

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

LSI CORPORATION and AVAGO TECHNOLOGIES U.S., INC.,
Petitioner,

v.

REGENTS OF THE UNIVERSITY OF MINNESOTA,
Patent Owner.

Case IPR2017-01068
Patent 5,859,601

Before DAVID P. RUSCHKE, *Chief Administrative Patent Judge*,
SCOTT R. BOALICK, *Deputy Chief Administrative Patent Judge*,
JACQUELINE WRIGHT BONILLA, SCOTT C. WEIDENFELLER,
Vice Chief Administrative Patent Judges, ROBERT J. WEINSCHENK,
CHARLES J. BOUDREAU, and JACQUELINE T. HARLOW,
Administrative Patent Judges.

Opinion for the Board filed by *Chief Administrative Patent Judge*
RUSCHKE.

Opinion Concurring filed by *Administrative Patent Judge* HARLOW.

ORDER
Denying Patent Owner's Motion to Dismiss
37 C.F.R. §§ 42.5, 42.71

I. INTRODUCTION

Regents of the University of Minnesota (“Patent Owner”) filed a Motion to Dismiss (Paper 10, “Motion” or “Mot.”) the Petition for an *inter partes* review (Paper 1, “Petition” or “Pet.”) in this proceeding. Specifically, Patent Owner contends that it is entitled to avoid this proceeding entirely because it is a sovereign that is immune to our authority under the Eleventh Amendment to the U.S. Constitution. Mot. 1, 15. LSI Corporation and Avago Technologies U.S., Inc. (collectively, “Petitioner”) filed an Opposition to the Motion (Paper 11, “Opposition” or “Opp.”), to which Patent Owner filed a Reply in Support of the Motion (Paper 13, “Reply”). For the reasons discussed below, the Motion is *denied*.

II. PANEL EXPANSION

Our standard operating procedures provide the Chief Judge with discretion to expand a panel to include more than three judges. PTAB SOP 1, 2–5 (§§ II, III) (Rev. 14); *see id.* at 2 (introductory language explaining that the Director has delegated to the Chief Judge the authority to designate panels under 35 U.S.C. § 6); *see also In re Alappat*, 33 F.3d 1526, 1532 (Fed. Cir. 1994) (*abrogated on other grounds by In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008)) (providing that Congress “expressly granted the [Director] the authority to designate expanded Board panels made up of more than three Board members.”). The Chief Judge may consider panel expansions upon a “suggestion” from a judge, panel, or party in a post-issuance review created by the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), such as an *inter partes* review. *Id.* at 3–4; *see also Apple Inc. v. Rensselaer Polytechnic Inst.*, Case

IPR2014-00319, slip op. at 2 n.1 (PTAB Dec. 12, 2014) (Paper 20)
(expanded panel) (per curiam).

The standard operating procedure sets forth some of the reasons for which the Chief Judge may expand a panel. PTAB SOP 1, 3–4 (§ III.A). For example, an expanded panel may be appropriate when “[t]he proceeding or AIA Review involves an issue of exceptional importance.” *Id.* (§ III.A.1). An expanded panel may also be appropriate when “necessary to secure and maintain uniformity of the Board’s decisions.” *Id.* (§ III.A.2).

In this case, the Chief Judge has considered whether expansion is warranted, and has decided to expand the panel due to the exceptional nature of the issues presented.¹ As we discuss further below, the issues of whether a State can claim Eleventh Amendment immunity and whether such immunity may be waived have been raised in this proceeding. These issues are of an exceptional nature. The Eleventh Amendment immunity issue continues to be raised in multiple cases before the Board. We have not had occasion to address the waiver issue before, but it has been raised in multiple cases before the Board. The Chief Judge also has determined that an expanded panel is warranted to ensure uniformity of the Board’s decisions involving these issues.

III. ANALYSIS

Petitioner does not dispute that Patent Owner is a State entity that can claim sovereign immunity under the Eleventh Amendment, at least with

¹ Consistent with the standard operating procedure, the Judges on the merits panel in this case have been designated as part of the expanded panel, and the Chief Judge, Deputy Chief Judge, and Vice Chief Judges Bonilla and Weidenfeller have been added to the panel. PTAB SOP 1, 4 (§ III.E).

respect to this Motion. See Mot. 9–13; Opp. 6 n.4. The parties disagree, though, about whether Eleventh Amendment immunity can be invoked in an *inter partes* review. Mot. 2–9; Opp. 1–4. We agree with Patent Owner that “an IPR is an adjudicatory proceeding of a federal agency from which States are immune.” Mot. 8 (*citing Covidien LP v. Univ. of Fla. Research Found., Inc.*, Case IPR2016-01274, slip op. at 24, (PTAB Jan. 25, 2017) (Paper 21)). Nevertheless, we determine, for the reasons discussed below, that 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.

A. *Patent Owner May Assert Eleventh Amendment Immunity*

The Board has previously determined that Eleventh Amendment immunity is available to States as a defense in an *inter partes* review proceeding. *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, Case IPR2016-01914 (PTAB July 13, 2017) (Paper 36) (granting in part motion to dismiss and dismissing Regents of the University of Minnesota from an *inter partes* review proceeding); *NeoChord, Inc. v. Univ. of Md., Balt.*, Case IPR2016-00208 (PTAB May 23, 2017) (Paper 28) (granting motion to dismiss and terminating an *inter partes* review); *Covidien LP v. Univ. of Fla. Research Found. Inc.*, Case IPR2016-01274 (PTAB Jan. 25, 2017) (Paper 21) (granting motion to dismiss and dismissing three Petitions requesting an *inter partes* review). We agree.

The Supreme Court has held that the rules and practice of procedure of the Federal Maritime Commission are sufficiently similar to civil litigation for the State of South Carolina to raise Eleventh Amendment

immunity as a defense to participation in a proceeding seeking damages and injunctive relief against the South Carolina State Ports Authority. *See Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 757–58, 765–66 (2002) (“*FMC*”). Applying *FMC*, the Federal Circuit has held that Eleventh Amendment immunity is available in interference proceedings before the Board of Patent Appeals and Interferences (the predecessor of the PTAB) because interferences are sufficiently similar in procedure to civil litigation, i.e., they involve adverse parties, examination and cross-examination by deposition of witnesses, production of documentary evidence, findings by an impartial federal adjudicator, and power to implement the decision. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1381–82 (Fed. Cir. 2007).

Patent Owner asserts that *inter partes* reviews are sufficiently similar in procedure to interferences and other adjudicatory proceedings such that Eleventh Amendment immunity is available as a defense in both types of proceedings. *See* Mot. 3–8. We agree with Patent Owner. In keeping with *Vas-Cath*, we determine that *inter partes* reviews, like interferences, are similar to court proceedings inasmuch as they involve adverse parties, examination of witnesses, cross-examination by deposition, findings by an impartial adjudicator, power to implement the adjudicator’s decision, the ability of the adjudicator to set a time for filing motions and for discovery, and application of the Federal Rules of Evidence. *See generally NeoChord*, slip op. at 6–7 (Paper 28). Patent Owner, therefore, is entitled to rely on its

Eleventh Amendment immunity in *inter partes* reviews, as appropriate.²
That determination, however, does not end our inquiry in this case.

B. Patent Owner Waived its Eleventh Amendment Immunity

We must now decide whether, and in what circumstances, a State may waive its Eleventh Amendment immunity before us. Previous Board decisions have not involved a State that filed an action in federal court alleging infringement of the same patent being challenged in the petition for an *inter partes* review. Here, Patent Owner has filed such an action, and, accordingly, Petitioner argues that Patent Owner waived its Eleventh Amendment immunity by filing such an action. Opp. 4–12. We agree with Petitioner that the filing of an action in federal court alleging infringement effectively waives Patent Owner’s Eleventh Amendment immunity defense.

A State’s waiver of Eleventh Amendment immunity in one action does not necessarily extend to a separate action, even if the separate action involves the same parties and the same subject matter. *Biomedical Patent Mgmt. Corp. v. Cal., Dep’t of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir.

² As the Supreme Court and my concurring colleague correctly note, in many “significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143 (2016). Indeed, we rely on the differences between court and agency proceedings in reaching our determination that Patent Owner has waived its Eleventh Amendment immunity in this matter. *See infra* at 9–10. We respectfully disagree, nevertheless, that those differences alone provide a sufficient basis to conclude that “Congress had the power to compel States to surrender their sovereign immunity” wholesale in a proceeding that so closely resembles court proceedings. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 635 (1999).

2007) (“*BPMC*”). But there is not “a bright-line rule whereby a State’s waiver of sovereign immunity can never extend to a . . . separate lawsuit.” *Id.* Instead, the rule governing waiver of immunity by litigation conduct rests on the need to avoid unfairness and inconsistency, and to prevent a State from selectively using its immunity to achieve a litigation advantage. *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002); *BPMC*, 505 F.3d at 1340.

The facts presented here are similar to those in *Regents of Univ. of New Mexico v. Knight*, 321 F.3d 1111, 1125–26 (Fed. Cir. 2003) (“*Knight*”), where a State was found to have waived its Eleventh Amendment immunity as to compulsory counterclaims. Specifically, the Federal Circuit explained that “because a state as plaintiff can surely anticipate that a defendant will have to file any compulsory counterclaims or *be forever barred from doing so*, it is not unreasonable to view the state as having consented to such counterclaims.” *Id.* at 1126 (emphasis added). Similarly, a party served with a patent infringement complaint in federal court must request an *inter partes* review of the asserted patent within one year of service of that complaint or *be forever barred from doing so*. See 35 U.S.C. § 315(b). Thus, it is reasonable to view a State that files a patent infringement action as having consented to an *inter partes* review of the asserted patent.³ See *Knight*, 321 F.3d at 1126. That is particularly true where, as here, the State

³ We do not conclude that an *inter partes* review is a compulsory counterclaim under Fed. R. Civ. P. 13(a). Rather, we determine that the rationale given in *Knight*, 321 F.3d at 1126, for holding that a State waived its Eleventh Amendment immunity as to a compulsory counterclaim similarly supports determining that Patent Owner waived its Eleventh Amendment immunity as to this proceeding.

filed its patent infringement action well after the AIA was enacted. *See, e.g.*, Mot. 1 (indicating that Patent Owner filed suit on August 25, 2016).

Further, when a State files a patent infringement action in federal court, it is the State's litigation conduct that triggers the one-year statutory bar for an *inter partes* review. *See* 35 U.S.C. § 315(b). It would be unfair and inconsistent to allow a State to avail itself of the federal government's authority by filing a patent infringement action in federal court, but then selectively invoke its sovereign immunity to ensure that a defendant is barred from requesting an *inter partes* review of the asserted patent from a different branch of that same federal government. *See Lapidés*, 535 U.S. at 619–20; *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335, 1341–42 (Fed. Cir. 2006) (emphasizing the need “to look to the substantive charge, not to the procedure for obtaining relief” in order to avoid the “‘seriously unfair results’ [that] could result if a state were permitted to file suit in a federal court and at the same time claim immunity against the defendant's claims arising from the same conduct” (quoting *Knight*, 321 F.3d at 1125)).

In fact, Patent Owner acknowledged as much in its motion to dismiss in *Reactive Surfaces*. IPR2016-01914, Paper 23, 18–20. In that case, Patent Owner addressed a hypothetical (as of the date of this decision) scenario in which a patent assertion entity (“PAE”) assigned ownership of a patent to a State in order to invoke Eleventh Amendment immunity and avoid an *inter partes* review. *Id.* at 18. Patent Owner acknowledged that the State would have to join any infringement action, and that “[b]y voluntarily invoking federal jurisdiction in the infringement litigation, the [S]tate entity could be deemed to have waived its sovereign immunity to the IPR process, which

would deprive the PAE of any litigation advantage it might have hoped for.” *Id.* at 19–20. Patent Owner attempts to distinguish that hypothetical scenario from this case because it involved a State acting together with a PAE. Reply 4. We fail to see, though, how a State selectively asserting its sovereign immunity to achieve a litigation advantage for itself, rather than a PAE, is less unfair to a defendant.

The crux of Patent Owner’s argument in this proceeding is that any waiver of Eleventh Amendment immunity should be limited to the venue where Patent Owner filed its action. Mot. 13–15 (citing *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213, 1219–20 (Fed. Cir. 2010); *Tegic*, 458 F.3d at 1342, 1344–45); Reply 3–4. Although waiver is generally limited in this way in our court system, which is arranged geographically, it is not a bright-line rule. *BPMC*, 505 F.3d at 1339. Indeed, “[a]n animating principle of *Lapides* is that a state should not reap litigation advantages through its selection of a forum and subsequent assertion of sovereign immunity as a defense.” *Bd. of Regents of Univ. of Wis. Sys. v. Phoenix Int’l Software, Inc.*, 653 F.3d 448, 466 (7th Cir. 2011). And the authority on which Patent Owner relies does not address waiver with respect to separate proceedings in a single forum created by Congress, such as the post-issuance review proceedings under the AIA.

In any event, the cases cited by Patent Owner are distinguishable. In those cases, a private party was not permitted to assert claims against a State in a different forum from the one in which the State filed its action. *A123 Sys.*, 626 F.3d at 1219–20; *Tegic*, 458 F.3d at 1342–44. The private party, however, did not suffer any substantial unfairness from that result because the private party could still assert the exact same claims in the forum where

the State filed its action. *A123 Sys.*, 626 F.3d at 1216 (“A123 had an adequate remedy because UT has waived Eleventh Amendment immunity in the Northern District of Texas.”); *Tegic*, 458 F.3d at 1344 (“It has not been shown . . . that the adjudication of Tegic’s claims of noninfringement and invalidity is not available in the Texas action.”).

In contrast, here, Petitioner cannot seek an *inter partes* review in the district court where Patent Owner filed its patent infringement action. We recognize that Petitioner may be able to assert a defense and/or counterclaim challenging the validity of the asserted patent in the district court where Patent Owner filed its action. Reply 4–5. But, even though an *inter partes* review has characteristics that are similar to district court litigation, the proceedings are not the same. See *Cuozzo*, 136 S. Ct. at 2143–44. Therefore, allowing Patent Owner to assert its Eleventh Amendment immunity in this proceeding selectively so as to bar Petitioner, a defendant sued by Patent Owner, from obtaining the benefits of an *inter partes* review of the asserted patent would result in substantial unfairness and inconsistency. See *Lapides*, 535 U.S. at 620.

For the foregoing reasons, we determine that 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.

IV. ORDER

In consideration of the foregoing, it is hereby:

ORDERED that Patent Owner’s Motion to Dismiss is *denied*.

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Administrative Patent Judges.

HARLOW, *Administrative Patent Judge*, concurring.

I write separately to express my view that a state university, having
availed itself of Patent Office procedures to secure patent rights from the
public, may not subsequently invoke sovereign immunity as a shield against
reconsideration by the Patent Office in an *inter partes* review proceeding of

whether the agency improvidently granted a patent monopoly in the first instance.¹

Sovereign immunity has been found to attach to administrative proceedings where those actions resemble civil litigation. *See Fed. Mar. Comm’n v. S.C. State Ports Auth.*, 535 U.S. 743, 753–761 (2002) (“*FMC*”). *Inter partes* review cannot be said, however, to bear the same marks of civil litigation as previously considered administrative matters. Obvious differences exist, for example, between the U.S. Patent and Trademark Office’s review of a patent procured from that agency by a State, and the Federal Maritime Commission’s review of a State’s refusal to berth a cruise ship at port facilities within the sovereign borders of a State that are managed by a State authority. *See FMC*, 535 U.S. at 748–49. The adjudication at issue in *FMC*, after all, implicated a power with unmistakably sovereign characteristics—the ability of a State to control access to its territory.

Far removed from any question of territorial control, *inter partes* review represents no more than the Patent Office’s reconsideration of its initial decision to “take[] from the public rights of immense value, and bestow[] them upon the patentee” in the form of a patent grant. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888). As the Supreme Court has explained, the “basic purpose[]” of *inter partes* review is “to reexamine

¹ I am mindful that resolution of the instant motion requires us to address important constitutional issues that “are unsuited to resolution in administrative hearing procedures,” *Califano v. Sanders*, 430 U.S. 99, 109 (1977), and further highlight that “access to the courts is essential to the decision of such questions.” *Id.*

an earlier agency decision,” and thereby “help[] protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)); see also *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015) (explaining that “patent rights are public rights,” and “their validity [is] susceptible to review by an administrative agency.”). Allowing a State to secure monopoly rights from the Patent Office, while simultaneously foreclosing Patent Office reappraisal of that decision via *inter partes* review, would thwart “the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969).

The essential nature of *inter partes* review as a reevaluation by the Patent Office of its decision to grant a patent, rather than as an administrative analog to civil litigation, is evident from the relief available, which differs both in degree and in kind from that afforded in federal district court. 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; “it does not implicate States’ sovereignty to nearly the same degree as other kinds of jurisdiction.” *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 362 (2006). Such proceedings are authorized solely to address whether the Patent Office should “cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 [of the Patent Act] and only on the basis of prior art consisting of patents or printed publications.” 35 U.S.C. § 311(b). Once *inter partes*

review is commenced, the patent owner may, as a matter of right, “file 1 motion to amend the patent,” 35 U.S.C. § 316(d)—“just what he would do in the examination process.” *Cuozzo*, 136 S. Ct. at 2145 (citing 35 U.S.C. § 316(d) (2012)). No equivalent procedure is available in the federal district courts, which assess the validity only of static patent claims.

The ultimate remedy available from *inter partes* review likewise mirrors the patent examination process more closely than it does federal district court litigation, where a patent monopoly may be enforced through charges of patent infringement. Without resort to the damages or injunctive relief that may be awarded when infringement is proved in federal court, the lone remedy issuable by the Patent Office in an *inter partes* review proceeding is the publication, by the Director, of a certificate canceling, confirming, or amending the challenged claims. 35 U.S.C. § 318(b). In addition, the freedom of the Director to “stay, transfer, consolidat[e], terminat[e],” or otherwise determine how either matter should proceed when a patent is concurrently subject to an *inter partes* review and another action in the Office, 35 U.S.C. § 315(d), further differentiates *inter partes* review from civil litigation.

Inter partes review does not seek to resolve relationships between parties, or even require that the petitioner have Article III standing to proceed. See 35 U.S.C. § 311(a). Indeed, notwithstanding the absence of an existing legal dispute concerning the patent-in-question, so long as a prospective petitioner “is not the owner of [that] patent,” that party is eligible, subject to additional statutory provisions, to file a petition for *inter partes* review. 35 U.S.C. § 311(a). Consistent with this focus on the patent, rather than on the parties, participation by the parties subsequent to

institution is not required for an *inter partes* review to go forward.

35 U.S.C. § 317(a) (“If no petitioner remains in the *inter partes* review, the Office may terminate the review or proceed to a final written decision under section 318(a).”). Even in the event of settlement between the parties, the Board remains free to “independently determine any question of jurisdiction, patentability, or Office practice.” 37 C.F.R. § 42.74(a). Similarly, the Patent Office “may intervene in a later judicial proceeding” to defend its cancellation of an improperly granted patent, “even if the private challengers drop out.” *Cuozzo*, 136 S. Ct. at 2144 (emphasis omitted); see 35 U.S.C. § 143.

Indeed, the Supreme Court has emphasized these aspects of *inter partes* review in its recognition that in “significant respects, *inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo*, 136 S. Ct. at 2143; see also *Achates Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652, 657–58 (Fed. Cir. 2015) (holding that procedural limits placed on when certain parties must file for review do not relate to the Board’s ultimate authority to invalidate a patent); 35 U.S.C. § 303(a) (“On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302.”).

To my eye, therefore, far from implicating the sovereignty or dignity of the states, *inter partes* review simply provides a streamlined, specialized mechanism by which the Patent Office may reconsider a patent grant and correct any mistake. Accordingly, because *inter partes* review neither “walks, talks, [nor] squawks” like a lawsuit, *FMC*, 535 U.S. at 757 (internal

quotation omitted), I conclude that sovereign immunity does not bar the Patent Office from conducting *inter partes* review of a patent owned by a state university. Thus, while I agree with my colleagues that Patent Owner's Motion to Dismiss should be denied, I reach that conclusion for markedly different reasons.

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Patent 5,859,601

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