

PTAB Rules That Patents Owned by State Entities Cannot Be Challenged Without Consent

February 2, 2017

Last week, the Patent Trial and Appeal Board (PTAB) dismissed petitions for *inter partes* review (IPR) of a patent assigned to the University of Florida Research Foundation (UFRF) based on sovereign immunity, *Covidien LP v. UFRF Inc.*, IPR2016-01274, paper 19. In a detailed order dismissing these petitions, the PTAB held that UFRF was a state entity entitled to sovereign immunity under the Eleventh Amendment. It found further that UFRF had not waived sovereign immunity, so the IPRs could not proceed.

Key takeaway

A patent owned by a state entity, such as a state university, cannot be challenged in an IPR, covered business method review, or post-grant review unless the state entity consents to the challenge.

The dispute between UFRF and Covidien

In 2016, UFRF sued Covidien in Florida state court for breaching a patent license agreement. Covidien responded with a counterclaim that it did not infringe the licensed patent and removed the suit to federal district court. Covidien also requested three IPRs of the licensed patent. Instead of filing preliminary responses to the petitions for IPR, UFRF asked the PTAB for permission to file a motion to dismiss based on its sovereign immunity. The PTAB granted permission, then dismissed the petitions in response to UFRF's motion.

Inter partes reviews as judicial proceedings

In its order, the PTAB held sovereign immunity extends to IPRs because they are judicial proceedings. Like district court litigation, IPRs are adversarial proceedings complete with procedural rules, discovery, depositions, protective orders, sanctions, oral hearings, and neutral arbiters in the form of Administrative Patent Judges. See *Fed. Mar. Comm'n v South Carolina State Ports Auth.*, 535 U.S. 743, 751–761 (2002). The PTAB also roundly discounted arguments that the lack of monetary damages distinguished IPRs from judicial proceedings.

UFRF is a state entity

The PTAB found that UFRF is a state entity because it carries out a particular function for the State of Florida, namely, licensing patents and collecting patent royalties. The PTAB looked to four factors in making its determination: (1) how state law defines UFRF; (2) what degree of control the State of Florida maintains over UFRF; (3) where UFRF derives its funds; and (4) who is responsible for judgments against UFRF. See *Manders v. Lee*, 338 F.3d 1304, 1309 (11th Cir. 2003) (en banc).

Final thoughts

This PTAB order immunizes patents owned by state entities from IPRs. But it sidesteps whether a state entity that brings a patent infringement claim waives sovereign immunity from IPR. Until the PTAB addresses this issue, state entities should not assume that sovereign immunity applies to an IPR requested in response to a patent infringement claim.

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