inter partes review, the Office may terminate the review *or* proceed to a final written decision . . . ." (emphasis added)).

427. See *Hood*, 541 U.S. at 447 (describing bankruptcy procedures which allows the bankruptcy court to discharge the debtor's liability despite an absence of creditor claimants); *In re Collins*, 173 F.3d 924, 928 (4th Cir. 1999) ("The state, of course, well may choose not to appear in federal court.").

428. *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*4 (P.T.A.B. Feb. 23, 2018).

429. *Saint Regis Mohawk Tribe*, 896 F.3d, at 1333 (Dyk, J., concurring).

430. See MOORE, ET AL., *supra* note 261, § 6.21 (describing the nature of in rem jurisdiction generally).

431. See *Covidien LP v. Univ. Fla. Research Found. Inc.*, No. IPR2016-01274, 2017 WL 4015009, at \*6 (P.T.A.B. Jan. 25, 2017) ("[T]he term *inter partes* means between the parties, which in itself captures the notion that the proceeding is

*partes*, indicates that the proceeding is adversarial in nature.<sup>432</sup> The *Hood* Court examined this point only as to the specific proceeding at issue—an “adversary proceeding,” and found that despite its name and notice of process on the state, the Bankruptcy proceeding was not in fact a “suit” within the meaning of the Eleventh Amendment.<sup>433</sup> Third, and least compelling, the PTAB’s authority touches the patent holder herself in its estoppel provisions.<sup>434</sup> The rules governing estoppel, however, only extend the PTAB’s jurisdiction to the patent owner in so far as she is estopped from acting inconsistently with an adverse board decision relative to patents that are substantially similar.<sup>435</sup>

Ultimately, this argument faces a number of obstacles. In general, the Court’s protection of state immunity based in federalism suggests congressional abrogation of state immunity would be unsuccessful.<sup>436</sup> Additionally, the Court’s decision in *Florida Prepaid* is more on point than *Hood*.<sup>437</sup> Although the procedural touchstones of an in rem proceeding are present in IPR, IPR is clearly substantively similar to patent litigation. Because these difficulties are specific to state immunity, any attempt to abrogate both state and tribal immunity would likely lead to the same discrepant treatment that exists under the current law.

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directed to both parties over whom the Board exercises jurisdiction.”).

432. See *id.* at \*8, (“Patent Owner argues that, under the enacted rules, inter partes review is similar to civil litigation . . . because inter partes reviews are adversarial ‘contested cases between a patent owner and a petitioner . . . .’”).

433. See *Tenn. Studen Assistance Corp. v. Hood*, 541 U.S. 440, 452 (2004) (“In this case, however, there is no need to engage in a comparative analysis to determine whether the adjudication would be an affront to States’ sovereignty. As noted above, we have long held that the bankruptcy courts’ exercise of in rem jurisdiction is not such an offense.”).

434. See 37 C.F.R. § 42.73(d)(3) (2018) (“A patent applicant or owner is precluded from taking action inconsistent with the adverse judgment, including obtaining in *any* patent.” (emphasis added)).

435. See *id.* § 42.73(d)(3)(i) (extending a PTAB invalidation only over patents that “[a] claim that is not patentably distinct”).

436. See *supra* Part III.C (discussing *Seminole Tribe* and *Florida Prepaid*, making the point that Congress has been unsuccessful at abrogating state immunity).

437. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 635 (1999) (finding that the Patent Clause does not give Congress authority to abrogate state immunity).

*B. Maintaining Tribal and State Immunity in IPR*

Congress can also elect not to limit sovereign immunity in IPR. The obvious difficulty in considering whether to abrogate any sovereigns' immunity is the potential unfairness to plaintiffs, or here, petitioners seeking patent review.<sup>438</sup> In the context of patent review, this concern is exasperated by the sense that sovereigns are undermining the patent system as a whole and, in effect, weakening the quality of patents. In the case of the Saint Regis Mohawk Tribe, this seems especially unfair because, unlike state universities that are involved in developing the underlying technology, here the Tribe's only contribution to the transaction is their sovereign status and concomitant immunity.<sup>439</sup>

This is because the *FMC* framework accounts for only the primary justification for sovereign immunity—dignitary interests—with little if no attention given to the secondary justification, financial interests.<sup>440</sup> Shifting focus to protecting a sovereign's financial interest, it becomes less objectionable to allow tribes to strategically “rent” their immunity in exchange for lucrative patent rights.

Keeping in mind the often-forgotten justification for sovereign immunity to protect a sovereign's economic interests, with special attention given to tribes' desperate need for economic diversification, invocation of tribal immunity in IPR is more defensible. States continue to enjoy sovereign immunity after *Florida Prepaid* in patent disputes, and now also within IPR at the PTO.<sup>441</sup> Why unequally disadvantage tribes, especially where their opportunities for economic diversification are so limited?

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438. See *Lundgren*, 187 Wash. 2d at 877 (Gonzales, J., dissenting) (characterizing the majority's analysis as misplaced because of a “desire to reach the merits of the action so that both parties can have their day in court” instead of the threshold question of whether a sovereign is an indispensable party).

439. See Crouch, *supra* note 47 (“Of course, a major difference with the university situation is that the university patents are the outcome of original university research.”).

440. See *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 760 (2002) (“The preeminent purpose of state sovereign immunity is to accord States the dignity that is consistent with their status as sovereign entities.”).

441. See *Covidien LP v. Univ. Fla. Research Found. Inc.*, No. IPR2016–01274, 2017 WL 4015009, at \*17 (P.T.A.B. Jan. 25, 2017) (dismissing petitions for review

Despite Congress's push towards tribal economic independence, tribes continue to struggle generating sufficient economic support for such basic infrastructural needs like paved roads, housing, sewage systems, and steady electricity.<sup>442</sup> This chronic economic underdevelopment is due in part, although certainly not entirely,<sup>443</sup> to certain tax policies: the unavailability of tax exempt bonds for tribes<sup>444</sup> and states' authority to collect taxes from on-reservation mineral leases.<sup>445</sup> Generally, governmental entities finance projects in one of three ways: (1) tax revenue, (2) debt instruments, such as bank loans or bond

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of University of Florida's patent on Eleventh Amendment immunity grounds).

442. See Clarkson, *supra* note 165, at 1012–13 (describing tribal governments' reliance on federal grants rather than tax free bonds that most state and municipal governments rely on to improve infrastructure).

443. Because the federal government holds most tribal lands in trust, this prevents tribes from using that land either as collateral to secure bank loans or to collect taxes. See Clarkson, *supra* note 165, at 1016–17 (“Given that the federal government holds most tribal land in trust, those lands are not available for property taxes, and thus the tax base of a tribe is usually insufficient for a tribe to issue general obligation bonds.”); OFFICE OF THE COMPTROLLER OF THE CURRENCY, COMMERCIAL LENDING IN INDIAN COUNTRY: POTENTIAL OPPORTUNITIES IN A GROWING MARKET 7 (2016), <https://www.occ.gov/topics/community-affairs/publications/insights/insights-commercial-lending-indian-country.pdf> [hereinafter COMPTROLLER LENDING MANUAL] (“Tribal trust lands generally may not be sold, taxed, or encumbered, requiring a different process to secure and perfect a bank's mortgage liens on real property.”). Additionally, there is a separate but interrelated issue of tribal jurisdiction over criminal trials of non-Indians leading to widespread abuse and community safety degradation. See *Oliphant v. Suquamish Indian Tribe*, 435 U.S. 191, 195 (1978), *overruled in part* by *United States v. Lara*, 541 U.S. 193 (2004) (“We granted certiorari . . . to decide whether Indian tribal courts have criminal jurisdiction over non-Indians. We decide that they do not.”); Jessica Rizzo, *Native American Women Are Rape Targets Because of a Legislative Loophole*, VICE (Dec. 16, 2015, 11:00 AM), [https://www.vice.com/en\\_us/article/bnpb73/native-american-women-are-rape-targets-because-of-a-legislative-loophole-511](https://www.vice.com/en_us/article/bnpb73/native-american-women-are-rape-targets-because-of-a-legislative-loophole-511) (last visited Sept. 19, 2018) (“Eighty percent of the reported sexual violence against Native women is committed by white men, who do so with virtual criminal impunity because, with very few exceptions, they cannot be tried in tribal courts.”) (on file with the Washington and Lee Law Review).

444. See 26 U.S.C. §§ 103, 7871(c)(1) (2012) (regulating tax-exempt bonds for states and tribes, but stipulating that tribes only issue tax-exempt bonds to “be used in the exercise of any essential governmental function”).

445. See *Cotton Petroleum Corp. v. New Mexico*, 490 U.S. 163, 176 (1989) (considering whether the “multiple burden” imposed by the state and tribal taxes is unconstitutional”).

issuances, and (3) federal grants.<sup>446</sup> Two of these three major sources of funding are impeded as a matter of law for tribal governments.

Because of additional restrictions on tribal tax-free bonding that do not apply to states, tribes have far less access to capital markets than states or other governmental entities.<sup>447</sup> Tax-exempt bonds are established by § 103 of the Internal Revenue Code and are at the heart of state and municipal financing for any number of public projects.<sup>448</sup> Investors are incentivized to buy bonds at a lower interest rate to state bond-issuers because the interest on the bonds are tax-exempt.<sup>449</sup> The tax scheme, although technically benefiting the bond-buyer, operates as a subsidy to state projects.<sup>450</sup> Understandably, then, the Internal Revenue Code places restrictions on the types of projects such bonds can be used to finance.<sup>451</sup>

However, there are restrictions imposed on tribes that are not likewise imposed on states—effectively preventing tribes from taking advantage of borrowing through tax-free bonds to the same extent that states do. The two key limitations on tribal bonding were instituted by the Tribal Tax Status Act in 1982,<sup>452</sup> an update

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446. See Peter J. Herne, *Tribal Nations, Indian Gaming, and the Rigged Economy*, 10 ALB. GOV'T L. REV. 239, 246–47 (2017) (“For many governments when the need to raise large sums of money arises, many resort to issuing their own debt instruments rather than securing a loan, or simply raising taxes.”); Clarkson, *supra* note 165, at 1014 (listing “tax revenues, borrowing, and federal grants” as the three major sources of financing for state and local governments).

447. See Clarkson, *supra* note 165, at 1017 (“The narrow interpretation of this language by the IRS has had a stifling effect on tribes’ tax-free bonding authority.”).

448. See 26 U.S.C. § 103(a) (2012) (“[G]ross income does not include interest on any State or local bond.”); *South Carolina v. Baker*, 485 U.S. 505, 531 (1988) (“Long-term debt obligations are an essential source of funding for state and local governments.”); Clarkson, *supra* note 165, at 1054–59 (detailing typical public projects constituting “governmental functions” that states finance through tax-exempt bonding, including hotels, parking garages, and golf courses).

449. See Clarkson, *supra* note 165, at 1032–34 (explaining the IRS’ tax-free bonds available to states to incentivize investment in governmental projects).

450. *Id.*

451. See 26 U.S.C. §§ 103(b)(1), 141 (excepting private activity bonds from tax exemption and defining private activity bonds based on comprehensive criteria to ensure tax-exempt bonds are not used for private business ventures).

452. S. 1298, 97th Cong. (1982).

to the Internal Revenue Code ironically meant to equalize tribes' tax treatment with states.<sup>453</sup> First, tribes' ability to issue bonds per § 103 is permitted "only if such obligation is part of an issue substantially all of the proceeds of which are to be used in the exercise of any essential governmental function."<sup>454</sup> Second, because that criteria was ambiguous and routinely litigated, a provision of the Omnibus Budget Reconciliation Act of 1987<sup>455</sup> was meant to clarify the governmental function requirement.<sup>456</sup> The provision made the requirement even narrower, specifying that the scope of tribal bond authority be limited to projects that are "customarily performed by State and local governments with general taxing powers."<sup>457</sup>

Although these provisions seem facially reasonable and in keeping with the purpose of tax-free bonding schemes, the two additional restrictions have had the effect of eliminating altogether tax-exempt bonds as a financing option for tribes.<sup>458</sup> Furthermore, they mark a significant difference between the federal government's treatment of states and tribes despite the legislative intent to achieve equal tax treatment.<sup>459</sup> The

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453. See Robert A. Williams, Jr., *Small Steps on the Long Road to Self-Sufficiency for Indian Nations: The Indian Tribal Governmental Tax Status Act of 1982*, 22 HARV. J. ON LEGIS. 335, 339 (1985) ("[T]he Tribal Tax Status Act is intended to 'strengthen tribal governments significantly by providing additional sources of financing and by eliminating the unfair burden of taxes Indian tribal governments must now pay.'").

454. *Id.*

455. Pub. L. No. 100-203, §10632(a), 101 Stat. 1330-1, 1330-455 (1987) (codified at 26 U.S.C. §7871(e) (2012)).

456. See Ellen P. Aprill, *Tribal Bonds: Indian Sovereignty and the Tax Legislative Process*, 46 ADMIN. L. REV. 333, 361 (1994) ("Representative Gibbons sponsored a measure [in the Omnibus Budget Reconciliation Act] to tighten the tribal bond measures by limiting essential governmental functions to those customarily financed with exempt bonds by state and local governments.").

457. See 26 U.S.C. § 7871 ("For purposes of this section, the term 'essential governmental function' shall not include any function which is not customarily performed by State and local governments with general taxing powers.").

458. See Aprill, *supra* note 456, at 363 ("Reported tribal bond offerings came to a standstill for several years."); Jenny Small, *Financing Native Nations: Access to Capital Markets*, 32 REV. BANKING & FIN. L. 463, 466 (2013) ("[The IRS] restrictive interpretation has long served as a barrier for native nations attempting to raise capital through the issuance of bonds.").

459. See Clarkson, *supra* note 165 at 1039 (noting that the stated purpose of



differential treatment is rooted, like in the instant issue of immunity in IPR, in sovereignty. That is, exempting states from the federal taxation scheme stems directly from notions of state sovereignty implicit in the constitutional structure.<sup>460</sup> As previously discussed, tribes have no similar constitutional protection.<sup>461</sup>

Perhaps the most traditional source of income for governmental entities is tax revenue.<sup>462</sup> Here, too, tribes face difficulties unfamiliar to states. In *Cotton Petroleum Corporation v. New Mexico*,<sup>463</sup> the Supreme Court held that nontribal organizations that lease land for mining on tribal property can be taxed not just by the tribal government, but also by the state in which the tribal land sits—causing entities to be doubly taxed.<sup>464</sup> Thus, tribes are faced with the dilemma of foregoing their own tax revenue to keep mineral lessees doing business on tribal property, or imposing their own tax, making the double-tax prohibitively expensive for the lessee.<sup>465</sup>

In both of these discrete tax areas, tribes are denied the same economic opportunities as their state and municipal counterparts. Therefore, tribes rely on commercial enterprises in an attempt to boost revenue.<sup>466</sup> By allowing tribes to develop technology

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the introduced legislation was to eliminate the perception of differences between tribal governments and state or local governments”).

460. See *South Carolina v. Baker*, 485 U.S. 505, 531 (1988) (O'Connor, J., dissenting) (“In my view, the Tenth Amendment and principles of federalism inherent in the Constitution prohibit Congress from taxing or threatening to tax the interest paid on state and municipal bonds.”).

461. See *supra* Part III.A (describing the trustee relationship between the federal government and Native American tribes).

462. See *supra* note 446 and accompanying text (describing the traditional sources of income for governmental bodies).

463. 490 U.S. 163 (1989).

464. See *id.* at 180 (“We thus agree that a purpose of the [Indian Mineral Leasing Act] is to provide Indian tribes with badly needed revenue, but find no evidence for the further supposition that Congress intended to remove all barriers to profit maximization.”).

465. See *id.* at 206 (Blackmun, J., dissenting) (“State taxes would also reduce the funds available to oil and gas producers to meet the financial obligations placed upon them by the extensive federal and tribal regulatory schemes.”).

466. See Gary Davis, *Tribal Economic Development Aspirations: Analyzing Senator Warren's Recent Speech To Indian Country*, FORBES (Mar. 16, 2018, 9:00

initiatives like the Saint Regis Mohawk Tribes', Congress has an opportunity to equalize technological-driven revenue streams in at least this one, narrow respect. Indeed, state universities have been hugely successful in their patent development efforts.<sup>467</sup>

This would also be in keeping with Congress's initiative to support tribal economic independence and self-determination.<sup>468</sup> The congressional initiative towards self-determination has proved successful both politically and economically. Politically, tribal self-determination receives widespread support from progressives and conservatives.<sup>469</sup> Economically, policies rooted in self-determination have yielded empirically-proven developments in infrastructure, including availability of schools, health clinics, and water supply.<sup>470</sup>

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AM), <https://www.forbes.com/sites/forbesfinancecouncil/2018/03/16/tribal-economic-development-aspirations-analyzing-senator-warrens-recent-speech-to-indian-country/#bf1fd8a355a2> (last visited Sept. 19, 2018) ("Unlike other governments, which can levy taxes (or collect sales taxes) to fund these critical initiatives, tribes are forced to rely largely on the creation of tribal businesses to generate the revenues that fund tribal government operations.") (on file with the Washington and Lee Law Review).

467. See Brief of Amicus Curiae the Association of Public and Land-Grant Universities in Support of Appellant, Regents of the University of Minnesota, Seeking Reversal, Regents of the Univ. of Minn. v. Ericsson Inc. (No. 18-1565) at 3

Collaboration between public universities and industry has led to the development of countless products that Americans use every day[.]... In addition to these economic and societal impacts, technology transfer occasionally provides some public universities a source of revenue that is used to deepen the impact through reinvestment in further research and educational objectives for the public good.

468. See COMPTROLLER LENDING MANUAL, *supra* note 443, at 2 ("There is a consensus among field experts that Indian Country has experienced significantly higher economic growth rates since the onset of the self-determination era in the mid-1970s, compared with preceding decades.").

469. See Stephen Cornell & Joseph Kalt, American Indian Self-Determination: The Political Economy of a Successful Policy 15 (Joint Occasional Papers on Native Affairs, Working Paper No. 1 2010), [http://nni.arizona.edu/pubs/jopna-wp1\\_cornell&kalt.pdf](http://nni.arizona.edu/pubs/jopna-wp1_cornell&kalt.pdf) (noting that self-determination has bipartisan support from both liberals and conservatives).

470. See *id.* at 8 (noting that the recent boom in tribal economic development coincides with low federal funding relative to governmental support of other impoverished areas).

In light of the fact that Congress cannot so easily limit state immunity, abrogating tribal immunity in IPR will not actually accomplish the benefits of strengthening the quality of patents through administrative reexamination. Therefore, the Federal Circuit's decision finding that tribal immunity does not apply in IPR should be reversed—leaving such a weighty decision to the policymaking branch of government that can take into account the far-reaching landscape of Indian law as it affects tribal communities.<sup>471</sup> As for their part, Congress should not unequally disadvantage tribal patent holders in IPR—especially considering other challenges tribal governments face generating revenue.

### VI. Conclusion

According to the PTAB and the Federal Circuit, states enjoy immunity in IPR but tribes do not.<sup>472</sup> On the one hand, the PTAB came to this conclusion by finding that IPR is sufficiently similar to civil litigation that it offends the dignity of states because it requires that a state university, as the defendant, be haled into an adversarial proceeding. On the other hand, the PTAB did not undergo the same *FMC* comparison in finding that tribes do not enjoy immunity from IPR proceedings,<sup>473</sup> likely because it would be patently absurd to find that the extent of the similarity between IPR and civil litigation hinges on the identity of the sovereign, rather than the procedures.

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471. See *Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1654 (2018) (“Determining the limits on the sovereign immunity held by Indian tribes is a grave question; the answer will affect all tribes . . .”).

472. Compare *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018) (“[W]e conclude that tribal sovereign immunity cannot be asserted in IPR . . .”), with *Covidien LP v. Univ. Fla. Research Found., Inc.*, No. IPR2016-01274, 2017 WL 4015009, at \*17 (P.T.A.B. 2017) (“[W]e conclude that Eleventh Amendment immunity applies to inter partes review proceedings.”).

473. See *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, No. IPR2016-01127, 2018 WL 1100950, at \*3 (P.T.A.B. Feb. 23, 2018) (“The Tribe and its supporting amici, however, have not pointed to any federal court or Board precedent suggesting that *FMC*'s holding with respect to state sovereign immunity can or should be extended to an assertion of tribal immunity in similar federal administrative proceedings.”).

Rather, the PTAB found narrowly that the non-tribal entity was the true patent holder, and more broadly that even if a tribe retained substantial rights in a disputed patent, that tribal sovereign immunity does not apply to IPR.<sup>474</sup> Setting aside the Board's narrower holding, the broader holding that *FMC* does not extend to tribal sovereignty in administrative proceeding places undue weight on the difference between state and tribal sovereignty in the patent context.

True, "the immunity possessed by Indian Tribes is not co-extensive with that of the States."<sup>475</sup> But the PTAB placed too much emphasis on this axiom. In the context of administrative patent reexamination, any difference between the two is insignificant. That is to say, the focus on a patent reexamination is on the patent, not the patent holder. In this sense, a patent holder's participation in the proceeding is limited to defending the grounds of patentability,<sup>476</sup> therefore a state's interest in defending its patent is no different from a tribe's interest in doing the same. The Federal Circuit, in affirming the PTAB's holding based on different reasoning, did little to correct the currently disparate treatment of tribes and states in IPR.

Perhaps the PTAB misjudged these differences because Administrative Patent Judges, whose authority is delegated via the Patent Act and who consider primarily substantive patent issues, cannot consider the broader policy questions of sovereign immunity.<sup>477</sup> Congress should therefore respond to this growing issue to address policy and uniformity concerns.

Because states and tribes as patent holders are identical in IPR, Congress is faced with two options: (1) abrogate both state

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474. See *id.* at \*7–8 (finding that tribal immunity does not apply to IPR and that Allergan retained all substantial rights under the license agreement).

475. *Kiowa Tribe v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998).

476. See 35 U.S.C. § 311(b) (2012) (defining the scope of *inter partes* review).

477. See *id.* § 6 ("[T]he administrative patent judges shall constitute the Patent Trial and Appeal Board. The administrative patent judges shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director."); Scholars' Brief, *supra* note 59 ("Petitioners' objections are being raised in the wrong forum. Congress – rather than the Board, the Article II executive, or even the Article III courts – controls the availability of tribal sovereign immunity.").

and tribal immunity in IPR or (2) abrogate neither state nor tribal immunity in IPR. First, Congress's ability to affect state immunity is more limited than its broad authority to affect tribal immunity. However, Congress is not altogether foreclosed from passing legislation that affects state autonomy.<sup>478</sup> Congress may have more leeway to abridge state immunity when the proceeding is in rem in nature, because the court has jurisdiction over the property, not the party, and therefore, the central tenet of sovereign immunity—dignity—is not gravely invaded.<sup>479</sup>

Second, Congress may unequivocally state that neither state nor tribal immunity be unavailable in IPR. In light of the secondary justification for sovereign immunity, protecting a sovereign's financial interests, tribes have a compelling policy reason to retain immunity during IPR proceedings. Tribal initiatives to expand technology development programs surely affect tribal economic interests. This is because tribes face unique obstacles with respect to raising revenue to support their communities. Economic initiatives that promote tribal self-determination, by way of economic diversification, should be encouraged by Congress, not impeded.

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478. See Baude, *supra* 142, at 18 (“Congress’s inability to abrogate state sovereign immunity is not absolute.”).

479. See *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 441 (2004) (“The issuance of process is normally an indignity to a State’s sovereignty, because its purpose is to establish personal jurisdiction; but the court’s in rem jurisdiction allows it to adjudicate the debtors’ discharge claim without in personam jurisdiction over the State.”).