

No. 18-899

In the Supreme Court of the United States

SAINT REGIS MOHAWK TRIBE AND ALLERGAN, INC.,
Petitioners,

v.

MYLAN PHARMACEUTICALS INC., TEVA
PHARMACEUTICALS USA, INC., AND AKORN, INC.,
Respondents.

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

BRIEF FOR THE RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

The Patent Trial and Appeal Board of the Patent and Trademark Office instituted *inter partes* review of patents owned by Petitioner Allergan, Inc. Shortly before the final hearing, Allergan paid Petitioner Saint Regis Mohawk Tribe millions of dollars to take nominal title to the patents and assert sovereign immunity as a defense to any PTO review of patentability. At the same time, Allergan obtained from the Tribe an exclusive license to exploit the patents—a license that was “effectively co-extensive with the scope of the claimed inventions.” Pet. App. 57a. The Tribe then moved to terminate the proceedings for lack of jurisdiction based on tribal sovereign immunity.

The Board denied the Tribe’s motion for three independent reasons, holding that (a) tribal sovereign immunity cannot prevent the PTO from reassessing patentability through procedures established by Congress; (b) even if tribal sovereign immunity applied in *inter partes* reviews in general, it would not apply here because Allergan retained all substantial rights in and thus remained the owner of the patents; and (c) the Tribe was not in any event an indispensable party because Allergan retained control of the defense and would adequately represent the Tribe’s interests. The Federal Circuit affirmed on the first ground and did not reach the others.

The question presented is:

May an Indian tribe that claims to acquire ownership of a patent assert tribal sovereign immunity in an *inter partes* review to prevent the PTO from completing its reconsideration of patentability?

RULE 29.6 STATEMENT

Respondent Mylan Pharmaceuticals Inc. is wholly owned by Mylan Inc., which is indirectly wholly owned by Mylan N.V., a publicly held company.

The following entities are parent corporations or publicly held companies that own 10% or more of the stock of Respondent Teva Pharmaceuticals USA, Inc.: Teva Pharmaceuticals Holdings Coöperatieve U.A; IVAX LLC; Orvet UK; Teva Pharmaceuticals Europe B.V.; and Teva Pharmaceutical Industries Ltd.

Respondent Akorn, Inc. has no parent corporations, and no publicly held companies own 10% or more of its stock.

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Allergan	Petitioner Allergan, Inc.
C.A.J.A.	court of appeals joint appendix
Director	the Director of the United States Patent and Trademark Office
the district court	the district court that presided over Allergan's parallel patent-infringement litigation, No. 2:15-cv-1455-WCB (E.D. Tex.) (William C. Bryson, Circuit Judge, sitting by designation)
FMC	Federal Maritime Commission
IPR	<i>inter partes</i> review
Pet.	the petition for a writ of certiorari
Pet. App.	appendix to the petition
Petitioners	the Saint Regis Mohawk Tribe and Allergan, Inc. collectively
PTAB	Patent Trial and Appeal Board
PTO	United States Patent and Trademark Office
Respondents	Mylan Pharmaceuticals Inc., Teva Pharmaceuticals USA, Inc., and Akorn, Inc., collectively
Supp. App.	supplemental appendix, <i>post</i>
the Tribe	the Saint Regis Mohawk Tribe

BRIEF FOR THE RESPONDENTS IN OPPOSITION

INTRODUCTION

The Federal Circuit correctly concluded that an Indian tribe’s assertion of sovereign immunity cannot prevent the PTO from reconsidering the validity of PTO-issued patent claims in an *inter partes* review (IPR). Petitioners offer no reason why that decision warrants this Court’s review. The Federal Circuit’s decision was consistent with this Court’s jurisprudence. There are no circuit splits. And contrary to Petitioners’ assertion, the Federal Circuit expressly did not decide—and this case thus does not present—the question whether state or federal entities may invoke sovereign immunity in IPRs.

Moreover, even if the applicability of tribal sovereign immunity in IPRs were an issue worthy of this Court’s review, this case would be an exceptionally poor vehicle for deciding it. What Petitioners delicately call their “business arrangement” (Pet. 9) was a cash-for-immunity deal in which Allergan paid the Saint Regis Mohawk Tribe to take nominal title to the patents and grant an exclusive license back to Allergan, leaving Allergan with all substantial rights in the patents and 99% of the revenue. This case is not a “clean[.]” vehicle for considering the question presented, as Petitioners claim (Pet. 35), but a deeply tainted one.

Indeed, the myriad problems with Petitioners’ “business arrangement” mean that this Court’s intervention would make no difference to the outcome. The PTAB correctly held that even if tribal

sovereign immunity applied in IPRs generally, it would not bar IPR here because Allergan, not the Tribe, is the true owner of the patents. Pet. App. 47a-65a. As the PTAB found, Allergan's rights are "effectively co-extensive with the scope of the claimed inventions." *Id.* at 57a. The Tribe simply receives fixed royalty payments in exchange for allowing Allergan to shield its patent monopoly behind the Tribe's claim to sovereign immunity. The PTAB also properly determined that the Tribe is not indispensable to the proceedings, given its close alignment with Allergan on the merits and its contractual assignment to Allergan of the right to control the defense of the IPRs. *Id.* at 65a-70a.

Thus, even if the availability of tribal sovereign immunity in IPRs warranted this Court's attention, this is not the case in which to decide the issue. The Court should wait for a case in which the patents at issue are actually owned by a tribe, instead of by a private pharmaceutical company that has attempted to misappropriate tribal sovereign immunity to evade its obligations under federal law and preserve its patent monopoly.

STATEMENT

A. The IPRs and Allergan's assignment of nominal patent ownership to the Tribe

The PTO issued patents to Allergan that cover Restasis[®], a cyclosporine formulation marketed by Allergan for alleviating symptoms of "dry-eye." Respondents filed Abbreviated New Drug Applications with the Food and Drug Administration seeking approval to market generic versions of the drug. Allergan then sued Respondents in the

District Court for the Eastern District of Texas alleging patent infringement under the Hatch-Waxman Act.

In addition to defending the lawsuit, Respondents filed IPR petitions asserting that claims of six Allergan patents should be canceled because they were obvious over prior art. The PTAB instituted review, and the IPRs proceeded normally for nine months. Pet. App. 5a, 30a. At that point, Allergan recognized that its patents were in trouble and that it faced the prospect of losing exclusivity over a drug that had generated over \$1 billion in annual revenue. C.A.J.A. 1938, 2191.

A week before the final hearing, Allergan tried to derail the IPRs by paying the Tribe to take nominal title to the Restasis patents in exchange for the Tribe's agreement to assert sovereign immunity. Pet. App. 5a, 30a-31a. Allergan did so even though neither the Tribe nor any tribal entity or member had had anything to do with the conception, discovery, development, licensing, or marketing of Restasis.

This "business arrangement" (Pet. 9) had two components. First, Allergan assigned the patents to the Tribe, for no consideration other than the Tribe's promise not to waive sovereign immunity in the IPR proceedings or on appeal. C.A.J.A. 2565 § 12(i); *see also* C.A.J.A. 2597 § 10.8.9. The Tribe did "not invest[] any money" in the venture, has not paid for any PTAB or litigation expenses, and faces no downside risk. C.A.J.A. 1910-1911. Second, the Tribe simultaneously granted back to Allergan an "irrevocable, perpetual, transferable and exclusive" license under the patents "for all FDA-

approved uses in the United States.” C.A.J.A. 2578-2579 § 2.1. In exchange for this license, Allergan paid the Tribe \$13.75 million up-front and promised ongoing royalties of \$3.75 million per quarter. C.A.J.A. 2579-2580 §§ 4.1, 4.2; C.A.J.A. 2597 § 10.8.9; C.A.J.A. 2565 § 12(i).

Allergan structured the license so that the Tribe “owns” the patents in name only: Allergan continues to exercise all practical control over the patent rights and continues to receive the vast bulk (99%) of the revenue from sales of Restasis. Pet. App. 47a-65a. Allergan retains, among other things, the sole right to practice the patents for purposes of marketing Restasis products, the right to make all regulatory and litigation decisions about the patents, the right to control sublicenses, and the right to receive proceeds from litigation and licensing activities. C.A.J.A. 2575-2576, 2578-2579, 2581-2584, 2594, 2603 §§ 1.19, 1.31, 1.33, 2.1, 2.3, 3.1, 5.1.1, 5.2.2, 5.2.5, 5.3, 10.4 & Schedule 1.31. Allergan’s rights are “perpetual” and “irrevocable,” and the license will remain “in force either until the challenged patents expire or all the claims are rendered invalid in a non-appealable final judgment.” Pet. App. 61a.¹

¹ Petitioners claim the Tribe retains the right to practice the patents “in all other fields of use outside the Allergan license,” to enforce them “with respect to any infringement outside of Allergan’s field-of-use,” and to sue third parties in Allergan’s field-of-use “if Allergan declines to do so.” Pet. 8-9. The PTAB found, however, that Allergan’s exclusive license “effectively limits the Tribe’s ability to license *any* product that treats dry eye disease,” and that there are not “any commercially relevant ways to practice the challenged

Petitioners' declared goal was to block the IPRs and prevent the PTAB from deciding that the claims are unpatentable. Allergan touted its strategy as "creat[ing] a playbook ... both for us and for others" to avoid IPRs. C.A.J.A. 1956. The Tribe, in turn, invited other patent owners "to pay [it] for holding [their] patents and protecting them" from exposure to IPRs. C.A.J.A. 1910. The Tribe characterized its sovereign immunity as an "arbitrage opportunity" because "there's a huge value difference between patents which can be subject to IPRs and patents that are not." C.A.J.A. 1914, 1921.

B. The district court's conclusion that all patent claims asserted in the litigation are invalid for obviousness

After Allergan and the Tribe entered into their arrangement, Allergan moved in the district court to join the Tribe as an additional plaintiff. The Tribe conceded that asserting infringement in the district court waived any claims of sovereign immunity to Respondents' invalidity counterclaims in that litigation. The Tribe made clear, however, that it nevertheless intended to assert sovereign immunity in any review by the PTAB.

The district court (Circuit Judge Bryson, sitting by designation) described Petitioners' arrangement as a scheme "to avoid the IPR proceedings that are currently pending in the PTO by invoking the Tribe's sovereign immunity as a bar to those proceedings." Supp. App. 5a. "If that ploy succeeds," the court observed, "any patentee facing

patents ... outside the scope of the exclusive rights granted to Allergan." Pet. App. 54a, 57a.

IPR proceedings would presumably be able to defeat those proceedings by employing the same artifice.” *Id.* at 5a. The court also expressed “serious reservations about whether the contract between Allergan and the Tribe should be recognized as valid, rather than being held void as being contrary to public policy.” *Id.* at 6a (citing Restatement (Second) of Contracts §§ 178-179, 186 (1981)).

The district court also doubted whether the Tribe held any true ownership interest in the patents, noting that although “[s]ome provisions” of the agreement appeared to transfer nominal ownership rights, it was “questionable whether those rights have any practical value.” *Id.* at 9a. “There is no doubt,” the court continued, “that at least with respect to the patent rights that protect Res-tasis 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.” *Id.*

The district court nevertheless concluded that it did not need to decide the legality of Petitioners’ enterprise because the Tribe was voluntarily joining the litigation as a plaintiff and waiving any claims of sovereign immunity from the invalidity counterclaims. The better course, the court concluded, was to add the Tribe to ensure that it would be fully bound by the court’s resolution of Allergan’s infringement claims and the defendants’ invalidity counterclaims. *Id.* at 11a-13a.

On the merits, the district court found that representative claims of all four patents still asserted by Petitioners are invalid for obviousness.

Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-1455-WCB, 2017 WL 4803941 (E.D. Tex. Oct. 16, 2017).

C. The PTAB’s rejection of the Tribe’s sovereign-immunity assertion

Meanwhile, at the PTO, the Tribe moved to terminate the long-pending IPR proceedings based on its sovereign immunity. Allergan later moved to withdraw from the IPRs on the ground that it no longer owned the patents. The PTAB denied both motions. Pet. App. 29a-80a. It denied the Tribe’s motion to terminate on three independent grounds.

First, while acknowledging previous PTAB rulings deciding to terminate or not institute certain IPRs in view of a State’s Eleventh Amendment immunity, the PTAB concluded that tribal sovereign immunity did not require termination of the IPRs. *Id.* at 39a-47a. The PTAB noted that the Eleventh Amendment does not extend to Indian tribes, which are subject to comprehensive federal regulatory schemes, and that “Indian tribes have not enjoyed immunity in other types of federal administrative proceedings used to enforce generally applicable federal statutes.” *Id.* at 42a. The PTAB also explained that IPRs do “not adjudicate[e] any claims in which [a party] may seek relief from the Tribe.” *Id.* at 45a. Instead, the PTAB’s authority “is limited to assessing the patentability of the challenged claims.” *Id.*

Second, the PTAB concluded that even if an Indian tribe could assert sovereign immunity in an IPR when it actually owned the challenged patent,

these IPRs should nevertheless continue because Allergan remains the true owner of the Restasis patents. *Id.* at 48a. The PTAB based this determination on a close examination of the license agreement, which it found had “transferred ‘all substantial rights’ in the challenged patents back to Allergan.” *Id.* at 47a-65a.

Third, the PTAB determined that the IPRs could continue without the Tribe’s participation because the Tribe was not an indispensable party and Allergan could sufficiently represent the Tribe’s interests. *Id.* at 65a-70a. The PTAB found “particularly relevant” the Tribe’s contractual agreement with Allergan that “Allergan shall retain control of the defense” of the patents in the IPRs, related litigation, and all appeals, with the Tribe limited to assisting as instructed by Allergan. *Id.* at 63a. The PTAB concluded that the Tribe could not claim to be indispensable when, by contract, Allergan “retained the primary right to defend the challenged patents in these proceedings.” *Id.*

D. The Federal Circuit’s affirmance of the PTAB’s ruling

Allergan and the Tribe sought interlocutory review of the PTAB’s decision. The Federal Circuit stayed the IPR proceedings pending appeal, but a unanimous panel ultimately affirmed the PTAB’s ruling that tribal sovereign immunity cannot prevent the PTO from conducting an IPR. Pet. App. 1a-28a.

Judge Moore’s opinion for the court recognized that IPR “is a ‘hybrid proceeding’ with

‘adjudicatory characteristics’ similar to court proceedings, but [that] in other respects it ‘is less like a judicial proceeding and more like a specialized agency proceeding.’” Pet. App. 8a (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143-44 (2016)). “Ultimately, several factors convince[d the court] that IPR is more like an agency enforcement action than a civil suit brought by a private party” and hence that “tribal immunity is not implicated.” *Id.* at 9a. The panel pointed to the PTO Director’s unreviewable discretion whether to institute review; the PTAB’s authority to determine patentability even in the absence of one or both parties; the substantial procedural differences between IPR proceedings and civil litigation; and Petitioners’ concession that tribal sovereign immunity does *not* bar the functionally and procedurally similar reconsideration mechanisms of *ex parte* and *inter partes* reexamination. *Id.* at 9a-13a.

Given its affirmance of the PTAB’s first ground for decision, the court did not reach the other two grounds. *Id.* at 13a. The court also made clear that it was “only deciding whether tribal immunity applies in IPRs” and “[e]ft for another day the question of” state sovereign immunity. *Id.*

In a concurring opinion, Judge Dyk emphasized that the history of IPRs and their evolution from *ex parte* and *inter partes* reexamination proceedings confirmed that IPRs are “fundamentally agency reconsiderations of the original patent grant ... to which sovereign immunity does not apply.” *Id.* at 15a-28a. He explained that IPR “is not fundamentally different from [the earlier] reexamination procedures”; that it “shares many of the same

procedural features and is designed to address the same problems”; and that “like the reexaminations from which it descends, it is fundamentally agency reconsideration, assisted by third parties, rather than agency adjudication of a private dispute.” *Id.* at 17a; *see also id.* at 28a.

Allergan and the Tribe petitioned for rehearing en banc, but the Federal Circuit denied that petition without dissent. Pet. App. 84a-86a. The Federal Circuit also denied Petitioners’ motion to stay its mandate without dissent. Pet. App. 87a-88a. The case thus returned to the PTAB for a determination on the merits.

E. The Federal Circuit’s affirmance of the district court’s judgment of invalidity

Shortly after the Federal Circuit’s mandate in this case issued, the court of appeals heard oral argument in Petitioners’ appeal from the district court’s judgment that the claims asserted there are invalid for obviousness. A unanimous panel affirmed that judgment. Pet. App. 89a-91a. A petition for rehearing en banc is pending.

At this point, all representative claims of all four patents at issue in the district-court litigation have been declared invalid. This case is not moot, however, because Petitioners’ time for petitioning for certiorari in the district-court case has not expired. Moreover, Allergan and the Tribe have argued in the IPR proceedings that the district court’s judgment does not render invalid all claims of all six patents challenged in the IPRs. The PTAB is now considering the merits of the IPRs.

REASONS FOR DENYING THE PETITION

The petition should be denied because Petitioners' arguments for certiorari are mistaken at every turn. *First*, the Federal Circuit's decision faithfully applies this Court's jurisprudence involving both IPRs and sovereign immunity. *Second*, contrary to Petitioners' arguments, the Federal Circuit's decision is consistent with this Court's decisions in *SAS*, *Alden*, and *FMC*, and there is no conflict among the circuits on any relevant issue. *Third*, the Federal Circuit's decision does not, as Petitioners contend, necessarily implicate the sovereign immunity of the several States or the United States; the court of appeals expressly restricted its decision to tribal sovereign immunity. *Finally*, even if the question Petitioners presented otherwise warranted review, this case would be a poor vehicle to decide it.

A. The Federal Circuit correctly followed this Court's precedent in holding that tribal sovereign immunity cannot prevent a federal agency from reconsidering its own grant of public rights.

Sovereign immunity rests on the principle that “[i]t is inherent in the nature of sovereignty not to be amenable to the suit of an individual without [the sovereign’s] consent.” *Alden v. Maine*, 527 U.S. 706, 716 (1999) (emphasis and citation omitted). The Federal Circuit correctly recognized that an IPR is not “the suit of an individual” against a patent holder, but instead a mechanism by which a federal agency reconsiders its own grant of a public franchise. Pet. App. 8a-13a. Simply put, tribal sovereign immunity cannot bar IPRs because

reconsideration of patentability is an action by an agency of a “superior sovereign,” the federal government. *Id.* at 13a; *see also id.* at 16a & n.1 (Dyk, J., concurring).

As the Federal Circuit explained, tribal sovereign immunity generally “does not apply where the federal government acting through an agency engages in an investigative action or pursues an adjudicatory agency action.” *Id.* at 6a (citing authorities). Although IPRs have some “‘adjudicatory characteristics’ similar to court proceedings,” *id.* at 8a, at their core they are agency proceedings in which “the USPTO is acting as the United States in its role as a superior sovereign to reconsider [its] prior administrative grant and protect the public interest in keeping patent monopolies ‘within their legitimate scope.’” *Id.* at 13a (quoting *Cuozzo*, 136 S. Ct. at 2144).

1. Petitioners rely heavily on *Federal Maritime Commission v. South Carolina State Ports Authority*, 535 U.S. 743 (2002), but that case supports the Federal Circuit’s decision. In *FMC*, this Court set forth the legal test to determine whether *state* sovereign immunity applies in a given federal agency proceeding: whether the proceeding is “the type of proceeding[] from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.” *Id.* at 756. Even if *FMC*’s standard applied here—as explained below, there are multiple reasons to treat tribal sovereign immunity differently—it would compel the conclusion that tribal sovereign immunity does not apply in IPRs.

FMC involved an agency adjudicatory proceeding in which a private claimant was seeking monetary “reparations” and a cease-and-desist order against a state agency. *Id.* at 748-49. This Court held that state sovereign immunity barred the suit, relying primarily on the fact that “the similarities between FMC proceedings and civil litigation are overwhelming.” *Id.* at 759. “[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,” the Court explained, “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.” *Id.* at 760.

The situation here is very different. An IPR does not require a sovereign entity to defend itself against the claims of a private individual. The subject of an IPR is a *patent*, which is “the grant of a public franchise,” a right that “did not exist at common law” and “a ‘creature of statute law.’” *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365, 1373-74 (2018) (citations omitted). An IPR is merely a “reconsideration of the Government’s decision to grant [that] public franchise.” *Id.* at 1373. It is *not* the equivalent of a private-party lawsuit and instead is more akin to the historical practice of “cancellation” of a patent “in [an] executive proceeding.” *Id.* at 1377. Thus, “[a]lthough inter partes review includes some of the features of adversarial litigation, it ... remains a matter involving public rights, one ‘between the government and others ...’” *Id.* at 1378 (citation omitted); *contra* Pet. 31 (incorrectly asserting that *Oil States* did not say that IPR is a matter arising

between the government and a patent owner). Under *FMC*'s analysis, sovereign immunity should not apply in IPRs.²

The Tribe objects to “being subject to the PTAB’s jurisdiction.” Pet. 35. But an IPR “does not involve exercise of personal jurisdiction over the patent holder” by the PTO, and “[t]he only possible adverse outcome is the cancelation of erroneously granted claims.” Pet. App. 27a-28a (Dyk, J., concurring). As the PTAB emphasized, the agency is “not adjudicating any claims in which [Respondents] may seek relief from the Tribe,” and the PTAB can “neither restrain the Tribe from acting nor compel it to act in any manner based on [the PTAB’s] final decisions.” *Id.* at 45a. The issue is not potential “monetary damages or an injunction as a ‘remedy’” against any patent owner because the PTAB’s authority “is limited to assessing the patentability of the challenged claims.” *Id.*

Contrary to Petitioners’ argument, Pet. 4-6, the Federal Circuit did not err in concluding that IPR is a “hybrid proceeding” that combines elements of private adjudication with elements of agency reconsideration of prior action involving public rights. Quoting extensively from *SAS Institute*,

² Petitioners contend this Court held in *FMC* that “sovereign immunity applies in administrative adjudications between private parties, even when the proceedings concern ‘public rights.’” Pet. 2. This Court held no such thing. The Court did not refer to “public rights” in *FMC*, and, as noted above, *FMC* involved an entirely different type of adjudicatory proceeding in which a private claimant was seeking monetary “reparations” and a cease-and-desist order against a state agency. 535 U.S. at 748-49.

Inc. v. Iancu, 138 S. Ct. 1348 (2018), Petitioners focus solely on the “adjudicative” side of the coin while ignoring the “public rights” side. They then argue that “[n]either *SAS* nor *Oil States* referred to IPRs as a ‘hybrid proceeding.’” Pet. 14. But in *Cuozzo* this Court characterized IPR in exactly those terms: “Congress designed a hybrid proceeding” that is “like a judicial proceeding” in many respects but “in other significant respects ... is less like a judicial proceeding and more like a specialized agency proceeding” in which the PTO reconsiders its own “earlier administrative grant of a patent.” 136 S. Ct. at 2143-44. *Cuozzo* acknowledged the “adjudicatory characteristics” of IPR: “an opposing party can trigger inter partes review”; engage in discovery, including depositions; present evidence and expert opinions; and participate in briefing and oral argument. *Id.* at 2143. Nevertheless, this Court concluded that although IPRs are “*similar* to court proceedings” in some ways, they serve a fundamentally different purpose and are “more like a specialized agency proceeding.” *Id.* (emphasis added).

Petitioners also pay insufficient attention to the evolution of the PTO’s post-issuance proceedings to review patent validity. Petitioners conceded below that tribal sovereign immunity would *not* apply to IPR’s two statutory predecessors, *ex parte* and *inter partes* reexamination. Pet. App. 12a, 17a (Dyk, J., concurring). But as Judge Dyk explained, IPR “is not fundamentally different” and “shares many of the same procedural features.” *Id.* at 17a.

In particular, IPRs and *inter partes* reexamination are both *inter partes*. Both are initiated by a

“party” filing a request with the PTO to reconsider whether a patent should have issued over certain prior art. Neither moves forward without the PTO’s unreviewable decision, in its sole discretion, to reconsider its own patent grant. The party challenging the patent may participate in both types of proceedings and respond to the patent owner’s filings, and it bears the burden of proving unpatentability and risks being estopped from raising certain arguments in subsequent litigation. *See id.* at 23a-27a (Dyk, J., concurring); 35 U.S.C. §§ 311-318 (2006 ed.); 37 C.F.R. §§ 1.903-1.959 (*inter partes* reexamination rules).

To be sure, Congress adopted additional “adjudicatory” features in creating IPR, such as limited opportunities for discovery as well as a “hearing” (oral argument) after the close of written submissions. Pet. App. 25a (Dyk, J. concurring). But “like the reexaminations from which it descends,” IPR remains “fundamentally agency reconsideration, assisted by third parties, rather than agency adjudication of a private dispute.” *Id.* at 17a. As the Federal Circuit held, IPR remains an agency error-correction mechanism in which “the USPTO is acting as the United States in its role as a superior sovereign to reconsider [its] prior administrative grant” of a “patent monopol[y].” *Id.* at 13a. It is thus not the sort of proceeding in which sovereign immunity is applicable.

2. Moreover, even if *state* sovereign immunity applied in IPRs under the standard articulated in *FMC*, the same conclusion would not follow for *tribal* sovereign immunity.

This Court repeatedly has emphasized that “the immunity possessed by Indian Tribes is not coextensive with that of the States.” *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998). Rules of state sovereignty “provide a helpful point of reference” in tribal sovereignty cases, but they “do not dictate a result.” *City of Sherrill v. Oneida Indian Nation of N.Y.*, 544 U.S. 197, 218 (2005). That is because tribal sovereign immunity is narrower than, “not congruent with,” state sovereign immunity. *Three Affiliated Tribes of the Fort Berthold Reservation v. Wold Eng’g, P.C.*, 476 U.S. 877, 890-91 (1986).

State sovereign immunity is anchored in the Eleventh Amendment, “a specific [constitutional] text with a history that focuses upon the State’s sovereignty vis-à-vis the Federal Government.” *Lapides v. Bd. of Regents*, 535 U.S. 613, 623 (2002). State sovereign immunity is thus part of “[t]he constitutionally mandated balance of power between the States and the Federal Government.” *FMC*, 535 U.S. at 769 (alterations and citation omitted). But whereas “[t]he Constitution specifically recognizes the States as sovereign entities,” tribes were not parties to the Constitutional Convention, and the Constitution does not guarantee their reserved sovereignty. *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 71 n.15 (1996). Instead, “tribes are subject to plenary control by Congress,” which can modify or even abolish tribal sovereignty and sovereign immunity as it sees fit. *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. 782, 788-89 (2014); *United States v. Wheeler*, 435 U.S. 313, 323 (1978) (tribal sovereignty “exists only at the sufferance of Congress and is subject to complete defeasance”).

The limited immunity that tribes enjoy “does not extend to preventing the federal government from exercising its superior sovereign powers.” *United States v. Yakima Tribal Ct.*, 806 F.2d 853, 861 (9th Cir. 1986) (citation omitted); *see also United States v. Red Lake Band of Chippewa Indians*, 827 F.2d 380, 382 (8th Cir. 1987). Thus, federal agencies may apply and enforce generally applicable federal statutes to tribes and tribal entities, including through licensing and enforcement proceedings, even if the applicable laws do not expressly mention tribes. *Pauma v. NLRB*, 888 F.3d 1066, 1076-79 (9th Cir. 2018) (enforcement of federal labor laws); *NLRB v. Little River Band of Ottawa Indians Tribal Gov’t*, 788 F.3d 537, 555 (6th Cir. 2015) (same); *Menominee Tribal Enters. v. Solis*, 601 F.3d 669, 670-71 (7th Cir. 2010) (enforcement of OSHA); *see generally Fed. Power Comm’n v. Tuscarora Indian Nation*, 362 U.S. 99, 116 (1960) (“a general statute in terms applying to all persons includes Indians and their property interests”).

IPRs are actions of a federal agency carrying out generally applicable federal law. Accordingly, they are not barred by tribal sovereign immunity. Just like a private patent owner, an Indian tribe that owns a patent is subject to the system of administrative reconsideration of federal patent rights established by Congress. Indeed, that is part of the statutory bargain: one takes a patent “subject to the conditions and requirements of” the patent laws. 35 U.S.C. § 101.

B. The Federal Circuit’s decision does not conflict with *SAS*, *Alden*, or *FMC*, or any appellate decision citing them.

Petitioners argue that the Federal Circuit’s decision conflicts with *SAS*, *Alden*, and *FMC*. Petitioners also claim the decision conflicts with other circuits’ applications of *Alden* and *FMC*. But the Federal Circuit’s decision is fully consistent with all these precedents.

1. The Federal Circuit’s decision is consistent with *SAS*, and Petitioners do not assert any circuit split over *SAS*.

Petitioners argue that the Federal Circuit’s holding rests on reasoning “that this Court squarely rejected in *SAS*.” Pet. 15. On the contrary, the panel and concurring opinions carefully considered *SAS* and recognized that *SAS* must be read in conjunction with *Oil States*, which was decided the same day. Pet. App. 8a-9a; *id.* at 26a-27a (Dyk, J., concurring).

Oil States addressed the essential character and constitutionality of IPRs. Petitioners discuss *SAS* as if it addressed the sovereign-immunity question, but *SAS* had nothing to do with sovereign immunity. Instead, *SAS* focused on a specific, narrow question of statutory construction: the meaning of 35 U.S.C. § 318(a), which provides that when an IPR has been instituted, the PTAB “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” *SAS* held that although the PTO has complete discretion *whether* to institute IPR,

Section 318(a) requires it to address *each* challenged claim if it chooses to institute review. 138 S. Ct. at 1354-57.

That requirement does not undermine the holdings in *Oil States* and *Cuozzo*, which recognized that IPRs differ fundamentally from lawsuits between private parties. The Federal Circuit correctly concluded that although the PTO Director's discretion in *how* to conduct an IPR is constrained by statute, the Director has sole, unreviewable authority *whether* to conduct an IPR, a "decision [that] embraces the entirety of the proceeding." Pet. App. 9a. And "if IPR proceeds on patents owned by a tribe, it is because a politically accountable, federal official has authorized the institution of that proceeding." *Id.* at 9a-10a.

SAS did emphasize the adversarial characteristics of IPRs, and Petitioners rely heavily on this language. But *Oil States* made clear that IPRs are *not* equivalent to common-law suits between private parties even though they borrow "court-like procedures" and "use terms typically associated with courts." 138 S. Ct. at 1378; *see also Cuozzo*, 136 S. Ct. at 2143 (rejecting argument that given their many "adjudicatory characteristics," IPRs are "a 'surrogate for court proceedings'") (citations omitted). Despite borrowing from the adversarial model, an IPR of a federal patent "remains a matter involving public rights, one 'between the government and others,'" not a determination of one party's liability to another. *Oil States*, 138 S. Ct. at 1378 (citations omitted).

As the Federal Circuit observed, the differences between IPRs and civil litigation are "substantial,"

and “[a]n IPR hearing is nothing like a district court patent trial.” Pet. App. 11a-12a. For example, IPR procedures “limit discovery, typically preclude live testimony in oral hearings, and do not mirror the Federal Rules of Civil Procedure.” *Id.* at 27a (Dyk, J., concurring). “Very seldom do IPR proceedings have the hallmarks of what is typically thought of as a trial.” *Ultratec, Inc. v. CaptionCall, LLC*, 872 F.3d 1267, 1270 n.2 (Fed. Cir. 2017).

Indeed, IPRs do not even require the presence of adverse parties. As this Court observed in *Cuozzo*, “challengers need not remain in the proceeding; rather, the Patent Office may continue to conduct an inter partes review even after the adverse party has settled.” 136 S. Ct. at 2144 (citing 35 U.S.C. § 317(a)). The Director may also defend the PTAB’s decision on appeal “even if the private challengers drop out.” *Id.* Likewise, the PTAB may proceed with IPR “even in the absence of patent owner participation.” Pet. App. 11a; *see also id.* at 13a (emphasizing “the Board’s authority to proceed in the absence of the parties”); *id.* at 27a (Dyk, J., concurring) (IPR “does not involve exercise of personal jurisdiction over the patent holder”); *id.* at 45a-46a (PTAB decision stressing that “a patent owner’s participation is not required” and that IPRs have proceeded where the owner “has chosen not to participate”).

SAS held only that Section 318 requires the PTO to address all challenged claims if it decides to institute an IPR. *SAS* neither held nor suggested that IPR proceedings are so like civil lawsuits that sovereign immunity (tribal or otherwise) should operate as a bar to them. The decision

below does not conflict with *SAS*, and Petitioners do not suggest that it conflicts with any other court of appeals decisions applying *SAS*.

2. The Federal Circuit’s decision is consistent with *Alden*, and there is no circuit split over *Alden*.

Petitioners’ allegation of a conflict with *Alden* is equally misguided.

Alden explained that state sovereign immunity does not apply to “[s]uits brought by the United States itself” and noted that such suits “require the exercise of political responsibility for each suit prosecuted against a State, a control which is absent from a broad delegation to private persons to sue nonconsenting States.” 527 U.S. at 756. The Federal Circuit correctly concluded that an IPR is “more like” a proceeding brought by the United States than a private “suit” because “although the Director’s discretion in how he conducts IPR is significantly constrained, he possesses broad discretion in deciding whether to institute review.” Pet. App. 9a. That decision “embraces the entirety of the proceeding” and is made solely by “the Director, the politically appointed executive branch official,” rather than a private party. *Id.* at 9a-10a.

Petitioners claim the Federal Circuit erred in relying on *Alden* because the “Director has delegated to the PTAB responsibility to make institution decisions, and thus plays no role (and exercises no political accountability) in deciding which cases to institute.” Pet. 18 (citations omitted). But that is not how things work in the Executive Branch. From the President on down, federal

officials routinely delegate authority to subordinates, but that does not eliminate their oversight duties under the Take Care Clause of Article II, Section 3, nor does it diminish their political accountability for any errors or overreaching by those subordinates. *See, e.g., Free Enter. Fund v. Pub. Co. Accounting Oversight Bd.*, 561 U.S. 477, 496-97 (2010); *SEC v. FLRA*, 568 F.3d 990, 997 (D.C. Cir. 2009) (Kavanaugh, J., concurring) (executive agencies are “subordinate parts of a single organization headed by one CEO”). As Justice Gorsuch emphasized last Term, the PTO Director *is* “politically accountable”: he is “a political appointee who serves at the pleasure of the President,” “supervises and pays the Board members responsible for deciding patent disputes,” and has a variety of “statutory powers to secure the ‘policy judgments’ he seeks.” *Oil States*, 138 S. Ct. at 1380-81 (Gorsuch, J., dissenting) (citations omitted).

Petitioners argue that in other IPRs the PTAB “has asserted jurisdiction prior to institution to order discovery, sanction parties, and decide motions.” Pet. 21. They claim this undermines the view that IPRs proceed only after the PTO has made a discretionary decision whether to institute review. *Id.* The fact remains, however, that IPRs never proceed to a final written decision unless the Director or his delegee chooses to institute review.

Moreover, the pre-institution papers Petitioners cite (*id.* at 21 n.7) all involved early challenges *by the patent owner* to the petitioner’s identification of the real party in interest. None of those pre-institution inquiries would have occurred if the

patent owner itself had not initiated the pre-institution dispute. As the PTAB and Federal Circuit both emphasized below, a patent owner is never required to participate at the pre-institution stage and, indeed, may decline to participate in an IPR even after institution. Pet. App. 10a-11a, 45a-46a.³

Petitioners also argue that the Federal Circuit’s decision conflicts with decisions from other circuits that have applied *Alden*. Pet. 22-25. But only one of those decisions involved the PTO, and it had nothing to do with patents. *Goldstein v. Moatz*, 364 F.3d 205, 211-20 (4th Cir. 2004) (rejecting PTO officials’ claims of absolute immunity in a *Bivens* action growing out of an internal attorney-disciplinary investigation). More generally, none of the supposedly conflicting decisions involved a federal agency’s reconsideration of its own prior decisions involving matters of public rights. Most involved efforts to obtain damages, civil penalties, and other coercive relief against unconsenting state and

³ Petitioners claim that patent owners “as a practical matter” are “compelled to file a preliminary response to an IPR petition” because “the PTAB institutes IPR on 100% of the petitions where no preliminary response is filed.” Pet. 22. That is simply not true. The article cited by Petitioners considered only a small subset of IPR proceedings; it did not purport to be a comprehensive survey of PTAB institution decisions. For examples of instances where IPRs were *not* instituted even though the patent owners chose to forgo filing preliminary responses, see, e.g., *Unified Patents Inc. v. Preferential Networks IP, LLC*, IPR2018-00184, 2018 WL 2716934 (PTAB June 4, 2018); *Spectrum Brands, Inc. v. Assa Abloy AB*, IPR2015-01563, Paper 7 (PTAB Jan. 15, 2016); *Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd.*, IPR2013-00324, 2013 WL 12126099 (PTAB Nov. 21, 2013).

tribal sovereigns for their alleged violations of federal law.⁴ This case involves nothing of the sort.

Moreover, most of the supposedly conflicting decisions involved *state* sovereign immunity, not *tribal* sovereign immunity, and accordingly relied heavily on the Constitution's allocation of federal and state sovereignty. The decisions that discuss tribal sovereign immunity recognize that federal statutes of general application presumptively apply to Indian tribes and their members (with a few exceptions not relevant here) and that tribal sovereignty is displaced by "a statute creating a comprehensive regulatory scheme." *Little River Band*, 788 F.3d at 547; *see also EEOC v. Karuk Tribe Housing Auth.*, 260 F.3d 1071, 1075 (9th Cir. 2001) (emphasizing the "clear rule that Indian tribes do not enjoy sovereign immunity" from admini-

⁴ *E.g.*, *United States ex rel. Foulds v. Tex. Tech Univ.*, 171 F.3d 279, 282 & n.2 (5th Cir. 1999) (private *qui tam* action against state institution seeking "massive rewards," of which 15 to 30% would go to the private litigants); *Chao v. Va. Dep't of Transp.*, 291 F.3d 276, 279 (4th Cir. 2002) (suit for permanent injunction and back wages on behalf of specific claimants); *United States v. Ala. Dep't of Mental Health & Mental Retardation*, 673 F.3d 1320, 1328 (11th Cir. 2012) (award of "victim-specific" back wages and benefits in response to the victim's filing of a complaint with the Department of Labor); *Seminole Tribe of Fla. v. Fla. Dep't of Revenue*, 750 F.3d 1238, 1244 (11th Cir. 2014) (tribal suit against State seeking tax refunds and other "monetary relief to be financed by the [state] fisc"); *San Manuel Indian Bingo & Casino v. NLRB*, 475 F.3d 1306, 1310 (D.C. Cir. 2007) (cease-and-desist order issued in response to union complaint "requiring the Tribe to give [union organizers] access to the [on-reservation] Casino and also to post notices in the Casino describing the rights of employees under the NLRA").

strative proceedings brought by a federal agency). Those are apt descriptions of the IPR process that Congress crafted for the PTO to reconsider its prior grants of patent rights.

Petitioners also argue that several circuits “have recognized that sovereign immunity applies in declaratory judgment actions.” Pet. 23. But that is not what the cited decisions say. Instead, they recognize that private litigants *may* obtain declaratory and injunctive relief against state and tribal officials under *Ex Parte Young*, 209 U.S. 123 (1908), *without* triggering sovereign immunity, *unless* the suit seeks “monetary relief to be financed by” the sovereign. *Seminole Tribe*, 750 F.3d at 1243-44 (tribe could not sue state officials under *Ex Parte Young* for a tax refund to be “paid by the State”); *see also Progressive Consumers Fed. Credit Union v. United States*, 79 F.3d 1228, 1233 (1st Cir. 1996) (Declaratory Judgment Act by its terms allows issuance of declaratory judgments “except with respect to Federal taxes”). Again, IPRs determine only whether the federal government has properly issued a *patent*; they do not adjudicate damage claims (or any other claims) against *patent owners*.

3. The Federal Circuit’s decision is consistent with *FMC*, and there is no circuit split over *FMC*.

The Federal Circuit correctly held that even assuming *FMC* applies to Indian tribes, application of *FMC*’s standard demonstrates that IPRs are not the sort of proceeding in which sovereign immunity applies. Pet App. 6a-8a.

As discussed above, the private claimant in *FMC* sought an award of monetary “reparations” from the state entity and a cease-and-desist order and injunctive relief targeted directly at the state entity. 535 U.S. at 748-49. Because the FMC lacked “discretion to refuse to adjudicate complaints brought by private parties,” it “had no choice but to adjudicate th[e] dispute.” *Id.* at 764 (citation omitted). In carrying out that duty, the FMC followed rules and procedures that bore “a remarkably strong resemblance to civil litigation in federal courts”—indeed, the similarities were “overwhelming.” *Id.* at 757, 759.

Unlike in *FMC*, “[t]he decision whether to institute inter partes review is committed to the [PTO] Director’s discretion.” *Oil States*, 138 S. Ct. at 1371; see also *Cuozzo*, 136 S. Ct. at 2140. Because IPRs are instituted only by the PTO and at the Director’s sole discretion, they do not impose the “affront to a [sovereign’s] dignity” that comes from being “required to answer the complaints of private parties.” *FMC*, 535 U.S. at 760. Patent owners are invited, not required, to respond to a discretionary determination by the PTO that one or more patent claims are reasonably likely to be unpatentable and should therefore be reevaluated. 35 U.S.C. § 314(a); see also *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1372 (Fed. Cir. 2018) (en banc) (Section 314(a) “identifies a threshold requirement for institution, and ... grants the Director discretion not to institute even when that threshold is met”). Unlike the private claims for reparations and injunctive relief in *FMC*, an IPR cannot impose “liability” on anyone; it is a matter “between the [federal] government and others”

regarding the validity of federally issued patent claims. *Oil States*, 138 S. Ct. at 1378 (citations omitted). Finally, unlike the proceedings before the FMC, IPRs are less like a judicial proceeding and more like a specialized agency proceeding in which the PTO reconsiders its own “earlier administrative grant of a patent.” *Cuozzo*, 136 S. Ct. at 2143-44.

Petitioners contend that the Federal Circuit’s decision has “created a conflict with other circuits that have followed *FMC*.” Pet. 29-30 (citing *R.I. Dep’t of Envt’l Mgmt. v. United States*, 304 F.3d 31 (1st Cir. 2002), and *Conn. Dep’t of Envt’l Protection v. OSHA*, 356 F.3d 226 (2d Cir. 2004)). But this conjured conflict is illusory. Both cited decisions were federal whistleblower cases in which federal agencies were required to adjudicate private complaints against state agencies, with no discretion whether to initiate action in response to the complaints. 304 F.3d at 38-39 (Department of Labor adjudication of private whistleblower complaints against a state agency); 356 F.3d at 229-30 (OSHA adjudication of private whistleblower claims against state agency). Neither case involved a request that the federal agency reconsider its own previous grant of a public franchise. Instead, both involved private-party suits for back pay, compensatory damages, reinstatement, attorneys’ fees, and other coercive relief against a State. 304 F.3d at 38; 356 F.3d at 229.

This case, by contrast, involves a discretionary federal agency proceeding to reconsider that agency’s own previous grant of a public franchise conferring private monopoly power. An IPR

reconsidering the PTO's own prior action simply does not fall within the scope of *FMC*.

C. The Federal Circuit did not address state or federal sovereign immunity in IPRs.

Petitioners argue that “[t]his case cleanly presents the question of sovereign immunity in IPRs”—not just with respect to patents owned by Indian tribes, but also patents owned by States, the federal government, “or indeed any sovereign entity.” Pet. 3, 35. But this case presents no such question because the Federal Circuit expressly limited its decision to *tribal* sovereign immunity. Specifically, it emphasized that “[i]n this case *we are only deciding whether tribal immunity applies in IPR*,” and it left other sovereigns’ immunity to IPRs “for another day.” Pet. App. 13a (emphasis added).

Although Petitioners insist that rejection of state sovereign immunity in IPRs will inevitably follow from rejection of tribal sovereign immunity, the PTAB has taken a different view. *See* Pet. App. 36a & n.4. Moreover, as discussed on pages 17-18 above, and as Petitioners’ own authorities recognize, “tribal sovereignty and state sovereignty are built on different foundations and are accorded different protections in our constitutional order.” *Little River Band*, 788 F.3d at 555-56 (cited at Pet. 25); *see also Upper Skagit Indian Tribe v. Lundgren*, 138 S. Ct. 1649, 1654 (2018) (“immunity doctrines lifted from other contexts do not always neatly apply to Indian tribes”); *Kiowa Tribe*, 523 U.S. at 756. The applicability of *state* sovereign

immunity in IPRs is thus a substantially different question from the one presented here.⁵

Petitioners' argument that the Federal Circuit's decision threatens *federally* owned patents is even further off base. Petitioners claim the decision will prevent "even federal agencies, such as NASA, the Jet Propulsion Laboratory, HHS, the U.S. Army, and the U.S. Navy ... from asserting sovereign immunity in IPRs brought against them as patent owners." Pet. 34-35. But an IPR could be instituted against a federal agency only if the PTO determined that a patent issued to that agency was probably flawed and should be reconsidered through IPR. If another federal agency objected to such a determination, that would be an internal Executive Branch matter to be resolved by the President and his subordinates, not by the federal courts as referees of interagency disputes. In any event, Petitioners' suggestion that the decision will adversely affect federal patent interests is belied by the United States' filing of an *amicus* brief supporting Respondents' position below. Dkt. 64, Fed. Cir. Nos. 2018-1638 et al. (filed May 11, 2018).

D. This case is an extremely poor vehicle for deciding the question presented.

The PTAB's decision and the opinion of the district court highlight several reasons why this case does not "cleanly" raise the issue of tribal sovereign immunity in IPRs and would be a poor vehicle for

⁵ The Federal Circuit is currently considering state sovereign immunity in IPRs in another case that is set for argument on March 11, 2019, *Regents of the Univ. of Minn. v. LSI Corp.*, No. 18-1559 (Fed. Cir.).

addressing that question. Even if tribal sovereign immunity were applicable in IPRs in general, the PTAB properly allowed *these* IPRs to proceed because (i) Allergan is the effective patent owner; (ii) the Tribe is not an indispensable party; and (iii) Allergan’s attempt to purchase sovereign immunity for cash is improper and abusive and thus cannot defeat federal jurisdiction. Accordingly, this Court’s consideration of tribal sovereign immunity would, in the end, make no difference to the outcome.

1. The Tribe’s sovereign immunity is irrelevant because Allergan remains the patent owner.

The PTAB found that “[e]ven assuming *arguendo* that the Tribe is entitled to assert immunity, termination of [the IPRs was] not warranted” because Allergan retains all substantial rights in the patents and thus remains their true owner for purposes of the IPRs. Pet. App. 47a. The PTAB engaged in the required multi-factor analysis to determine the effects of Allergan’s license agreement and correctly found that every factor indicated that Allergan retains “all substantial rights” in the patents. *Id.* at 49a; *see id.* at 47a-65a.

Petitioners ignore those extensive findings. Instead, they claim to have rights to practice the patents “in all *other* fields of use outside the Allergan license,” and within Allergan’s field of use in certain contingent circumstances. Pet. 8-9 (emphasis added). But the PTAB addressed those arguments and rejected them all. There are no commercially viable fields of use outside the Allergan license,

and the Tribe's supposed rights are "contingent," "superficial," and "illusory." Pet. App. 50a-57a.

As a result, even if *other* Indian tribes were entitled to assert sovereign immunity in IPRs, the tribal Petitioner here would not. That makes this case a poor vehicle to address the issue.

2. The IPRs can be completed fairly and equitably without the Tribe's participation.

Tribal sovereign immunity also is irrelevant to whether these IPRs may proceed because, as the PTAB determined, "Allergan will be able to adequately represent any interests the Tribe may have in the challenged patents" if the Tribe chooses not to participate, making the Tribe's presence not "indispensable" to completing these proceedings. Pet. App. 68a; *see id.* at 65a-70a.⁶ The PTAB observed that "Allergan has *at least* an identical interest to the Tribe," if not a much greater interest as the true patent owner receiving 99% of patent revenues, "in defending the challenged patents." *Id.* (emphasis added).

Several factors combine to make the Tribe's absence especially inconsequential, and thus to make this case a poor candidate for plenary review.

⁶ The PTAB noted that although its rules do not address "joinder of indispensable parties," it has previously looked to Federal Rule of Civil Procedure 19(b)(1) in evaluating "the identity of interests between present and absent patent owners." Pet. App. 67a (citation omitted). The PTAB thus looked to indispensable-party analysis in evaluating whether the IPRs could proceed if the Tribe refused to participate. Pet. App. 65a-70a & n.14.

First, Petitioners' own agreement specifies that Allergan, not the Tribe, remains in charge of paying for, "defend[ing,] and control[ing] the defense" of the challenged patents in the IPR proceedings and on appeal. C.A.J.A. 2583-2584 § 5.3. The plain terms of the Tribe's own business arrangement with Allergan makes the Tribe's presence in these proceedings entirely unnecessary.

Second, as the PTAB emphasized, Allergan was indisputably the sole patent owner until very late in the IPRs. "[T]he briefing and evidence on the substantive patentability issues were completed even before the Tribe's involvement in these proceedings," and "[o]ther than oral argument, the record in these proceedings [wa]s closed." Pet. App. 68a-69a. Had there been an oral hearing, the Tribe would have been limited to arguing points and authorities that Allergan had raised in its written submissions. The Tribe's participation in any oral hearing would have been of no consequence.⁷

Third, as the PTAB further observed, "[c]ourts have ... recognized a 'public rights' exception to the requirement of joinder of otherwise indispensable [sovereign] parties." *Id.* at 70a n.14. In light of the holding in *Oil States* that IPRs implicate only public rights, 138 S. Ct. at 1373-74, the Tribe cannot claim to be indispensable and unilaterally prevent the IPRs from proceeding to a final written

⁷ After issuance of the Federal Circuit's mandate, Allergan and the Tribe withdrew their request for an oral hearing and asked to "rest on the existing record." Supp. App. 15a. The PTAB granted that request. *Id.* at 16a. The Tribe thus waived its remaining opportunity to have substantive input into the PTAB's reconsideration of the challenged patents.

decision. Indeed, because the PTAB does not exercise personal jurisdiction over *any* patent owner and may proceed with or without an owner's presence, it is difficult to see how the Tribe could ever be viewed as indispensable to the PTO's reconsideration of these patents.

3. Petitioners' transaction is an abuse of tribal sovereign immunity crafted for the improper purpose of defeating federal agency jurisdiction.

Finally, because the Petitioners' "business arrangement" is a blatant exchange of money for sovereign immunity, it could not defeat jurisdiction even if tribal sovereign immunity were otherwise applicable. The Tribe's only contribution was its promise not to waive sovereign immunity in IPR proceedings. *See* p.3 *supra*. But such an arrangement flouts bedrock principles of federal Indian law and jurisdiction.

This Court has emphasized that tribes may not abuse sovereign immunity through arrangements in which the "value" they offer, "what is not available elsewhere, is solely an exemption" from otherwise-applicable law. *Washington v. Confed. Tribes of the Colville Indian Reserv.*, 447 U.S. 134, 155 (1980). As Judge Bryson explained in the district-court litigation, tribal sovereign immunity is not "a monetizable commodity that can be purchased by private entities as part of a scheme to evade their legal responsibilities," nor is it "an inexhaustible asset that can be sold to any party that might find it convenient to purchase immunity from suit." Supp. App. 6a.

Simply put, “a tribe has no legitimate interest in selling an opportunity to evade [the] law” to non-Indians. *Otoe-Missouria Tribe v. N.Y. Dep’t Fin. Servs.*, 769 F.3d 105, 114 (2d Cir. 2014). Nor does a non-Indian private company like Allergan have any legitimate interest in using tribal sovereign immunity to “circumvent” the law and “reap a windfall at the public’s expense.” *Barona Band of Mission Indians v. Yee*, 528 F.3d 1184, 1187, 1190 (9th Cir. 2008). Non-Indians may not simply purchase a “legal loophole in the cloak of tribal sovereignty.” *Otoe-Missouria Tribe*, 769 F.3d at 114. And they “may not alter the economic reality of a transaction” to exploit an immunity “rooted in due respect for Indian autonomy” and make more money by evading otherwise applicable law. *Barona Band*, 528 F.3d at 1190.

It is also well settled that a party may not use an assignment that is “a mere contrivance, a pretense, the result of a collusive arrangement” to manipulate federal jurisdiction. *Kramer v. Caribbean Mills, Inc.*, 394 U.S. 823, 827 (1969) (citation omitted). In particular, a party may not unilaterally oust a federal court or agency of its jurisdiction “by making a transfer which is an assignment in name only.” *Attorneys Trust v. Videotape Comput. Prods., Inc.*, 93 F.3d 593, 595 (9th Cir. 1996); see also *Grassi v. Ciba-Geigy, Ltd.*, 894 F.2d 181, 184-85 (5th Cir. 1990) (purported assignment did not alter jurisdiction where assignor retained 98% interest and control of the litigation). Litigants may not “manipulat[e]” jurisdiction through assignments that “lack reality and amount to no change in the identity of the party with the real interest in

the outcome of the case.” *Attorneys Trust*, 93 F.3d at 597.

Petitioners’ “business arrangement” includes each of the “classic elements” of an improper assignment to destroy federal jurisdiction: a purported assignee with “no prior interest” in the matter; an assignee that paid little if any consideration; an assignment “timed to coincide” with a litigation event; a purported assignor that has retained significant control and most of the profits; and evidence that the “real motive” was to destroy federal jurisdiction. *See id.* at 598-99.

Because the arrangement is an abuse of tribal sovereign immunity, and because it constitutes an improper attempt to destroy federal subject-matter jurisdiction conferred by Congress, tribal sovereign immunity cannot operate as a bar to the completion of these IPRs even if it were otherwise applicable. At a minimum, Petitioners’ contrivance renders this case a poor vehicle for addressing the issue they seek to raise.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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March 6, 2019

SUPPLEMENTAL APPENDIX

United States District Court, E.D. Texas,
Marshall Division

ALLERGAN, INC., Plaintiff,

v.

TEVA PHARMACEUTICALS USA, INC., et al.,
Defendants.

Case No. 2:15-cv-1455-WCB

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Signed 10/16/2017

MEMORANDUM OPINION AND ORDER

WILLIAM C. BRYSON, UNITED STATES
CIRCUIT JUDGE

Before the Court is Plaintiff's Opposed Motion to Join Party Pursuant to Federal Rule of Civil Procedure 25(c). Dkt. No. 517. The Court GRANTS the motion.

BACKGROUND

On September 8, 2017, following the trial of this case, plaintiff Allergan, Inc., filed a letter with the Court announcing that Allergan had assigned its rights to the patents at issue in this case, to the Saint Regis Mohawk Tribe and that the Tribe had granted Allergan an exclusive license to the patents. Allergan added that it "expects to join the Tribe as a co-plaintiff in due course." Dkt. No. 480-1. Under the terms of the agreements between Allergan and the Tribe, the Tribe will receive \$13.5 million upon execution of the agreement and will

be eligible to receive \$15 million in annual royalties. Dkt. No. 510-3.

On September 11, defendants Mylan Pharmaceuticals Inc. and Mylan Inc. filed a response stating that Allergan “has admitted in other forums that the intent is to employ Native American sovereign immunity and attempt to cut-off pending validity challenges with the Patent Office.” Dkt. No. 481, at 1. Mylan argued that “Allergan is attempting to misuse Native American sovereignty to shield invalid patents from cancellation.” *Id.* at 2.

The Saint Regis Mohawk Tribe has made a special appearance in the inter partes review (“IPR”) proceedings pending before the Patent and Trademark Office (“PTO”), and has moved to dismiss those proceedings based on the assertion of the Tribe’s sovereign immunity. Dkt. No. 510-7.

After waiting a month for Allergan to file the promised motion to join the Tribe, the Court on October 6 entered an order directing Allergan, by October 13, to submit information regarding the assignment to the Tribe and directing the parties by the same date to file briefs addressing the question whether the Tribe should be added as a plaintiff or whether the assignment transaction should be disregarded as a sham. Dkt. No. 503.

Later that day, the defendants filed what they styled Defendants’ Notice Regarding Allergan’s Document Production According to the Court’s October 6, 2017 Order (Dkt. No. 503). Dkt. No. 504. In that filing, the defendants sought to ensure that they would receive copies of the materials

submitted by Allergan. In addition, the defendants listed nine categories of documents that they believed Allergan should produce in response to the Court's October 6 order and stated that, "in the event evaluation of Allergan's production reveals the necessity," they would be requesting leave to conduct depositions directed to the nature of Allergan's transaction with the Tribe. *Id.* at 2. The defendants also requested "leave to file a letter seeking relief from the October 13 filing and allowing Defendants to conduct such depositions on an expedited basis." *Id.*

On October 9, Allergan filed Plaintiff's Response to Defendants' Notice Regarding Document Production According to the Court's October 6, 2017 Order. Dkt. No. 505. Allergan stated that it had sought the defendants' consent to a motion to add the Tribe as a co-plaintiff pursuant to Federal Rule of Civil Procedure 25(c), but that the defendants had not consented to such a motion. Dkt. No. 505, at 2. Allergan represented that it would produce "all the materials identified in the Court's October 6 order by October 10, and produce to the Court contemporaneously with this filing the assignment and license documents already provided to Defendants." *Id.* at 2-3. Allergan also represented that it would file an opposed motion to add the Tribe as a co-plaintiff by October 13. *Id.*

The following day, the Court entered an order that (1) directed Allergan to provide to the defendants all of the materials provided to the Court in response to the Court's October 6 order; (2) directed Allergan to tell the Court what consideration was given to Allergan in exchange for the

purported assignment of the patents-in-suit to the Tribe; (3) denied the defendants' requests for the production of additional materials from Allergan and for the opportunity to conduct depositions regarding the issue of whether the Tribe should be added as a co-plaintiff; and (4) denied the defendants' request to submit a letter seeking relief from the October 13 date for filing briefs addressing the question whether the Tribe should be added as a co-plaintiff. Dkt. No. 509.

Allergan subsequently provided additional materials related to the assignment and license transactions between Allergan and the Tribe. Dkt. Nos. 510, 511. Allergan also answered the Court's question about consideration by stating that the consideration for the assignment of the patents to the Tribe was the Tribe's promise not to waive its sovereign immunity with respect to any IPR or other administrative action in the PTO related to the patents. Dkt. No. 510, at 2-4.

The parties' briefs were timely filed on October 13. Dkt. Nos. 513, 514. In addition, 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. Dkt. No. 517. Allergan represented that the Tribe consents to being joined as a plaintiff in this action. Dkt. No. 513, at 6 n.1. The Court advised the parties that the issue would be resolved without a hearing. Dkt. No. 519.

DISCUSSION

The Court has reviewed the information and briefs filed in response to the Court's order. From that information, it is clear that Allergan's

motivation for the assignment was to attempt to avoid the IPR proceedings that are currently pending in the PTO by invoking the Tribe's sovereign immunity as a bar to those proceedings.

The Court has serious concerns about the legitimacy of the tactic that Allergan and the Tribe have employed. The essence of the matter is this: Allergan purports to have sold the patents to the Tribe, but in reality it has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to rent—the Tribe's sovereign immunity in order to defeat the pending IPR proceedings in the PTO. This is not a situation in which the patentee was entitled to sovereign immunity in the first instance. Rather, Allergan, which does not enjoy sovereign immunity, has invoked the benefits of the patent system and has obtained valuable patent protection for its product, Restasis. But when faced with the possibility that the PTO would determine that those patents should not have been issued, Allergan has sought to prevent the PTO from reconsidering its original issuance decision. What Allergan seeks is the right to continue to enjoy the considerable benefits of the U.S. patent system without accepting the limits that Congress has placed on those benefits through the administrative mechanism for canceling invalid patents.

If that ploy succeeds, any patentee facing IPR proceedings would presumably be able to defeat those proceedings by employing the same artifice. In short, Allergan's tactic, if successful, could spell the end of the PTO's IPR program, which was a central component of the America Invents Act of 2011. In its brief, Allergan is conspicuously silent

about the broader consequences of the course it has chosen, but it does not suggest that there is anything unusual about its situation that would make Allergan's tactic "a restricted railroad ticket, good for this day and train only." *Smith v. Allwright*, 321 U.S. 649, 669 (1944) (Roberts, J., dissenting).

Although sovereign immunity has been tempered over the years by statute and court decisions, it survives because there are sound reasons that sovereigns should be protected from at least some kinds of lawsuits. But sovereign immunity should not be treated as a monetizable commodity that can be purchased by private entities as part of a scheme to evade their legal responsibilities. It is not an inexhaustible asset that can be sold to any party that might find it convenient to purchase immunity from suit. Because that is in essence what the agreement between Allergan and the Tribe does, the Court has serious reservations about whether the contract between Allergan and the Tribe should be recognized as valid, rather than being held void as being contrary to public policy. *See generally* Restatement of the Law (Second) Contracts §§ 178-179, 186.

The defendants point out that the assignment-and-licensing transaction in this case is similar in some respects to other transactions that have been held ineffective, such as abusive tax shelter transactions, in which courts have looked behind the face of the transactions to determine whether the transactions have economic substance or are simply a method of gaming the tax system to generate benefits that were not intended to be available. *See, e.g., Salem Fin., Inc. v. United States*, 786

F.3d 932 (Fed. Cir. 2015); *Coltec Indus., Inc. v. United States*, 454 F.3d 1340 (Fed. Cir. 2006).

Allergan argues that the transactions are legitimate because the Tribe has offered consideration in the form of its agreement not to waive its sovereign immunity before the PTO and in exchange has received much-needed revenue from Allergan. But such circumstances are frequently encountered in sham transactions, such as abusive tax shelters. The straw parties who perform the service of making the transaction appear to have economic substance, when it actually does not, are providing a service, for which they are ordinarily well compensated. Nonetheless, the transaction is disregarded if it is contrary to the policies underlying the relevant laws.

Another roughly analogous example cited by the defendants is *People ex rel. Owen v. Miami Nation Enterprises*, 386 P.3d 357 (Cal. 2016). In that case, two tribal entities ran payday loan businesses. When the lending entities were sued by the State for improper lending practices, the entities asserted sovereign immunity. The California Supreme Court determined that, despite the formal agreements between the lending entities and the tribes, the tribes had no operational control over the businesses and received only a small percentage of the profits of the businesses. After examining all of the circumstances, the court concluded that the arrangement between the lenders and the Tribes was such that the businesses were not entitled to assert the tribes' sovereign immunity.

The concern of the courts in both of those examples is the same: whether the party invoking a

particular legal protection has engaged in a bona fide transaction of the sort for which that legal protection was intended. In both the abusive tax shelter cases and the Owen case, the answer was no. In this case, as indicated, the Court has serious doubts that the transaction in which Allergan has sought to obtain immunity from inter partes review by the PTO in exchange for payments to the Tribe is the kind of transaction to which the Tribe's sovereign immunity was meant to extend.

There is a second significant issue presented by Allergan's motion: whether after the Tribe's grant of an exclusive license in the Restasis patents to Allergan, the Tribe has transferred all substantial rights in the patents back to Allergan, so that Allergan, and not the Tribe, is properly considered the patentee. *See, e.g., Diamond Coating Techs., LLC v. Hyundai Motor Am.*, 823 F.3d 615, 618 (Fed. Cir. 2016). Even assuming that the initial assignment was valid, the 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. In that event, Allergan would be entitled to maintain this action on its own, and it would not be necessary to add the Tribe as a co-plaintiff. On the other hand, if the Tribe has retained substantial rights in the patents, even after the grant of the exclusive license to Allergan, the Tribe would be a necessary party to this infringement action.

Allergan argues that the Tribe retained substantial rights, including the right to practice the patents for research, education, and other non-

commercial uses, and the first right to sue third parties not related to Restasis bioequivalents. Dkt Nos. 518, at 2; Dkt. No. 510-7, at 17-18. The Court has examined the documents provided by Allergan and regards the question as a close one. Some provisions of the exclusive license, such as the limitations on Allergan's rights to a particular field of use—specifically, to practice the patents in the United States for all FDA-approved uses—give the Tribe at least nominal rights with regard to the Restasis patents. It is, however, questionable whether those rights have any practical value. 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.

The questions as to the validity of the assignment and exclusive license transaction and whether the Tribe is an owner of the Restasis patents within the meaning of the Patent Act may be dispositive in the IPR proceedings. But those issues do not bear on this Court's power to hear this case. Regardless of whether Allergan's tactic is successful in terminating the pending IPR proceedings, it is clear that the assignment does not operate as a bar to this Court's continued exercise of its jurisdiction over this matter.

This case was brought by Allergan, the Tribe's predecessor in interest, seeking affirmative relief, and thus any possible immunity from suit that might be applicable to avoid litigation brought against the Tribe has no application to this action.

See Competitive Techs., Inc. v. Fujitsu Ltd., 374 F.3d 1098, 1102-03 (Fed. Cir. 2004) (“[W]hen 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, i.e., those arising from the same transaction or occurrence that gave rise to the state’s asserted claims.” (quoting *Regents of the Univ. of N.M. v. Knight*, 321 F.3d 1111, 1126 (Fed. Cir. 2003))); *see also Texas v. Caremark, Inc.*, 584 F.3d 655, 659 (5th Cir. 2009) (“When a state initiates a lawsuit, it waives its sovereign immunity to the extent required for the lawsuit’s complete determination.” (citing *Clark v. Barnard*, 108 U.S. 436, 448 (1883))); *United States v. Oregon*, 657 F.2d 1009, 1014-16 (9th Cir. 1981) (holding that tribe waives sovereign immunity by intervening in lawsuit).

While the sovereign immunity issue is not presented in this case, the question whether Allergan’s assignment of its patent rights to the Tribe is valid nonetheless has a bearing on this case, because the validity of the assignment contract between Allergan and the Tribe affects whether the Court should grant Allergan’s motion to add the Tribe as a co-plaintiff. If the assignment to the Tribe is valid, the Tribe should be added as a co-plaintiff. If the assignment to the Tribe is invalid, it would not be necessary to add the Tribe as a co-plaintiff.

This is more than a housekeeping matter of determining which names belong in the caption. If the Court declines to join the Tribe as a co-plaintiff and it is later determined that the Tribe is a valid

owner of the patents, any judgment entered by the Court could be subject to challenge on the ground that the owner of the patents was not a party to the action. See *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 468 (1926); *Diamond Coating Techs.*, 823 F.3d at 618-19; *Propat Int'l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1189 (Fed. Cir. 2007); *Abbott Labs. v. Diamedix Corp.*, 47 F.3d 1128, 1131 (Fed. Cir. 1995).

While it is important to ensure that any judgment in this case will not be subject to challenge based on the omission of a necessary party, the Court is not required to decide whether the assignment of the patent rights from Allergan to the Tribe was valid in order to resolve the question whether to add the Tribe as a co-plaintiff. Instead, the Court will adopt the safer course of joining the Tribe as a co-plaintiff, while leaving the question of the validity of the assignment to be decided in the IPR proceedings, where it is directly presented.

Allergan has moved for the Court to add the Tribe as a co-plaintiff under Rule 25(c) of the Federal Rules of Civil Procedure. That Rule provides that “[i]f an interest is transferred” during the course of litigation, “the action may be continued by or against the original party unless the court, on motion, orders the transferee to be substituted in the action or joined with the original party.” Because the Tribe is at least the nominal transferee of the Restasis patents, and because failure to join the Tribe could render any judgment rendered by this Court invalid, the Court invokes its discretion under Rule 25(c) to order the Tribe joined as a co-plaintiff. Importantly, the Court’s decision to

permit joinder of the Tribe does not constitute a ruling on the validity of the assignment of the Res-tasis patents or the Tribe's status as a "patentee" for purposes of the Patent Act, 35 U.S.C. § 281. Instead, it is "merely a discretionary determination by the trial court that the transferee's presence would facilitate the conduct of the litigation." 7C Charles Alan Wright, Arthur R. Miller & Mary Kay Kane, *Federal Practice and Procedure* § 1958, at 196-98 (2007).

Although the defendants have filed a lengthy and thorough brief in opposition to Allergan's motion to have the Tribe joined as a co-plaintiff in this action, they have not argued that they would be prejudiced in any way by the joinder of the Tribe. The Tribe has consented to joinder, Dkt. No. 513, at 6 n.1; *id.* at 7, and in light of the fact that the trial and the post-trial briefing in the case has been completed, the presence of the Tribe as a co-plaintiff will not interfere with the prompt entry of the Court's findings of fact and conclusions of law, and the Court's the final judgment in this case. Allergan has represented that "the joinder will not otherwise impact the substantive issues in the litigation. *Id.* at 6. And, as the successor-in-interest to Allergan, the Tribe would be bound by any judgment. See *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1582 (Fed. Cir. 1986). For that reason, substitution of a successor-in-interest is appropriate even when the substitution occurs after trial. *Panther Pumps & Equip. Co. v. Hydrocraft, Inc.*, 566 F.2d 8 (7th Cir. 1977).

Accordingly, in order to ensure that any judgment entered in this case will be protected against

challenge on the ground that the proper parties were not all joined as plaintiffs, the Court hereby orders the joinder of the Tribe as a co-plaintiff in this action under Federal Rule of Civil Procedure 25(c). In so doing, the Court does not hold that the assignment of the patent rights to the Tribe is valid, but instead proceeds on the ground that the assignment may at some point be held valid, and that joining the Tribe as a party in this action is necessary to ensure that the judgment in this case is not rendered invalid because of the absence of a necessary party.

IT IS SO ORDERED.

14a

Paper No. 150
Entered: January 7, 2019

UNITED STATES PATENT AND TRADEMARK
OFFICE

BEFORE THE PATENT TRIAL AND APPEAL
BOARD

MYLAN PHARMACEUTICALS INC.,
TEVA PHARMACEUTICALS USA, INC., and
AKORN INC.
Petitioners,

v.

SAINT REGIS MOHAWK TRIBE and
ALLERGAN, INC.,
Patent Owners.

Case IPR2016-01127 (8,685,930 B2); Case
IPR2016-01128 (8,629,111 B2); Case IPR2016-
01129 (8,642,556 B2); Case IPR2016-01130
(8,633,162 B2); Case IPR2016-01131 (8,648,048
B2); Case IPR2016-01132 (9,248,191 B2)¹

¹ Cases IPR2017-00576 and IPR2017-00594, IPR2017-00578 and IPR2017-00596, IPR2017-00579 and IPR2017-00598, IPR2017-00583 and IPR2017-00599, IPR2017-00585 and IPR2017-00600, and IPR2017-00586 and IPR2017-00601, have respectively been joined with the captioned proceedings. This Order addresses issues that are the same in

Before SHERIDAN K. SNEDDEN, TINA E. HULSE, and CHRISTOPHER G. PAULRAJ,
Administrative Patent Judges.

HULSE, *Administrative Patent Judge.*

ORDER
Canceling Oral Argument
37 C.F.R. § 42.5

On November 29, 2018, oral argument for these cases was rescheduled to January 11, 2019. Paper 142. On January 3, 2019, we received an email from counsel on behalf of Patent Owner stating, “In view of the procedural posture of these IPRs and the related litigation, Patent Owners withdraw their request for an Oral Hearing and rest on the existing record. Petitioners do not oppose forgoing the hearing and resting on the existing record.”

Having received the parties’ supplemental briefing (Papers 143 and 145) and in light of the parties’ agreement to rest on the existing record, we find good cause exists to cancel the oral hearing. The panel will rely on the existing record and issue a Final Written Decision in each of these proceedings in due course.

ORDER

Accordingly, based on the foregoing, it is:

the identified cases. Paper numbers and exhibits cited in this Order refer to those documents filed in IPR2016-01127.

ORDERED that the consolidated oral hearing for these proceedings scheduled for January 11, 2019, is hereby *anceled*.

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