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When it Comes to IPRs are University Patents Bullet Proof?

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In a recent decision by the Patent and Trial Review Board (PTAB) in *Covidien LP v University of Florida Research Foundation Inc.* IPR2016-01274, Paper 21 (PTAB Jan. 25, 2017), the PTAB granted a motion to dismiss three *inter partes* reviews (IPRs) challenging U.S. Patent No. 7,062,251 owned by University of Florida Research Foundation (UFRF), holding that UFRF was entitled to sovereign immunity under the Eleventh Amendment of the U.S. Constitution. This decision is significant for those state universities and their research foundations with patent portfolios who may find themselves on the receiving end of an IPR petition.

The Eleventh Amendment shields states from lawsuits in federal courts without their consent:

Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State. (U.S. CONST. AMEND. XI.)

In reaching its decision, the PTAB first considered the broad question of whether the protections of the Eleventh Amendment even apply to parties in IPR proceedings. As cited by the PTAB panel, the U.S. Supreme Court has interpreted the protections of the Eleventh Amendment to extend to certain administrative proceedings. *See Fed. Mar. Comm'n v. South Carolina State Ports Auth.*, 535 U.S. 743 (2002); *see also Vas-Cath, Inc. v. Curators of Univ. of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007). Here, the PTAB found a “considerable resemblance” between IPRs and civil litigation and determined those similarities are, “sufficient to implicate the immunity afforded to the States by the Eleventh Amendment.” *Covidien* at 24. The PTAB then concluded that, “Eleventh Amendment immunity bars the institution of an *inter partes* review against an unconsenting state that has not waived sovereign immunity.” *Id.* at 27.

To determine whether UFRF is entitled to sovereign immunity, *i.e.*, whether it is an “arm of the state,” the PTAB considered how the state of Florida defines a state agency’s character. Even though the question of whether a particular state entity is an “arm of the state” is a federal law question, that question is answerable only after considering the state law that defines the state agency’s character. *Id.* at 28, citing *Regents of the Univ. of California v. Doe*, 519 U.S. 425, 430 (1997). In concluding that UFRF was indeed an arm of the State of Florida, the PTAB considered the four factors set forth in *Manders v. Lee*, 338 F.3d 1304, 1309 (11th Cir. 2003)(en banc):

1. How state law defines the entity; the PTAB found that UFRF is a direct-support-organization of the University of Florida. *Id.* at 29-31.
2. What degree of control the State maintains over the entity; the PTAB found that the degree of control exercised by both the State of Florida and the University of Florida was sufficient. *Id.* at 31-35.

3. Where the entity derives its funds; the PTAB noted that UFRF's finances were included in the University of Florida's finances, *Id.* at 35-37.
4. Who is responsible for judgments against the entity; the PTAB noted that the State of Florida generally placed constraints on a direct-support-organization's ability to issue debt. *Id.* at 37-39.

In addition, the PTAB relied heavily on *University of Fla. Res. Found., Inc. v. Medtronic PLC, Case No. 1:16CV183-MW/GRJ*, 2016 WL 3869877 (N.D.Fla., July 15, 2016), where the District Court also applied *Manders* and found the four factors weighed in favor of finding UFRF is an arm of the State.

Thus, the PTAB concluded that UFRF should be afforded the sovereign immunity protection of the Eleventh Amendment. While certain decisions by the PTAB are generally not appealable, this decision may be appealable under *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016), which held that 35 U.S.C. § 314(d) may not bar consideration of a constitutional question. However, at least for now, this decision is a boon for any state university or related entity, as it establishes a precedent for insulating public universities and related entities from IPR attacks, thus affording such entities a considerable advantage over entities not otherwise considered to be arms of a state, such as private entities.

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