



PTAB Applies State Sovereign Immunity in IPR

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The dispute between Covidien and UFRF arose from a breach-of-license contract between the parties concerning the '251 patent. In a Florida state court action, UFRF alleged that Covidien breached its contract with UFRF. Covidien filed a declaratory judgment counterclaim of noninfringement. Covidien removed the case to the Northern District of Florida, where UFRF argued that it was an arm of the state of Florida and therefore entitled to state sovereign immunity protection under the 11th Amendment. The district court agreed and remanded the action back to state court.

UFRF argued that the same immunity applied and required dismissal of Covidien's petitions. The PTAB agreed, relying on the Supreme Court's opinion in *Fed. Mar. Comm'n v. South Carolina State Ports Auth.*¹ and the Federal Circuit's decision in *Vas-Cath, Inc. v. Curators of the University of Missouri*.² Covidien argued that these decisions did not apply to *inter partes* reviews because patents are public rights and that 11th Amendment immunity is limited by a public-rights exception. The PTAB disagreed, stating that the case law Covidien relied on did not address the issue before the PTAB. Covidien also argued that sovereign immunity is irrelevant because *inter partes* reviews are not suits against the state, but instead are directed at the patent itself. The PTAB disagreed with this argument as well, observing that *inter partes* reviews are not directed only at the patent and that the AIA provides protection for patent owners who are harassed through the *inter partes* review process.

The PTAB held that *inter partes* reviews are adversarial and that they are similar to civil litigation in federal courts. The PTAB also noted similarities between the role of an APJ in an *inter partes* review and the role of an Article III judge in a civil litigation. The PTAB concluded

that the similarities between the nature of an *inter partes* review and a civil litigation are “sufficient to implicate the immunity afforded to the States by the Eleventh Amendment.”

Next, the PTAB analyzed whether UFRF was “an arm of the State.” UFRF argued that a district court had already held that it was an arm of the state and that the PTAB should follow this previous determination. The PTAB found that UFRF was statutorily connected to the state of Florida as a direct-support organization, and that the University of Florida and state of Florida operated significant control over UFRF. Based on the state’s control over UFRF and the previous district court’s finding, the PTAB found that UFRF was an arm of the state of Florida and that the 11th Amendment immunity applied. The PTAB dismissed all three Covidien petitions.

Covidien LP v. Univ. of Fla. Research Found., Inc., IPR2016-01274, IPR2016-01275, IPR2016-01276 (Jan. 25, 2017).

¹ 535 U.S. 743 (2002).

² 473 F.3d 1376 (Fed. Cir. 2007).

Categories

Patent Trial & Appeal Board

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