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Federal Circuit Rejects Tribal Sovereign Immunity Defense in IPR Proceedings

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On Friday, the Federal Circuit issued its decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals*, No. 2018-1638, holding that tribal sovereign immunity cannot be asserted as a defense in inter partes review ("IPR") proceedings.

Background

The appeal stemmed from a dispute between Allergan, Inc. and Mylan Pharmaceuticals, Inc. regarding several patents relating to Allergan's Restasis product ("Restasis Patents"), a treatment for chronic dry eye disease. Mylan applied for regulatory approval to market a generic version of the Restasis product and petitioned for IPR of the Restasis Patents. After the IPR was instituted, Allergan assigned the Restasis Patents to the Saint Regis Mohawk Tribe. The Tribe moved to terminate the IPR proceeding, arguing that it was entitled to tribal sovereign immunity, and Allergan moved to withdraw from the IPR. The Board denied both motions, and Allergan and the Tribe appealed.

Federal Circuit Decision

Tribal sovereign immunity generally bars suits brought by private parties against an Indian tribe. *See, e.g., E.E.O.C. v. Karuk Tribe Hous. Auth.*, 260 F.3d 1071, 1075 (9th Cir. 2001). However, because the immunity derives from common law, it does not extend to actions brought by the federal government, such as actions brought by a federal agency. *See, e.g., id.*

The Federal Circuit recognized that an IPR is a "hybrid proceeding," with some "adjudicatory characteristics" similar to a court proceeding instituted by a private party and some characteristics of a "specialized agency proceeding." On balance, the court concluded that an IPR proceeding is an action of a federal agency – the U.S. Patent and Trademark Office ("USPTO") – to reconsider a prior administrative patent grant, rather than an action brought by a private party, and that tribal sovereign immunity therefore does not apply. The court identified several factors supporting its conclusion:

- The Director of the USPTO possesses broad discretion, and acts as a "gatekeeper," in deciding whether or not to institute an IPR proceeding. Thus, the decision of whether to proceed ultimately resides with a politically appointed executive branch official, not a private party.
- The Board and the Director of the USPTO are permitted to continue an IPR proceeding and participate in appeals, even if the private party challenger(s) drop out.
- IPR proceedings are functionally and procedurally different from district court litigation, including because IPR proceedings have more limited discovery, shorter hearings, and little opportunity for the petitioner to amend its petition.
- The existence of less adjudicatory proceedings (i.e., ex parte and inter partes reexamination), which

the Tribe acknowledged would not be subject to tribal sovereign immunity, does not mean that tribal sovereign immunity applies to IPR proceedings.

Impact

The Federal Circuit's decision closes an interesting attempt by Allergan to avoid an IPR with its holding that tribal sovereign immunity cannot be asserted as a defense in IPR proceedings. The court expressly did not address the question of whether *state* sovereign immunity can be asserted as a defense in such proceedings, leaving for another day the question of whether university-owned patents may be vulnerable in an IPR.