

Tribal Sovereign Immunity Does Not Apply to IPR

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In a matter of first impression, the Patent and Trial Appeal Board (PTAB) denied a Native American tribe's motion to terminate a finding that tribal sovereign immunity does not apply to *inter partes* review (IPR) proceedings. *Mylan Pharmaceuticals Inc. v. St. Regis Mohawk Tribe*, Case No. 2016-01127, Paper No. 14 (PTAB, Feb. 23, 2018) (*per curiam*).

Based on petitions filed by Mylan, the PTAB instituted IPR proceedings on patents related to the drug Restasis. At the time of institution, the owner of the challenged patents was Allergan, Inc. Less than one week before the scheduled final hearing, Allergan assigned the challenged patents to the Saint Regis Mohawk Tribe. On that same day, the Tribe granted back to Allergan an irrevocable, perpetual, transferable and exclusive license under the challenged patents for all US Food and Drug Administration-approved uses in the United States. Allergan was also granted the first right to sue for infringement with respect to "generic equivalents," while the Tribe retained the first right to sue for infringement of anything unrelated to generic equivalents. As the new owner of the challenged patents, the Tribe filed a motion to terminate the IPR proceedings for lack of jurisdiction based on tribal sovereign immunity.

The PTAB denied the motion to terminate, finding that tribal sovereign immunity does not apply to IPR proceedings. The PTAB found that while state sovereign immunity has been applied in IPR proceedings, the immunity possessed by Native American tribes is not co-extensive with that of the states. The PTAB explained that IPRs are not the type of suit to which a Native American tribe would traditionally enjoy immunity under common law. The PTAB also noted that Congress enacted a generally applicable statute that renders any patent (regardless of ownership) subject to IPR proceedings, and that the PTAB does not exercise jurisdiction over the patent owner, but instead exercises jurisdiction over patents in order to correct its own errors in originally issuing the patents.

The PTAB held that even if the Tribe was entitled to assert immunity, the IPR proceedings could continue with Allergan as the patent owner. The PTAB found that the license agreement transferred "all substantial rights" in the challenged patents back to Allergan. The PTAB found that Allergan was granted primary control over commercially relevant infringement proceedings and the Tribe was granted only an illusory right to enforce the challenged patents. The PTAB also found that the license agreement provided Allergan with all rights to meaningful commercial activities under the challenged patents, rights to sublicense, reversionary rights in the patents, obligations to pay maintenance fees and control prosecution, and the rights to assign interests in the patents. Finally, the PTAB found that the Tribe was not an indispensable party and would not be significantly prejudiced if it chose not to

participate in the IPR proceedings since Allergen could adequately represent the Tribe's interest of defending the challenged patent's validity.

Practice Note: Allergan and the Saint Regis Mohawk Tribe have filed a Notice of Appeal to the US Court of Appeals for the Federal Circuit on several issues, including whether tribal sovereign immunity applies to IPR proceedings.

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