

9-25-2018

Ericsson, Inc. v. Regents of the University of Minnesota and a New Frontier for the Waiver by Litigation Conduct Doctrine

Jason Kornmehl
Sullivan & Cromwell LLP, Associate

Follow this and additional works at: <https://digitalcommons.pepperdine.edu/plr>



Part of the [Constitutional Law Commons](#)

Recommended Citation

Jason Kornmehl *Ericsson, Inc. v. Regents of the University of Minnesota and a New Frontier for the Waiver by Litigation Conduct Doctrine*, 2018 Pepp. L. Rev. 1 (2018)
Available at: <https://digitalcommons.pepperdine.edu/plr/vol2018/iss1/1>

This Article is brought to you for free and open access by the Caruso School of Law at Pepperdine Digital Commons. It has been accepted for inclusion in Pepperdine Law Review by an authorized editor of Pepperdine Digital Commons. For more information, please contact Katrina.Gallardo@pepperdine.edu, anna.spath@pepperdine.edu, linhgavin.do@pepperdine.edu.

***Ericsson, Inc. v. Regents of the University of Minnesota* and a New Frontier for the Waiver by Litigation Conduct Doctrine**

Jason Kornmehl*

Abstract

Eleventh Amendment sovereign immunity is one of the most confusing areas of constitutional law. The waiver by litigation conduct doctrine represents a particularly complex aspect of Eleventh Amendment immunity. Courts, for example, have not precisely defined the extent to which waiver in a prior proceeding might extend to a future one. The Patent Trial and Appeals Board recently considered this issue in a novel context. In Ericsson, Inc. v. Regents of the University of Minnesota, the Patent Trial and Appeals Board applied the waiver by litigation conduct doctrine in an inter partes review proceeding. Combining the Eleventh Amendment, non-Article III courts, and patent law, Ericsson qualifies as an important ruling. This article explores the Ericsson decision and its implications.

* Jason Kornmehl is an associate at Sullivan & Cromwell LLP. The views expressed are his own and not that of the Firm or its clients.

TABLE OF CONTENTS

I. INTRODUCTION	3
II. <i>INTER PARTES</i> REVIEW	5
III. ELEVENTH AMENDMENT IMMUNITY AND WAIVER BY LITIGATION CONDUCT	6
IV. <i>ERICSSON</i>	9
V. <i>ERICSSON</i> 'S IMPLICATIONS AND THE PTAB'S WAIVER ANALYSIS	12
VI. CONCLUSION	18

I. INTRODUCTION

As part of its sweeping reform of the patent system in the Leahy-Smith America Invents Act (AIA), Congress created a new proceeding called *inter partes* review that enables third parties to challenge the validity of patent claims before the U.S. Patent and Trademark Office's Patent Trial and Appeal Board (PTAB or the "Board").¹ As "the most significant patent reform legislation since the original [Patent Act] of 1790,"² the AIA and its newly created *inter partes* review procedure have unsurprisingly generated substantial scholarly and judicial debate.³ In fact, the *inter partes* framework has already been subject to U.S. Supreme Court review,⁴ and the Court has recently held that this administrative proceeding does not violate Article III of the U.S. Constitution or the Seventh Amendment.⁵

The *inter partes* review process has also spawned considerable litigation and public policy concerns over the use of sovereign immunity to thwart invalidity challenges. For example, in the wake of Allergan's highly publicized assignment of a top-selling drug to the Saint Regis Mohawk Tribe,⁶ a federal district court expressed "serious doubts" whether the company could shield these patents from *inter partes* review,⁷ and a congressional subcommittee

1. See 35 U.S.C. §§ 311–319 (2012).

2. Joseph W. Dubis, *Inter Partes Review: A Multi-Method Comparison for Challenging Patent Validity*, 6 CYBARIS INTELL. PROP. L. REV. 107, 109 (2015).

3. Saurabh Vishnubhakat, *The Youngest Patent Validity Proceeding: Evaluating Post-Grant Review*, 24 TEX. INTELL. PROP. L.J. 333, 335 (2016) ("A great and growing body of empirical research is now emerging on the uses (and potential abuses) of *inter partes* review Legal challenges have also been mounted against the very framework in which the [AIA]'s patent validity review mechanisms operate").

4. *E.g.*, *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143–46 (2016) (analyzing the extent to which courts can review *inter partes* institution decisions and the proper standard for claim construction in *inter partes* review).

5. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). In a case decided on the same day as *Oil States*, the Court held that once the PTAB grants review of an *inter partes* review petition, it is statutorily required to address every contested claim raised in the petition. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018) (analyzing 35 U.S.C. § 318(a) and concluding the PTAB "must address every claim the petitioner has challenged").

6. Jonathon D. Rockoff, *Allergan Partners with Indian Tribe to Protect Drug Patents*, WALL ST. J. (Sept. 8, 2017, 4:29 PM), <https://www.wsj.com/articles/allergan-partners-with-indian-tribe-to-protect-drug-patents-1504892222>; Katie Thomas, *How to Protect a Drug Patent? Give It to a Native American Tribe*, N.Y. TIMES (Sept. 8, 2017), <https://www.nytimes.com/2017/09/08/health/allergan-patent-tribe.html>.

7. *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-CV-1455-WCB, 2017 WL 4619790, at *3 (E.D. Tex. Oct. 16, 2017) (Bryson, J., sitting by designation).

held a hearing to examine the interplay between sovereign immunity and patent law.⁸ In its most recent exposition on the applicability of sovereign immunity to *inter partes* review, the PTAB held in *Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe* that the Saint Regis Mohawk Tribe could not assert tribal immunity as a defense to *inter partes* review,⁹ a decision which the U.S. Court of Appeals for the Federal Circuit affirmed on appeal in July 2018.¹⁰

In addition to tribal sovereign immunity, the PTAB has opined on state sovereign immunity in *inter partes* review.¹¹ In contrast to its decision in *Mylan*, the PTAB has held that state sovereign immunity is available as a defense to *inter partes* review.¹² In December 2017, the PTAB made a foray into the waiver of state sovereign immunity issue.¹³ In *Ericsson, Inc. v. Regents of the University of Minnesota*, the PTAB ruled that by filing an infringement suit, a state university effected a waiver of state sovereign immunity against *inter partes* review of the disputed patent.¹⁴ Because parties may at some point need to enforce their intellectual property rights through litigation, the panel's decision in *Ericsson* severely undermines the potential stratagem of transferring or licensing patents to state entities to avoid the *inter partes* review process.¹⁵ The PTAB's decision in *Ericsson* is also significant for its application of the doctrine of waiver by litigation conduct—a complex and unsettled area of Eleventh Amendment jurisprudence—in a novel

8. *Sovereign Immunity and the Intellectual Property System: Hearing Before the Subcomm. On Courts, Intellectual Prop. & the Internet of the H. Comm. on the Judiciary*, 115th Cong. (2017) (examining the issue of intellectual property rights owned by entities that claim sovereign immunity on the basis of the 11th Amendment or Native American tribal immunity).

9. No. IPR2016-01127, 2018 WL 1100950, at *4 (P.T.A.B. Feb. 23, 2018).

10. *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, No. 2018-1638, 2018 WL 3484448, at *4 (Fed. Cir. July 20, 2018).

11. *See Ericsson, Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at *2 (P.T.A.B. Dec. 19, 2017).

12. *See infra* note 47 and accompanying text. Although it recognized the “many parallels” between state and tribal sovereign immunity in upholding the PTAB’s decision in *Mylan*, the Federal Circuit declined to weigh in on the issue of whether state sovereign immunity is a viable defense to *inter partes* review. *See Mylan*, 2018 WL 3484448, at *4 (“[W]e leave for another day the question of whether there is any reason to treat state sovereign immunity differently [from tribal sovereign immunity].”).

13. *See Ericsson*, 2017 WL 6517563, at *2.

14. *Id.* at *4. The Board issued a similar ruling in a companion case decided the same day as *Ericsson*. *See LSI Corp. & Avago Techs U.S., Inc. v. Regents of the Univ. of Minn.*, IPR2017-01068 (P.T.A.B. Dec. 19, 2017).

15. *See infra* Part V.

setting.¹⁶

This article analyzes the PTAB's ruling in *Ericsson* and the potential ramifications of the Board's decision. Part II of this Article describes the *inter partes* review process. Part III provides a brief overview of the Eleventh Amendment, its application in the context of *inter partes* review, and the waiver by litigation conduct doctrine. Next, Part IV summarizes the PTAB's decision in *Ericsson*. Part V examines the PTAB's waiver analysis and asserts that the Board may have erred in finding a waiver of Eleventh Amendment immunity. Finally, Part VI concludes the discussion.

II. INTER PARTES REVIEW

Prior to the passage of the AIA, the only administrative mechanisms for challenging the validity of a patent post-issuance were *ex parte* reexamination and *inter partes* reexamination.¹⁷ The AIA created new procedures for reconsidering the validity of a patent, including replacing *inter partes* reexamination with *inter partes* review.¹⁸ In *inter partes* review, a party (usually a competitor or defendant in an infringement action) may file a petition challenging a patent for lack of novelty or obviousness based on prior art consisting of patents or printed publications.¹⁹ Although *inter partes* review is similar in many respects to *inter partes* reexamination, the fundamental difference between these two processes is that *inter partes* review is an adjudicative rather than an examinational procedure.²⁰

In addition to *inter partes* review, a party may challenge a patent's

16. *Ericsson*, 2017 WL 6517563, at *1.

17. See Andrei Iancu & Ben Haber, *Post-Issuance Proceedings in the America Invents Act*, 93 J. PAT. & TRADEMARK OFF. SOC'Y 476, 477 (2011); Stephen N. Kulhanek, *Inter Partes Review and Federal Litigation: Parallel Proceedings and Inconsistent Results*, 90 ST. JOHN'S L. REV. 1093, 1097–98 (2017).

18. See 35 U.S.C. §§ 311–319 (2012); Iancu & Haber, *supra* note 17, at 478; Michael J. Flibbert & Sarah E. Craven, *Appellate Review of the AIA's New Patent-Challenge Proceedings*, FINANCIER WORLDWIDE MAG. (Mar. 2013), <https://www.financierworldwide.com/appellate-review-of-the-aias-new-patent-challenge-proceedings/#.W1j3LdVKiAZ>.

19. 35 U.S.C. § 311(b); see 37 C.F.R. § 42.104(b)(2) (2017).

20. See *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) (“The purpose of this reform was to ‘convert[] inter partes reexamination from an examinational to an adjudicative proceeding.’” (quoting H.R. REP. NO. 112–98, pt. 1, at 46 (2011))).

validity through litigation in federal district court.²¹ When a patent holder files an infringement action, an alleged infringer can raise invalidity of the patent as a defense.²² Alternatively, in a “mirror image of a suit for patent infringement,” a putative infringer can seek a declaratory judgment to have the patent declared invalid.²³ In many cases, the infringer will petition the PTAB for *inter partes* review of a patent’s validity concurrent with litigation in federal court.²⁴ Because petitioners have historically fared well in invalidating patent claims in *inter partes* review,²⁵ defendants will typically seek to stay an infringement action pending PTAB review.²⁶

The AIA, however, places some temporal limits on instituting *inter partes* review.²⁷ The statute provides that a party cannot file a petition for *inter partes* review more than one year after being served with a complaint alleging patent infringement²⁸ and cannot file a petition after bringing a declaratory judgment action for invalidity.²⁹

III. ELEVENTH AMENDMENT IMMUNITY AND WAIVER BY LITIGATION CONDUCT

“[B]ear[ing] directly on federalism, separation of powers, and the protection of fundamental rights,” the Eleventh Amendment occupies a unique place

21. 28 U.S.C. § 1338(a) (2012); see Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 CORNELL L. REV. 71, 92 (2013).

22. 28 U.S.C. § 282(b); see Ford, *supra* note 21, at 78.

23. VE Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1583 (Fed. Cir. 1990).

24. See Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93, 94 (2014) (showing *inter partes* review proceedings often have co-pending district court litigation).

25. See John M. Golden, *Working Without Chevron: The PTO as Prime Mover*, 65 DUKE L.J. 1657, 1669 (2016) (“The PTAB’s rates of claim cancellation have cooled with time, but the Board’s record in winnowing patent claims remains impressive.”); Love & Ambwani, *supra* note 24, at 94, 105 (conducting “empirical study tracking the outcome of [*inter partes* reviews] and their impact on co-pending litigation” and concluding that *inter partes* review “appears to be a powerful shield for those accused of patent infringement”); see also Ashby Jones, *A New Weapon in Corporate Patent Wars*, WALL ST. J. (Mar. 10, 2014, 7:25 PM), <https://www.wsj.com/articles/a-new-weapon-in-corporate-patent-wars-1394493897> (quoting former Federal Circuit Chief Judge Randall Rader’s description of the PTAB as “death squads . . . killing property rights”).

26. See Kulhanek, *supra* note 17, at 1108; Love & Ambwani, *supra* note 24, at 103.

27. See 35 U.S.C. § 315 (2012).

28. 35 U.S.C. § 315(b).

29. 35 U.S.C. § 315(a)(1).

in American constitutional law.³⁰ It provides that “[t]he 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.”³¹

Over the last one hundred years, the Supreme Court has expansively interpreted this constitutional provision. Despite its text, which appears only to protect states from lawsuits brought by citizens of another state, the Court has construed the Eleventh Amendment to protect states from being sued by their own citizens,³² foreign nations,³³ and Indian tribes.³⁴ Additionally, although the Eleventh Amendment addresses “any suit in law or equity,”³⁵ the Court has held that it bars suits in admiralty against the states.³⁶ Moreover, notwithstanding the Amendment’s limitation on the “Judicial power of the United States,”³⁷ the Court has extended immunity to claims brought in state courts.³⁸ Likewise, in *Federal Maritime Commission v. South Carolina State Ports Authority*, the Court concluded that states are immune from private actions brought before a federal administrative agency.³⁹

Constitutional immunity provided by the Eleventh Amendment, however, is not absolute. It is well established that a state may waive its Eleventh Amendment immunity based on its litigation conduct.⁴⁰ The Court has explained that “where a state voluntarily become[s] a party to a cause, and submits its rights for judicial determination, it will be bound thereby, and cannot

30. Erwin Chemerinsky, *Congress, the Supreme Court, and the Eleventh Amendment: A Comment on the Decisions During the 1988-89 Term*, 39 DEPAUL L. REV. 321, 322 (1990).

31. U.S. CONST. amend. XI.

32. *Hans v. Louisiana*, 134 U.S. 1, 15 (1890).

33. *Principality of Monaco v. Mississippi*, 292 U.S. 313, 330 (1934).

34. *Blatchford v. Native Vill. of Noatak*, 501 U.S. 775, 779–80 (1991).

35. U.S. CONST. amend. XI.

36. *Ex parte New York*, 256 U.S. 490, 503 (1921).

37. U.S. CONST. amend. XI.

38. *Alden v. Maine*, 527 U.S. 706, 754 (1999) (holding that “the States retain immunity from private suit in their own courts”); see Virginia F. Milstead, *State Sovereign Immunity and The Plaintiff State: Does the Eleventh Amendment Bar Removal of Actions Filed in State Court?*, 38 J. MARSHALL L. REV. 513, 515–16 (2004) (“[T]he general rule is that a state cannot be sued, whether in state or federal court, without its consent.”).

39. 535 U.S. 743, 747 (2002).

40. See *Clark v. Barnard*, 108 U.S. 436, 447 (1883) (holding that a state’s “voluntary appearance” in federal court when it intervened as a claimant amounted to a waiver of Eleventh Amendment immunity); *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 675 (1999) (“We have long recognized that a State’s sovereign immunity is ‘a personal privilege which it may waive at pleasure.’” (quoting *Clark*, 108 U.S. at 447)).

escape the result of its own voluntary act by invoking the prohibitions of the 11th Amendment.⁴¹ Accordingly, the Court has found a waiver of immunity where a state files a proof of claim in a bankruptcy case.⁴² The Court has also found that a state's removal to federal court of state law claims—for which it had waived immunity to suit in state court—constitutes a waiver of Eleventh Amendment immunity.⁴³ In the intellectual property context, the Federal Circuit has held that a state cannot initiate a patent interference proceeding and subsequently invoke sovereign immunity to block an appeal to federal court of the agency's decision.⁴⁴ Nonetheless, the parameters of the waiver by litigation conduct doctrine are not clearly defined. For instance, the circuit courts are divided over whether a state waives sovereign immunity by removing a case to federal court when it retains immunity in state court.⁴⁵ The extent to which a state waives its immunity with respect to counterclaims once it makes an appearance in federal court is another notable example of the doctrine's amorphous boundaries.⁴⁶

41. *Gunter v. Atl. Coast Line R.R.*, 200 U.S. 273, 284 (1906); *accord* *Bd. of Regents of Univ. of Wisc. Sys. v. Phoenix Int'l Software, Inc.*, 653 F.3d 448, 459 (7th Cir. 2011) (“[A] state cannot use the Eleventh Amendment as a get-out-of-court-free card when it voluntarily submits to a federal tribunal for a judicial determination of its rights.”).

42. *Gardner v. New Jersey*, 329 U.S. 565, 574 (1947) (“When the State becomes the actor and files a claim against the fund it waives any immunity which it otherwise might have had respecting the adjudication of the claim.”).

43. *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 624 (2002) (“We conclude that the State's action joining the removing of this case to federal court waived its Eleventh Amendment immunity.”).

44. *Vas-Cath, Inc. v. Curators of Univ. of Mo.*, 473 F.3d 1376, 1385 (Fed. Cir. 2007) (“Having waived any potential immunity as to the interference contest in the [Patent & Trademark Office], we conclude that the University waived any Constitution-based objection to Vas-Cath's statutory right of judicial review.”).

45. *Compare* *Stewart v. North Carolina*, 393 F.3d 484, 488–90 (4th Cir. 2005) (holding no waiver by removal when a state had not waived immunity from suit on claim in its own courts), *with* *Phoenix Int'l Software, Inc.*, 653 F.3d at 461 (observing that a state waives immunity in all instances in which a state removes a case to federal court). *See generally* *Stroud v. McIntosh*, 722 F.3d 1294, 1300 (11th Cir. 2013) (discussing circuit split).

46. *Compare* *In re Creative Goldsmiths of Washington, D.C., Inc.*, 119 F.3d 1140, 1148 (4th Cir. 1997) (suggesting that a state waives its immunity only with respect to compulsory counterclaims upon filing suit in federal court or a proof of claim in a bankruptcy action), *with* *In re Charter Oak Assocs.*, 361 F.3d 760, 769–70 (2d Cir. 2004) (holding a state's filing of a proof of claim constitutes a waiver of immunity with respect to permissive counterclaims capped by a setoff limitation). *But cf.* *New York v. Gen. Elec. Co.*, No. 1:14-CV-747, 2015 WL 12748007, at *15 (N.D.N.Y. Sept. 29, 2015) (“[T]he Court declines to extend the holding in *Charter Oak* . . . to permit permissive counterclaims in a CERCLA cost recovery action, even where capped by a setoff limitation.”).

The PTAB issued a triumvirate of decisions in 2017 dismissing *inter partes* review proceedings against state universities on the basis of Eleventh Amendment immunity.⁴⁷ The first of these cases, *Covidien LP v. University of Florida Research Foundation Inc.*, illustrated the uncertain role of the waiver by litigation conduct doctrine in challenging a patent post-issuance.⁴⁸ In *Covidien*, a medical device manufacturer filed three petitions seeking *inter partes* review of a patent owned by a state university.⁴⁹ Relying heavily upon *South Carolina State Ports Authority*,⁵⁰ the PTAB determined that Eleventh Amendment immunity applies to *inter partes* review proceedings.⁵¹ The panel emphasized the adversarial nature of *inter partes* review and observed that the “rules and procedures governing *inter partes* review resemble civil litigation in federal courts.”⁵² The panel thus concluded that the Eleventh Amendment bars the institution of *inter partes* review proceedings against a state that has not waived immunity.⁵³

The PTAB in *Covidien*, however, expressly noted that because the university had not brought a patent infringement action in federal court, it did not need to consider whether such conduct would waive immunity in *inter partes* review.⁵⁴ In December 2017, an expanded PTAB panel in *Ericsson* opined on this unsettled issue, thereby clarifying the scope of the waiver by litigation conduct doctrine in the *inter partes* review process.⁵⁵

IV. ERICSSON

Ericsson began when the University of Minnesota (the “University”) sued

47. *Covidien LP v. Univ. of Fla. Research Found. Inc.*, Nos. IPR2016-01274-76, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017); *NeoChord, Inc. v. Univ. of Md., Balt.*, No. IPR2016-00208 (P.T.A.B. May 23, 2017); *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429 (P.T.A.B. July 13, 2017).

48. *Covidien LP*, 2017 WL 4015009, at *11–12.

49. *Id.* at *1.

50. *Id.* at *2, 8–11 (citing to *Fed. Mar. Comm’n v. South Carolina State Ports Auth.*, 535 U.S. 743 (2002)).

51. *Id.* at *11 (“On the whole, considering the nature of *inter partes* review and civil litigation, we conclude that the considerable resemblance between the two is sufficient to implicate the immunity afforded to the States by the Eleventh Amendment.”).

52. *Id.* at *9.

53. *Id.* at *12.

54. *Id.* at *11 n.4.

55. *Ericsson, Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at *1 (P.T.A.B. Dec. 19, 2017).

AT&T, Sprint, T-Mobile, and Cellco Partnership for patent infringement in 2014.⁵⁶ The University alleged that the four defendants incorporated into their 4G LTE network services, without the University's consent, patented wireless communications technology developed by University professors.⁵⁷ Ericsson, a telecommunications company that provided equipment to the four named defendants, successfully intervened in the infringement action in 2016.⁵⁸ Shortly thereafter, Ericsson filed petitions requesting an *inter partes* review of the University's five patents at issue in the infringement litigation.⁵⁹ The court subsequently granted a motion to stay the litigation pending PTAB review of Ericsson's petitions.⁶⁰

Recognizing the sovereign immunity barrier erected by *Coviden*, Ericsson argued in its petitions that the University waived its immunity from *inter partes* review when it filed suit for patent infringement.⁶¹ Ericsson analogized *inter partes* review to a compulsory counterclaim and contended that the University could have anticipated that filing a lawsuit for infringement would lead to invalidity claims before the PTAB.⁶² In its motion to dismiss Ericsson's petitions, the University took issue with Ericsson's analogy and countered that waiver only applies to proceedings in the same forum.⁶³ Ruling in favor of Ericsson, a unanimous seven-member PTAB panel denied the University's motion to dismiss.⁶⁴

Writing on behalf of the panel, the PTAB's Chief Administrative Patent Judge first explained why he had exercised his discretion to expand the tribunal from three to seven administrative patent judges.⁶⁵ The Chief Judge

56. *Regents of Univ. of Minn. v. AT & T Mobility LLC*, 135 F. Supp. 3d 1000, 1003 (D. Minn. 2015).

57. *Id.* at 1004–05.

58. *See Regents of the Univ. of Minn. v. AT & T Mobility LLC*, No. 14-CV-4666 (JRT/TNL), 2016 WL 7985321, at *1 (D. Minn. Oct. 3, 2016).

59. *Petition for Inter Partes Review of U.S. Patent No. 8,774,309 at 1, Ericsson Inc. v. Giannakis*, No. IPR2017-01186 (P.T.A.B. Mar. 28, 2017).

60. *Order Denying Stay, Regents of the Univ. of Minn. v. AT & T Mobility LLC*, No. 0:14-cv-04666 (JRT/TNL) (D. Minn. Jan. 10, 2017).

61. *Petitioner's Opposition to Patent Owner's Motion to Dismiss at 1–12, Ericsson Inc. v. Giannakis*, No. IPR2017-01186 (P.T.A.B. Mar. 28, 2017).

62. *Id.*

63. *Reply in Support of Patent Owner's Motion to Dismiss at 4, Ericsson Inc. v. Giannakis*, No. IPR2017-01186 (P.T.A.B. Mar. 28, 2017).

64. *Ericsson, Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at *1 (P.T.A.B. Dec. 19, 2017).

65. *Id.*

identified Eleventh Amendment immunity as an issue that had been raised in multiple *inter partes* review matters and noted that the Board had not yet had the opportunity to address waiver in the context of parallel district court litigation.⁶⁶ Deeming these issues to be “of an exceptional nature,” the Chief Judge asserted that an expanded panel was warranted “to ensure uniformity of the Board’s decisions involving these issues.”⁶⁷ The panel then endorsed the reasoning of prior PTAB decisions in finding that sovereign immunity is a viable defense to *inter partes* review.⁶⁸

The panel, however, was quick to elucidate that a state may waive its Eleventh Amendment immunity in *inter partes* review when it files an infringement action in federal court.⁶⁹ The PTAB acknowledged the Federal Circuit’s decision in *Biomedical Patent Management Corp. v. California, Department of Health Services* that a state’s waiver of immunity in one action does not usually extend to a separate action.⁷⁰ Nonetheless, the Board highlighted the appellate court’s observation that there is no “bright-line rule whereby a [s]tate’s waiver of sovereign immunity can never extend to a . . . separate lawsuit.”⁷¹ In deciding whether the University’s waiver of sovereign immunity in the federal district court litigation would extend to the *inter partes* review, the panel looked to whether the University’s selective invocation of immunity would lead to “unfairness” and “inconsistency.”⁷²

The PTAB first cited Federal Circuit precedent holding that a state waives immunity as to compulsory counterclaims “because a state as plaintiff can surely anticipate that a defendant will have to file any compulsory counterclaim or be forever barred from doing so.”⁷³ The panel then credited Ericsson’s contention that *inter partes* review is akin to a compulsory counterclaim.⁷⁴ Pointing to the AIA, the panel explained that a defendant in an infringement action must file a petition for *inter partes* review within one year

66. *Id.* at *3.

67. *Id.* at *1.

68. *Id.* at *2 (“The Board has previously determined that Eleventh Amendment immunity is available to States as a defense in an *inter partes* review proceeding We agree.”).

69. *Id.* at *3.

70. *Id.* (citing *Biomedical Patent Mgmt. Corp. v. Cal., Dep’t of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir. 2007)).

71. *Id.* (quoting *Biomedical Patent*, 505 F.3d at 1339).

72. *Id.* (citing *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002)).

73. *Id.* (quoting *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1125–26 (Fed. Cir. 2003)).

74. *Id.*

after being served with a complaint or “be forever barred from doing so.”⁷⁵ The PTAB thus concluded that just as a state can “anticipate that a defendant will have to file a compulsory counterclaim,” it can also foresee a defendant in an infringement action having to file a petition for *inter partes* review.⁷⁶ Lastly, the panel reasoned that it would be “unfair and inconsistent” to allow a state to invoke immunity in *inter partes* review because it is a state’s filing of an infringement lawsuit that triggers the one-year statute of limitations period.⁷⁷

V. ERICSSON’S IMPLICATIONS AND THE PTAB’S WAIVER ANALYSIS

Ericsson is an important decision for several reasons. First, *Ericsson* confirms that state sovereign immunity is available as a defense to *inter partes* review.⁷⁸ Although the PTAB had previously dismissed *inter partes* review proceedings on Eleventh Amendment grounds,⁷⁹ *Ericsson* involved an expanded seven-member panel comprised of the Chief, Deputy, and Vice Chief Administrative Patent Judges.⁸⁰ But what *Ericsson* confirmed with one hand it took away with the other. By removing Eleventh Amendment immunity as a defense to *inter partes* review after a state entity has filed an infringement suit in federal court,⁸¹ *Ericsson* impedes companies from shielding patent claims from PTAB review. Thus, *Ericsson*, along with the Federal Circuit’s recent decision in *Mylan*, is also significant for its likely curtailment of patent transfer agreements with sovereign entities.

Finally, and most importantly for purposes of this article, the Board’s ruling in *Ericsson* is significant for its clarification of the contours of the waiver by litigation conduct doctrine.⁸² The PTAB, however, appears to have unduly

75. *Id.* (citing 35 U.S.C. § 315(b) (2012)).

76. *Id.* (quoting *Knight*, 321 F.3d at 1126).

77. *Id.*

78. *Id.* at *2 (citing *Reactive Surfaces Ltd., LLP v. Toyota Motor Corp.*, No. IPR2016-01914, 2017 WL 2992429 (P.T.A.B. July 13, 2017); *NeoChord, Inc. v. Univ. of Md., Balt.*, No. IPR2016-00208 (P.T.A.B. May 23, 2017); and *Covidien LP v. Univ. of Fla. Research Found. Inc.*, No. IPR2016-01274, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017)).

79. *See supra* note 47 and accompanying text.

80. *Ericsson*, 2017 WL 6517563, at *1 n.2.

81. *See id.* at *4.

82. *See id.* at *3 (noting there is no “bright-line rule whereby a State’s waiver of sovereign immunity can never extend to a . . . separate lawsuit” (quoting *Biomedical Patent Mgmt. Corp. v. Cal., Dep’t of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir. 2007))).

expanded the scope of this doctrine by misapprehending the import of *Biomedical Patent*, and finding “unfairness” and “inconsistency” where neither exists.⁸³ In *Biomedical Patent*, the Federal Circuit explained “that a State’s waiver of immunity generally does *not* extend to a separate or re-filed suit.”⁸⁴ Although the Federal Circuit did not delineate the extent to which waiver in one proceeding might extend to another and left open the possibility that waiver might carry over to another action,⁸⁵ the court’s analysis suggests that this would be a rare case.⁸⁶

In *Biomedical Patent*, a company holding a patent covering a method of prenatal screening for fetal chromosomal abnormalities, Biomedical Patent Management Corporation (BPMC), sued the California Department of Health Services (CDHS) for patent infringement.⁸⁷ The suit involved the same parties, the same subject matter, and the same claims as an earlier dispute.⁸⁸ In the first suit, a private subcontractor of CDHS sought a declaratory judgment that laboratory services performed by CDHS did not infringe on BPMC’s patent.⁸⁹ Seeking a declaration of non-infringement and invalidity as well, CDHS intervened, thereby waiving its sovereign immunity.⁹⁰ BPMC then asserted a compulsory counterclaim of infringement against CDHS.⁹¹ The suit was eventually dismissed without prejudice for improper venue.⁹² Several years later, BPMC filed suit against CDHS asserting infringement of the same patent.⁹³ Even though the second suit involved “the same four counts” as those contained in BPMC’s counterclaim in the first suit,⁹⁴ the district court and the Federal Circuit concluded that CDHS’s waiver of immunity in the first

83. *See id.* at *4 (“[A]llowing Patent Owner to assert its Eleventh Amendment immunity in this proceeding selectively so as to bar Petitioner from obtaining the benefits of an *inter partes* review of the asserted patent would result in substantial unfairness and inconsistency.”).

84. *Biomedical Patent*, 505 F.3d at 1339.

85. Other courts have also declined to “determine precisely the extent to which waiver in a prior case might extend to a future one.” *Wagoner Cty. Rural Water Dist. No. 2 v. Grand River Dam Auth.*, 577 F.3d 1255, 1260 (10th Cir. 2009).

86. *See infra* notes 87–96 and accompanying text.

87. *Biomedical Patent Mgmt. Corp. v. Cal., Dep’t of Health Servs.*, No. C 06-00737 MHP, 2006 WL 1530177, at *1 (N.D. Cal. June 5, 2006).

88. *Id.* at *2.

89. *Biomedical Patent*, 505 F.3d at 1331.

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.* at 1332.

94. *Id.* at 1331.

action did not extend to the second suit.⁹⁵ Given the almost identical posture of the two actions,⁹⁶ *Biomedical Patent* suggests that a waiver of immunity in one proceeding will only extend to another in rare instances.

A matter like *Ericsson*, however, does not appear to constitute the rare case justifying a departure from the general principle that a state's waiver of immunity in one action does not extend to a separate action. At the outset, one would be hard-pressed to argue that *inter partes* review of a patent's validity is not a separate action from a district court's consideration of an infringement claim.⁹⁷ As the Supreme Court has recognized, *inter partes* review and district court litigation "provide[] different tracks—one in the Patent Office and one in the courts—for the review and adjudication of patent claims."⁹⁸ The fact that a stay of infringement litigation is not automatic and that a party must move for a stay in the district court also demonstrates that *inter partes* review is a distinct proceeding.⁹⁹ Additionally, unlike *Biomedical Patent*, which involved "the same four counts" and the same issues as in the previous proceeding,¹⁰⁰ the issue of infringement in district court litigation is "separate and distinct" from the issue of patent validity in *inter partes* review.¹⁰¹ Furthermore, in contrast to *Biomedical Patent*, which involved claims asserted in

95. *Id.* ("Because we agree that [CDHS's] initial waiver of Eleventh Amendment sovereign immunity does not extend to this case or judicially estop [CDHS] from asserting immunity in this case, we affirm.").

96. *See* Shieldalloy Metallurgical Corp. v. N.J. Dep't. of Env'tl. Prot., 743 F. Supp. 2d 429, 436 (D.N.J. 2010) (describing "[t]he first and second suits in *Biomedical [Patent]*" as "practically identical").

97. *See* *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (noting "that the purpose of [*inter partes* review] is not quite the same as the purpose of district court litigation").

98. *Id.* at 2146.

99. Although the AIA contains an automatic stay provision, it is very limited. Only a declaratory judgment action challenging a patent's validity can be automatically stayed and, even then, only if the action was brought "on or after the date on which the petitioner files a petition for *inter partes* review of the patent." 35 U.S.C. § 315(a)(2) (2012). In addition, a stay will not be automatic if "after the date on which the petitioner files a petition for *inter partes* review of the patent," the "patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent[.]" 35 U.S.C. § 315(a)(2)(B).

100. *Biomedical Patent Mgmt. Corp. v. Cal., Dep't of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir. 2007).

101. *See* *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1365 (Fed. Cir. 2003) ("[T]his court has long recognized that patent infringement and invalidity are separate and distinct issues. 'Though an invalid claim cannot give rise to liability for infringement, whether it is infringed is an entirely separate question capable of determination without regard to its validity.'" (quoting *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1583 (Fed. Cir. 1983))).

the same type of forum—an Article III court—*inter partes* review of a patent’s validity takes place in an administrative setting.¹⁰² Thus, measured against *Biomedical Patent*, where the two proceedings were “practically identical” and the court refused to find a waiver extension,¹⁰³ it is dubious whether a waiver of immunity in district court litigation is sufficient to effect a waiver in *inter partes* review. Indeed, the PTAB in *Ericsson* seemingly recognized the distinction between district court litigation and *inter partes* review when it observed that “the proceedings are not the same.”¹⁰⁴

To overcome the general presumption against waiver in separate proceedings, the PTAB pointed to the purported need to avoid “unfairness” and relied on the precept “that a state should not reap litigation advantages through its selection of a forum and subsequent assertion of sovereign immunity as a defense.”¹⁰⁵ The PTAB explained that unfairness would inhere if the University could avail itself of sovereign immunity in *inter partes* review after filing an infringement lawsuit because “a party served with a patent infringement complaint in federal court must request an *inter partes* review of the asserted patent within one year of service of that complaint” under the AIA.¹⁰⁶ In other words, the University’s litigation conduct would lead to Ericsson being “barred from requesting an *inter partes* review of the asserted patent[s].”¹⁰⁷

But it is not clear how the University’s filing a patent infringement suit in a federal district court leads to an unfair “litigation advantage.”¹⁰⁸ Again, there are two “different tracks—one in the Patent Office and one in the courts—for the review and adjudication of patent claims.”¹⁰⁹ “[B]oth are

102. See *Ericsson, Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at *2 n.3 (P.T.A.B. Dec. 19, 2017) (“[*Inter partes*] review is less like a judicial proceeding and more like a specialized agency proceeding.” (quoting *Cuozzo*, 136 S. Ct. at 2143)).

103. See *Shieldalloy Metallurgical Corp. v. N.J. Dep’t. of Env’tl. Prot.*, 743 F. Supp. 2d 429, 436 (D.N.J. 2010).

104. *Ericsson*, 2017 WL 6517563, at *4. In its recent decision in *Oil States*, the Supreme Court also highlighted differences between *inter partes* review and district court litigation. See *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1378 (2018) (“Although *inter partes* review includes some of the features of adversarial litigation, it does not make any binding determination regarding ‘the liability [between the parties].’” (quoting *Crowell v. Benson*, 285 U.S. 22, 51 (1932))).

105. *Ericsson*, 2017 WL 6517563, at *3–4 (quoting *Bd. of Regents of Univ. of Wis. Sys. v. Phoenix Int’l Software, Inc.*, 653 F.3d 448, 466 (7th Cir. 2011)).

106. *Id.* at *3.

107. See *id.*

108. *Id.*

109. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2146 (2016).

adequate fora to adjudicate . . . patent invalidity.”¹¹⁰ The University’s infringement suit would only cut off one of the two avenues available to Ericsson to assert patent invalidity. Although Ericsson would be precluded from instituting *inter partes* review, the company would still be able to assert an affirmative defense of patent invalidity in the infringement litigation.¹¹¹ Thus, the University’s patent infringement suit “bar[ring Ericsson] from requesting *inter partes* review”¹¹² would not completely foreclose “the review and adjudication”¹¹³ of Ericsson’s invalidity arguments.

The consequences of the University’s conduct in *Ericsson* stand in stark contrast to the effects of governmental entities’ conduct in cases where the Federal Circuit has expressed concerns regarding unfair litigation advantages. For example, in *Regents of the University of New Mexico v. Knight*, which the PTAB in *Ericsson* heavily relied upon, a state university filed suit in federal court to enforce a patent claim and then asserted Eleventh Amendment immunity when the opposing parties filed compulsory counterclaims.¹¹⁴ Noting the “seriously unfair results” that would arise if the state university could block compulsory counterclaims, the Federal Circuit held that “when 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.”¹¹⁵ Unlike in *Knight*, where the state university sought to prevent a litigant from asserting a claim “in the same forum” in which the sovereign voluntarily filed suit,¹¹⁶ the University’s invocation of immunity would only prevent Ericsson from asserting patent invalidity before the PTAB and would not bar the company from having its invalidity contention considered in the district court—the *same forum* in which the University initiated the dispute. Accordingly, the consequences of the University’s actions in *Ericsson* do not rise to the level of the “seriously unfair results” flowing from

110. *Dodocase VR, Inc. v. MerchSource, LLC*, No. 17-CV-07088-EDL, 2018 WL 1475289, at *10 (N.D. Cal. Mar. 26, 2018); see Richard A. Epstein, *The Supreme Court Tackles Patent Reform: A Series of Articles Examining Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 19 FEDERALIST SOC’Y REV. 124, 131 (2018) (criticizing the PTAB’s judgment in *Ericsson* and stating “the federal district court offers a federal forum in which both sides compete on rough parity”).

111. See Ford, *supra* note 21, at 78–81 (discussing affirmative defense of patent invalidity).

112. *Ericsson*, 2017 WL 6517563, at *3.

113. *Cuozzo*, 136 S. Ct. at 2146.

114. *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1116 (Fed. Cir. 2003).

115. *Id.* at 1125–26 (emphasis added).

116. *Id.*

the state university's conduct in *Knight*.¹¹⁷

Even if the University were to obtain a litigation advantage by foreclosing *inter partes* review, the waiver by litigation conduct doctrine “does not prevent a [state] from obtaining any sort of advantage relating to immunity in pursuing [its] case.”¹¹⁸ Instead, the doctrine “only condemn[s] those litigation advantages that are ‘inconsistent’ or ‘unfair.’”¹¹⁹ Because the University's conduct only removes one of the two tracks for reviewing a patent claim and Ericsson's invalidity arguments may be considered in another forum—the same forum in which the University brought its patent infringement suit—any litigation advantage achieved by the University would not be unfair.¹²⁰ When one considers that “the advantages of inter partes review (such as a more favorable claim construction standard and a lower burden of proof)” favor Ericsson, it becomes even more clear that the University's conduct would not lead to an unfair litigation advantage.¹²¹ The loss of Ericsson's ability to seek *inter partes* review where it is advantaged by the proceeding's legal standards is not a sufficiently compelling basis to find that the University's assertion of Eleventh Amendment immunity “would result in substantial unfairness.”¹²² Thus, by giving short shrift to *Biomedical Patent* and determining that the University's litigation conduct “would result in substantial unfairness,”¹²³ the PTAB's waiver analysis is susceptible to criticism.

117. *See id.* at 1125.

118. *Taylor v. U.S. Dep't of Labor*, 440 F.3d 1, 8 (1st Cir. 2005).

119. *Id.* (quoting *Lapides v. Bd. Of Regents of Univ. Sys. of Georgia*, 535 U.S. 613, 622 (2002)); *see Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 685 (1999) (“In the sovereign-immunity context . . . ‘[e]venhandedness’ between individuals and States is not to be expected.” (alteration in original)).

120. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2153 n.6 (2016) (Alito, J., dissenting) (“A patent challenger does not have nearly as much to lose from an erroneous *denial* of inter partes review as a patent owner stands to lose from an erroneous *grant* of inter partes review. . . . [A patent challenger] remains free to challenge the patent's validity in [district court] litigation.”).

121. *Id.* These legal standards play a role in the PTAB's high cancellation rate of patent claims and “help[] explain the popularity of PTAB proceedings with many patent challengers.” Golden, *supra* note 25, at 1669. Although the PTAB's rates of claim cancellation are not as high as they once were, *inter partes* review proceedings remain a challenger-friendly forum for patent validity disputes. *See id.*

122. *Ericsson, Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6517563, at *4 (P.T.A.B. Dec. 19, 2017).

123. *Id.*

VI. CONCLUSION

It has been said that waivers of state sovereign immunity “provide a window into the ideology” of the Eleventh Amendment¹²⁴—“one of the Constitution’s most baffling provisions.”¹²⁵ The PTAB’s analysis of the waiver by litigation conduct doctrine in *Ericsson* is particularly interesting because it involves the application of this enigmatic doctrine in the context of the federal patent system and the modern administrative state.¹²⁶ Nonetheless, it is unclear whether *Ericsson* will help shape the boundaries of this indeterminate doctrine.¹²⁷ The ruling is certainly subject to opprobrium for its application of the waiver doctrine, and the PTAB may have been motivated by a desire to resist limitations on its power to review patent claims.¹²⁸ What is clear, however, is that *Ericsson* will not be the last word on the waiver by litigation conduct doctrine.¹²⁹

124. Jonathan R. Siegel, *Waivers of State Sovereign Immunity and the Ideology of the Eleventh Amendment*, 52 DUKE L.J. 1167, 1170 (2003).

125. William A. Fletcher, *A Historical Interpretation of the Eleventh Amendment: A Narrow Construction of an Affirmative Grant of Jurisdiction Rather Than a Prohibition Against Jurisdiction*, 35 STAN. L. REV. 1033, 1033 (1983).

126. See *supra* Part IV.

127. See *supra* Part V; see also *Mylan Pharm. Inc. v. Saint Regis Mohawk Tribe*, Nos. IPR2016-01127, 2018 WL 1100950, at *3 n.4 (P.T.A.B. Feb. 23, 2018) (considering the PTAB’s analysis and decision in *Ericsson* but finding the issue in *Mylan* to be distinguishable); cf. *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, No. 2018-1638, 2018 WL 3484448 (Fed. Cir. July 20, 2018) (declining to adjudge the issue of whether state sovereign immunity can be successfully invoked in *inter partes* review).

128. See Epstein, *supra* note 110 (“Any case in which a tribunal such as the PTAB decides a case in favor of its own jurisdiction should be looked upon with deep suspicion, especially when the tribunal has never ruled in ways that have limited its power.”).

129. See *Ericsson, Inc. v. Regents of the Univ. of Minn.*, No. IPR2017-01186, 2017 WL 6611494, at *1 (P.T.A.B. Dec. 27, 2017) (noting the University’s intention to appeal the Board’s decision to the Federal Circuit); see also Siegel, *supra* note 124, at 1169–70 (explaining why “[c]ases concerning waivers are cropping up all over the federal courts”).