

2020-1469 (lead), 2020-1470

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,

Appellant,

- v. -

BAYLOR COLLEGE OF MEDICINE,

Appellee,

ANDREW HIRSHFELD, Performing the Functions and Duties of the Under
Secretary of Commerce for Intellectual Property and Director of the United States
Patent and Trademark Office

Intervenor.

*On Appeal from Inter Partes Review Proceedings
Nos. IPR201-00948 and IPR2018-00949*

**BRIEF FOR AMICUS CURIAE ASSOCIATION OF PUBLIC AND LAND
GRANT UNIVERSITIES**

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CERTIFICATE OF INTEREST

Counsel for Amicus Curiae, Association of Public and Land-grant

Universities certifies the following:

1. The full name of every party or amicus represented by me is:

The Association of Public and Land-grant Universities

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me:

None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance I this case) are:

None.

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal:

None.

6. The names of any organizational victims in criminal cases, relevant bankruptcy cases, debtors and trustees:

None.

DATED: January 29, 2021

Respectfully Submitted,
/s/ Christopher G. Browning, Jr
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INTERESTS OF *AMICUS CURIAE*¹

The Association of Public and Land-grant Universities (“APLU”) is a research, policy, and advocacy organization dedicated to strengthening and advancing the work of public universities in the United States, Canada, and Mexico. APLU is the Nation’s oldest higher education association with member institutions in all 50 States, the District of Columbia, and four U.S. Territories. The association’s membership consists of 245 public research universities, land-grant institutions, state university systems, and affiliated organizations. APLU focuses on advancing scientific research, community engagement, and degree completion and academic success at their member schools.

APLU has a strong interest in the outcome of this petition as this action significantly impacts its member schools. If the panel’s decision to remove sovereign immunity in *inter partes* review (“IPR”) is not reversed, APLU’s members (state entities that stand as arms of State for purposes of the Eleventh Amendment) face the possibility of costly litigation, thereby diverting limited resources from education, research, and student engagement. APLU urges this Court to grant the

¹ All parties have consented to the filing of this brief. No party or party’s counsel authored this brief in whole or in part. No party or party’s counsel contributed money that was intended to fund preparing or submitting this brief. No person—other than the *amicus curiae*, its members, or its counsel—contributed money that was intended to fund preparing or submitting this brief.

petition for rehearing *en banc* and reverse the panel's decision that sovereign immunity does not bar IPR against state institutions of higher education.

SUMMARY OF ARGUMENT

This Court's decision to subject state institutions to IPR poses a risk to educational institutions across the country. This Court has a long history of upholding sovereign immunity for state universities in the context of patent disputes. As a result, public universities are generally immune from suit for patent infringement and cannot be compelled to defend against actions for declaratory judgment of invalidity or non-infringement. The panel's decision in this case drastically departs from this precedent, holding that sovereign immunity does not apply in IPRs.

If this decision stands, it would impact public universities across the country and impede their contributions to education, scientific advancement and the economic growth of the States that created them. Public universities operate with limited resources and allocate their funds to advance their multifaceted mission of educating students, advancing research, and serving the welfare of the States that created them. Compelling public universities to participate in IPR would saddle public universities with substantial litigation costs, divert resources (including the time of research faculty) away from the core mission of these state institutions, and impede the ability of state universities to disseminate technology – due to the cloud

of uncertainty that envelops a patent subject to an IPR. Unless the decision below is set aside by the full Court, these harms will be inflicted on state institutions even though no act of Congress expressly waives Eleventh Amendment immunity in IPRs. This Court should grant the petition for rehearing *en banc* and reverse the decision of the panel, reinstating sovereign immunity in IPRs.

I. This Court has Consistently Held that Public Universities Maintain Sovereign Immunity in Patent Related Proceedings

As our Supreme Court has held, “the patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time.” *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998). One of the primary purposes of state universities is scientific and technological advancement for the good of the public. This Court, therefore, has a long history of upholding sovereign immunity for state universities, as “arm[s] of the state,” particularly in actions involving patents. *Tegic Commc’ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335, 1340 (Fed. Cir. 2006); *see Gensetix, Inc. v. Bd. of Regents of Univ. of Texas Sys.*, 966 F.3d 1316 (Fed. Cir. 2020); *A123 Sys., Inc. v. Hydro-Quebec*, 626 F.3d 1213 (Fed. Cir. 2010); *Pennington Seed, Inc. v. Produce Exch. No. 299*, 457 F.3d 1334 (Fed. Cir. 2006); *Xechem Int’l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324 (Fed. Cir. 2004). Indeed, as this Court has recognized:

State universities frequently obtain assignments on patents invented by their faculties and staff, just as private corporations often obtain assignments on patents invented by their employees. Unlike a private corporate assignee or an individual inventor, a state university typically enjoys sovereign immunity. As a result, a state university generally may not be sued for infringement, nor may it be forced to defend against an action for declaratory judgment of invalidity or non-infringement.

Univ. of Utah v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V., 734 F.3d 1315, 1319 (Fed. Cir. 2013).

For instance, in *Xechem.*, a private biopharmaceutical company brought an action against the University of Texas System, seeking correction of ownership and declaratory judgment of patent non-infringement. *Xechem Int'l, Inc.*, 382 F.3d at 1326. The patent arose out of a collaborative project between Xechem and the university – with a university employee being named the sole inventor. *Id.* The trial court dismissed the action based on sovereign immunity, and this Court affirmed. *Id.* This Court expressly held that the university did not waive sovereign immunity by submitting to the authority of the Patent and Trademark Office to grant patents. *Id.* at 1326-31. Recognizing that “[p]atent activity is commercial activity,” this Court reiterated that a state university’s waiver of Eleventh Amendment rights cannot be imposed or implied based on a state’s entry into commerce, but must be founded on “a ‘clear declaration’ by the state of its intent to submit to federal jurisdiction.” *Id.* at 1324, 1330 (quoting *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666, 675 (1999)). Accordingly,

this Court held that the university's execution of a contract to license the patent to the plaintiff did not amount to the clear, voluntary declaration necessary to waive the university's sovereign immunity. *Id.* at 1329-31.

More recently, in *Gensetix, Inc. v. Bd. of Regents of Univ. of Texas Sys.*, 966 F.3d 1316, 1319 (Fed. Cir. 2020), this Court held that a state university's Eleventh Amendment immunity bars it from being joined as an involuntary plaintiff in a patent infringement action against a third-party by the university's licensee. Despite the university's acts of obtaining a patent and then licensing those patent rights, this Court concluded that the Eleventh Amendment bars a state university from being forced "to litigate against its will." *Id.* at 1323.

This Court's decisions in *Xechem* and *Gensetix* establish that States and their public universities may apply for and obtain a patent without fear of being sued against their will. *Inter partes* review constitutes a trial proceeding. In fact, the very regulations of the United States Patent and Trade Office state: "*Inter partes* review is a trial" 37 C.F.R. § 42.100. The Supreme Court has characterized these trials as "adversarial, adjudicatory proceedings between the 'person' who petitioned for review and the patent owner." *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1866 (2019). Unquestionably, this adversarial proceeding "mimics civil litigation." *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018).

The State of Texas and its public universities have not waived their immunity from such a trial, and Congress has not sought to extract such a waiver from States in the Patent Act. Even when a State participates in a federal spending program, such participation does not constitute a waiver of Eleventh Amendment immunity, unless the statute includes such a waiver “stated by the most express language or by such overwhelming implications from the text as [will] leave no room for any other reasonable construction.” *Edelman v. Jordan*, 415 U.S. 651, 673 (1974) (quoting *Murray v. Wilson Distilling Co.*, 213 U.S. 151, 171 (1909)). The Patent Act, of course, arises directly from the Patent and Copyright Clause of the Constitution – not Congress’ spending authority. U.S. Const. art. I, § 8, cl. 1 & 8. More importantly, the Patent Act is devoid of any language that could be construed as a waiver of Eleventh Amendment immunity.

Under the decision below, States – against their will – are required to defend themselves in trials brought by private litigants. This is a direct affront to the well-established sovereignty principles grounded in the Constitution, and the panel’s holding should be reversed. *Alden v. Maine*, 527 U.S. 706, 713 (1999) (not being compelled to appear as a defendant in a trial “is a fundamental aspect of the sovereignty” of States).

II. Eliminating Sovereign Immunity for Public Universities in IPRs Would Have Significant Negative Consequences on States

“Our nation’s primary source of both new knowledge and graduates with advanced skills continues to be its research universities.” National Research Council, Committee on Research Universities, *Research Universities and the Future of America, Ten Breakthrough Actions Vital to Our Nation’s Prosperity and Security* 1 (2012). Annually, APLU member schools conduct \$49.2 billion in research. The research conducted at public universities is not motivated by profit – rather it is driven by enhancing knowledge and solving problems in areas such as public health, medicine, space exploration and the environment. Because these public universities are state institutions, they act like instrumentalities of the State – putting the good of the people over financial gain. And in the rare cases when public universities experience financial gain from licensing their patents, the funds are put back into education and further research. Unlike large, for-profit corporations, these institutions do not have vast reserves set aside to defend litigation against the intellectual property that arises from their research. Nor should they, because they are entitled to the protections afforded to States under the Eleventh Amendment.

Not only does the panel’s decision undermine the sovereignty of the States and state institutions, it has far-reaching practical effects. Public universities, when deciding whether to protect their inventions, will now have to weigh the costs of a trial to defend a patent in IPRs. Unfortunately, many public universities will

determine that these additional costs cannot be justified in light of limited resources. Consequently, many inventions – created with state resources and funds – will now go unprotected. APLU respectfully submits that an appeal of this importance cries out for *en banc* review.

Sovereign immunity “serves the important function of shielding state treasuries and thus preserving the States’ ability to govern in accordance with the will of their citizens.” *FMC v. S.C. State Ports Auth.*, 535 U.S. 743, 765 (2002) (internal quotation marks omitted). The impact on the public fisc is particularly acute in costly litigation such as IPRs. Gene Quinn, *Post Grant Patent Challenges Concern Universities, Pharma*, IPWatchdog.com (Apr. 1, 2015) (www.ipwatchdog.com/2015/04/01/post-grant-patent-challenges-concern-universities-pharma/id=56351/). As one commentator has observed, the whittling away of a State’s ability to assert sovereign immunity in intellectual property disputes imposes great financial costs on States with few, if any, countervailing social benefits. Christopher L. Beales, Comment, *A Review of the State Sovereign Immunity Loophole in Intellectual Property Rights Following Florida Prepaid and College Savings*, 9 U. PA. J. CONST. L. 1233, 1276 (2007). In large part, this is because States are governed by the people and consequently tend to use their intellectual property rights for the common good.

The various public policy considerations were undoubtedly weighed by Congress when enacting the American Invents Act. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). Nevertheless, Congress chose not to expressly and unambiguously require that if a State applies for a patent, it thereby waives its Eleventh Amendment right not to be a defendant in a trial, such as an IPR. Congress is presumed not to have waived Eleventh Amendment immunity in the America Invents Act. *Dellmuth v. Muth*, 491 U.S. 223, 227-28 (1989) (Congress may only waive Eleventh Amendment immunity when it makes its intent unmistakably clear). That public policy determination should be made by Congress – not the courts. If Congress intended to have States named as defendants in IPRs, it would have done so with language that was unmistakably clear. Unless and until Congress adds such language to the Patent Act, this Court should refrain from reading a waiver of state sovereign immunity into that Act.

CONCLUSION

Therefore, the petition for rehearing *en banc* should be granted and the panel's decision reversed.

Respectfully submitted this 29th day of January 2021.

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CERTIFICATE OF COMPLIANCE

I hereby certify that:

1. This brief complies with the type-volume limitations of Federal Rule of Appellate Procedure 32(a)(7)(B) and Federal Circuit Rule 32(a)(7) because it contains 2,083 words, as determined by the word-count function of Microsoft Word, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure 32(f).

2. This brief complies with the type-face requirements and type-style requirements of Federal Rules of Appellate Procedure 32(a)(5) and 32(a)(6) and Federal Circuit Rules 32(a)(5) and 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word in Times New Roman 14-point font.

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CERTIFICATE OF SERVICE

I certify that on January 29, 2021, I caused the foregoing **BRIEF OF AMICUS CURIAE ASSOCIATION OF PUBLIC AND LAND-GRANT UNIVERSITIES IN SUPPORT OF APPELLANT'S PETITION FOR REHEARING EN BANC** to be filed with the Clerk of the United States Court of Appeals for the Federal Circuit via the CM/ECF system, which will send notice of such filing to all registered CM/ECF users, including counsel of record in this appeal.

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