

Federal Circuit Holds Tribal Immunity Does Not Apply To Inter Partes Review

Last Friday, in an anticipated decision, the U.S. Court of Appeals for the Federal Circuit decided a controversial case regarding the St. Regis Mohawk's ability assert sovereign immunity in *inter partes* review proceedings. The Federal Circuit held that tribal sovereign immunity cannot be asserted in *inter partes* review proceedings.

Inter partes reviews are adversarial proceedings that concern the validity of patents and occur in front of the Patent Trial and Appeal Board ("PTAB"). *Inter partes* review proceedings are relatively new, having been created by the 2011 America Invents Act.

The St. Regis Mohawk and Allergan PLC caused a stir when they announced that Allergan had assigned its rights to several pharmaceutical patents to the tribe. The patents were the subject of an ongoing *inter partes* review. Several competitors of Allergan—Mylan, Teva Pharmaceutical, and Akorn—petitioned for *inter partes* review of several Allergan patents after they proposed to sell generic versions of Allergan dry eye drugs and were accused of infringing Allergan's patents. Allergan then transferred the patents to the St. Regis Mohawk and is paying the tribe a reported \$15 million annually for an exclusive license. After the transfer, the tribe moved to dismiss the *inter partes* review based on sovereign immunity. The PTAB refused to do so and the tribe appealed.

The Federal Circuit affirmed the PTAB's decision. The Federal Circuit reasoned that Indian tribes cannot invoke sovereign immunity against federal agencies in administrative enforcement actions and then analogized *inter partes* review proceedings to such enforcement actions. Specifically, the Federal Circuit noted that while *inter partes* reviews are "hybrid proceeding[s]" (the proceedings are adversarial in nature, but do not specifically seek to resolve a dispute between the parties, but only to determine whether the USPTO should have issued the patent in the first place), for the purposes of tribal sovereign immunity they were more analogous to enforcement actions than civil litigation. Significant to the Federal Circuit were the following facts: the Director of the USPTO decides whether to institute review, the PTAB can continue a review even if a

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petitioner chooses not to participate, there are some procedural differences between *inter partes* review and civil litigation, and the tribe conceded that immunity would not apply to USPTO reexamination proceedings.

While the analogy comparing patent review proceedings to federal agency enforcement actions seems awkward because *inter partes* review seeks to determine the patentability of an invention and not to adjudicate an alleged violation of federal law, the Federal Circuit likely was motivated by both the unique nature of *inter partes* review and the immense criticism of transfer of the patents from Allergan to the St. Regis Mohawk. Specifically, many commentators were critical of the transfer as (potentially) allowing Big Pharma to block competition by avoiding administrative review of its patents. While the unique nature of *inter partes* review should limit this decision to that situation, this case follows several high-profile appellate decisions that have limited the scope of tribal sovereign immunity. For instance, in 2015, the Sixth Circuit decided in *National Labor Relations Board v. Little River Band of Ottawa Indians*, that an Indian tribe was not immune from enforcement of NLRB orders. In 2017, the Supreme Court decided *Lewis v. Clarke*, which held that sovereign immunity did not apply to a tribal employee in a suit for arising from his employment but seeking damages against him in his personal capacity. This year, the Supreme Court considered whether *in rem* jurisdiction provides an exception to the doctrine, and after concluding that prior precedent did not stand for that proposition, remanded to the Washington Supreme for further proceedings. Therefore, despite the seeming unique circumstances of *inter partes* review, tribes are likely concerned that the Federal Circuit's decision represents a continued narrowing of the doctrine of tribal sovereign immunity.