

Journal of the Patent and Trademark Resource Center Association

Volume 30

Article 1


5-15-2020

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Recommended Citation

Gambill, Agnes (2020) "Sovereign Immunity Issues for Tech Transfer Programs at State Universities," *Journal of the Patent and Trademark Resource Center Association*: Vol. 30 , Article 1.
Available at: <https://tigerprints.clemson.edu/jptrca/vol30/iss1/1>

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Sovereign Immunity Issues for Tech Transfer Programs at State Universities

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Abstract:

Technology transfer is the process of transforming research and ideas into viable commercial opportunities. Notable examples of tech transfer include Google, artificial intelligence, life-saving vaccines, and renewable energy technology. Universities and colleges play an important role in the technology transfer process, ranging from brokering commercial partnerships, negotiating license agreements, and protecting intellectual property. Valuable patents are often at stake, and as a result, universities should anticipate litigation risks. State universities, in particular, face new and unusual challenges as a result of their status as state entities. Under the 11th Amendment, state universities, as an arm of the state, can claim sovereign immunity, a doctrine which provides that the government cannot be sued without its consent. However, trends in litigation suggest that sovereign immunity protection for state universities is eroding.

This article discusses the trends in litigation that implicate sovereign immunity claims by state universities embroiled in technology transfer disputes. The legal issues raised and discussed throughout the article are essential for technology transfer offices and university counsel to consider when reviewing their practices, policies, and litigation strategy. The article also provides practical recommendations on how to shift risk away from the university.

Introduction

Under the 11th Amendment, can state universities assert sovereign immunity to avoid being sued by private parties in federal court for violation of patent laws? What implications does this constitutional tension have on technology transfer offices at state universities? The following narrative considers these two emerging questions through the interpretative lens of recent litigation and relevant statutory and constitutional provisions.

As a practical starting point, the author provides a concise history of technology transfer in the United States. She then surveys the laws and legislation that govern the intersection between sovereign immunity and technology transfer, including the 11th Amendment and the Bayh-Dole Act. The article subsequently examines major themes in the case law that concern state universities' use of sovereign

immunity as a defense to litigation and then concludes by discussing the implications of sovereign immunity challenges on technology transfer offices at state universities.

This article argues that state universities will face an increasing burden of litigation costs and a heightened risk of patent claims by third parties due to an erosion of state sovereign immunity. These long-term repercussions could lead to negative downstream effects such as chilling technology transfer activity in the United States. Recommendations to insulate universities from litigation costs include special contract provisions, the use of arbitration, insurance policies, and selecting strategic partnerships for research discovery. The purpose of this article is to equip technology transfer offices with an overview of noteworthy holdings from relevant case law and practical measures to mitigate risk.

I. University Technology Transfer in the United States

Historically, universities have enthusiastically entertained entrepreneurial partnerships between faculty members and industry players. One of the earliest ventures blossomed in California when chemistry professor Frederick Cottrell founded the Research Corporation in 1912.¹ Cottrell's intentions were to create a funding body to support scientific research and tackle environmental concerns such as pollution, an unanticipated product of the industrial revolution.² Other collaborations between the academy and industry were born out of burgeoning growth in the agricultural economy and a need for new inventions (Etzkowitz, 2016). An increase in defense research spending quickly followed on the footsteps of World War II as completion of the Manhattan Project and other military research campaigns became missions of national importance (Mowery and Ziedonis, 2000). Over the decades, federal funding in academic research continued to flow into universities, while the scope of investment expanded to include engineering, physics, and biomedicine (Breznitz, 2014).

Unsurprisingly, American universities seized the opportunity to assist faculty with patent and licensing activities. Cottrell's Research Corporation was also a recognized establishment for helping faculty with patent management.³ Globally, patent acquisition by universities commenced as early as 1921–1922 when the University of Toronto acquired a patent on insulin, an anabolic hormone that was discovered by two researchers at the medical school (Bliss, 1982).

With the increase in robust research activity and scientific discovery at major research institutions in the middle of the 20th century, federal funding agencies started to ask faculty members to assign their patents to the sponsoring agency.⁴ At the time, the prevailing attitude in government circles was well-

understood: what the government (and public) pays for, it should own.⁵ This public policy catalyzed the federal government to acquire approximately 30,000 patents by the 1960s.⁶ However, despite the good intentions of making federally funded research available for the public good, few inventions owned by the government were actually being commercialized (Feldman and Clayton, 2016).

To remedy this problem, the federal government sought creative solutions. Understanding that universities were well equipped to advertise and find suitors to commercialize inventions, funding agencies agreed to use a new type of contract that would grant patent rights directly to universities. Better known as the Institutional Patent Agreement (IPA), this contract eliminated the cumbersome process of universities having to ask the Department of Health, Education, and Welfare (now, the HHS) to waive title to an invention (Berman, 2008). Waiver applications were complex, and IPAs were an efficient way for universities to cut through procedural red tape and initiate license agreements with industry partners.⁷

II. Technology Transfer Legislation

In addition to the use of IPAs between universities and federal agencies, three other notable events fostered a favorable environment for university technology transfer and intellectual property rights in the United States. The first event occurred in 1974 when a group of research institutions founded the Society of University Patent Administrators (now known as the Association of University Technology Managers: AUTM) to promote the commercialization of academic research and to funnel inventions with high commercial potential to the marketplace so the general public could also reap the benefits of novel discoveries.⁸ Since its founding, the AUTM has facilitated the development of over 200 FDA-approved

¹ Research Corporation for Science Advancement. Retrieved from <https://rescorp.org/rcsa/history>

² *Id.*

³ *Id.*

⁴ American Association of University Professors. *American University Patent Policies: A Brief History*. Retrieved from <https://www.aaup.org/sites/default/files/files/ShortHistory.pdf>

⁵ Wisconsin Alumni Research Foundation. *WARF & the Bayh-Dole Act*. Retrieved from <https://www.warf.org/about-us/history/warf-bayh-dole-act/warf-bayh-dole.cmsx>

⁶ *Id.*

⁷ *Id.*

⁸ AUTM. *Mission & History*. Retrieved from <https://autm.net/about-autm/mission-history>

drugs.⁹ The second event occurred in December 1980 with the passage of the Bayh-Dole Patent and Trademark Amendments Act, which gave categorical permission to universities to retain patent rights to discoveries made with the support of federal funding (Brenzitz, 2016). The third event occurred in 1982 with the establishment of the U.S. Court of Appeals for the Federal Circuit, which serves as the court of final appeal for patent cases in the federal court system.¹⁰ The Federal Circuit was established under Article III of the Constitution and has special jurisdiction over a variety of subject areas, including international trade, trademarks, and patents. Since the court's inception, the Federal Circuit has been considered an advocate for intellectual property rights (Mowery and Ziedonis, 2000).

Researchers Woodell and Smith (2017) argue that the Bayh-Dole Act established the field of university technology transfer. The U.S. Department of Commerce, the federal agency that promotes technology transfer commercialization, delegated authority to the National Institute of Standards and Technology to promulgate rule-making for the Act.¹¹ Legislation similar to Bayh-Dole has been enacted worldwide, including in Singapore, Russia, the United Kingdom, and Mexico.¹²

The following are major provisions of the Bayh-Dole Act, including new regulations, effective 2018 (Lee, Riemenschneider, Altmann, Sherwood, 2018).¹³

- Universities may elect to retain title to discoveries made under federally funded research programs and must do so within two years following disclosure of the invention if election is made.
- Universities must disclose subject inventions to the government within two months after the inventor discloses it to the university's technology transfer office.
- Universities are encouraged to collaborate with commercial entities to promote

commercialization of research findings that benefit the public.

- Universities are expected to file patents on inventions they elect to own.
- If a federal employee is co-inventor of the subject invention, then the federal employee co-inventor may file the initial patent application, provided that the university retains the ability to elect rights. This determination is made by the funding agency "at its discretion" and "in consultation with" the university.
- Universities are expected to give licensing preference to small businesses and to those making products in the United States.
- Universities automatically grant to the government a nonexclusive, irrevocable, paid-up license to use the invention.
- The government retains march-in rights under very specific circumstances.
- Universities must obtain written agreement from employees of their responsibility to promptly disclose subject inventions in writing to technology transfer offices.
- Universities must obtain written assignment agreements from employees, which assign all rights and titles to subject inventions to the university.
- Following the discovery of non-compliance of the Bayh-Dole Act's disclosure and election requirements, the government has an unlimited time to assert ownership to an invention.
- Decisions to discontinue patent prosecution must be communicated to the government within 60 days before the statutory deadline.

Related technology transfer legislation in the United States includes the Stevenson-Wydler Technology Innovation Act of 1980, which enabled government-owned and -operated laboratories to engage in cooperative research and development

⁹ *Id.*

¹⁰ United States Court of Appeals for the Federal Circuit. *Court Jurisdiction*. Retrieved from <http://www.ca9.uscourts.gov/the-court/court-jurisdiction>

¹¹ National Institute for Standards and Technology. (2020). *Bayh-Dole Regulations for Federally Funded Inventions*. Retrieved from <https://www.nist.gov/tpo/bayh-dole>

¹² AUTM. *Landmark Law Helped Universities Lead the Way*. Retrieved from <https://autm.net/about-tech-transfer/advocacy/legislation/bayh-dole-act>

¹³ 35 U.S.C. § 200–212; AUTM. *The Bayh-Dole Act: It's Working*. Retrieved from <https://autm.net/AUTM/media/About-Tech-Transfer/Documents/BayhDoleTalkingPointsFINAL1193.pdf>

agreements¹⁴; the Federal Technology Transfer Act of 1986, which allowed government inventors to patent their technologies and receive a portion of the royalties from commercialization¹⁵; and the America Invents Act of 2011, which reformed the patent system to be based on the “first inventor to file” rather than the “first to invent.”¹⁶

11th Amendment Sovereign Immunity

The intersection between sovereign immunity and technology transfer at state universities is a legal tension that is frequently under debate at the U.S. Court of Appeals for the Federal Circuit.¹⁷ Sovereign immunity is granted to state-owned universities because they are considered to be an arm of the state.¹⁸

The laws that govern sovereign immunity are found in the 11th Amendment of the U.S. Constitution and also in common law that dates back to 1793.¹⁹ Originating from English law, sovereign immunity is grounded in the theory of absolute divine rights whereby the king’s sovereign power is deemed to be God-given and unlimited (Choi, 2018). The power of the sovereign in medieval England effectively meant the king could do no harm (Borchard, 1924).

The application of this legal doctrine in American jurisprudence was discussed in *Chisolm v. Georgia*, the result of which inspired Congress to enact the 11th Amendment of the Constitution so that states had the power to invoke immunity from suit by private parties in federal court (Choi, 2018):

The 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.²⁰

In simple terms, the 11th Amendment protects states from being forced to defend themselves against a private party. However, immunity is not absolute, and the Supreme Court has recognized two scenarios where a private party can sue a state: (1) when a state waives its sovereign immunity by consenting to the suit; and (2) when Congress exercises its 14th Amendment right to authorize a suit against a state.²¹ While the first scenario is more straightforward in its application, the second scenario has caused a rift in Supreme Court judicial opinions such that recent holdings that curtail Congress’ power to abrogate state sovereign immunity have been deemed “judicial activism.”²²

III. Litigation Trends: University Technology Transfer and Sovereign Immunity Claims

Technology transfer has become a breeding ground for litigious activity as a growing number of lawsuits between academics, universities, and industry reveal the web of tensions among these parties. Court cases involving university technology transfer were found through an online keyword search of WestLaw in February 2020: 220 cases were discovered using the keywords “university technology transfer” and “patent”; 130 cases were discovered using the keywords “university,” “patent,” and “sovereign immunity”; and 31 cases were discovered using the keywords “university technology transfer,” “patent,” and “sovereign immunity.” The narrow body of case law discussing sovereign immunity claims at state universities points to major themes that concern procedural issues, litigation conduct, original jurisdiction, administrative proceedings, and commercial activity by foreign states.

¹⁴ Federal Laboratory Consortium. *What is Technology Transfer?* Retrieved from <https://federallabs.org/learning-center/what-is-t2>

¹⁵ 15 U.S.C. §3710

¹⁶ United States Patent and Trademark Office. *Leahy-Smith America Invents Act Implementation*. Retrieved from <https://www.uspto.gov/patent/laws-and-regulations/leahy-smith-america-invents-act-implementation>

¹⁷ *Infra* Part III

¹⁸ *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, 936 F. 3d 1365 (2019).

¹⁹ *Chisolm v. Georgia*, 2 U.S. 219 (1793).

²⁰ U.S. Const. amend. XI

²¹ *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999).

²² *Alden v. Maine*, 527 U.S. 706 (1999); *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996).

States Are Not Immune to Proper Transfers of Venue

In *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, the Board of Regents of the University of Texas System (UT) and TissueGen, Inc. sued Boston Scientific Corporation for patent infringement in the Western District of Texas.²³ The patents-in-suit concerned “implantable drug-releasing biodegradable fibers that replace the standard fibers used in medical devices, such as implantable stents.”²⁴ The fibers were discovered at the University of Texas System, and the university licensed the patents-in-suit to TissueGen, Inc., which was founded by the UT professor who co-discovered the technology.²⁵

In litigating the patent infringement claim, a procedural issue emerged. The district court determined that venue was improper in the Western District of Texas and transferred to the District of Delaware.²⁶ The University of Texas sought venue in Texas by claiming sovereign immunity:

Venue is proper in the Western District of Texas because UT is an arm of the State of Texas, has the same sovereign immunity as the State of Texas. It would offend the dignity of the State to require it to pursue persons who have harmed the State outside the territory of Texas, and the State of Texas cannot be compelled to respond to any counterclaims, whether compulsory or not, outside its territory due to the 11th Amendment.²⁷

The district court rejected UT’s sovereign immunity argument based on the longstanding rule that venue is proper where the defendant resides or

has a regular and established place of business. Since defendant Boston Scientific Corporation was incorporated in Delaware, the court’s decision was logical. The district court explained that “sovereign immunity is a shield; it is not meant to be used as a sword ... there is no claim or counterclaim against [UT] that places it in the position of the *defendant*” (emphasis added).²⁸ On appeal, the Federal Circuit also rejected UT’s attempt to keep the case in Texas on the basis of sovereign immunity, holding that “the state sovereignty principles asserted by UT do not grant it the right to bring a patent infringement suit in an improper venue.”²⁹ The Federal Circuit further noted that state sovereign immunity does not apply where the state acts solely as a *plaintiff* (emphasis added).³⁰

The outcome of the UT case has two implications: (1) state sovereignty principles do not give state universities the right to sue in an improper venue; and (2) a state cannot dictate where it litigates its property rights if the state is the sole plaintiff. *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp* also serves as a reminder that when a state or state entity voluntarily appears in federal court, it “voluntarily invokes the federal court’s jurisdiction” and must abide by federal rules and procedures.³¹

Waiver of Sovereign Immunity Depends on Litigation Conduct

In *Xechem Intern., Inc. v. University of Tex. M.D. Anderson Cancer Center*, the Federal Circuit considered the issue of whether the Board of Regents of the University of Texas System and the University of Texas M.D. Anderson Cancer Center could assert its 11th Amendment immunity to avoid a lawsuit in federal court.³² The lawsuit concerned a patent correction

doctrine to immediately appeal an order denying a claim of sovereign immunity.”)

²³ *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, 936 F.3d 1365 (2019).

²³ *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, 936 F.3d 1365 (2019).

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ Under the collateral order doctrine, the Federal Circuit agreed to hear the case on appeal despite the transfer order being interlocutory in nature. The Federal Circuit’s reason for hearing the appeal was because the transfer order was challenged on the basis of state sovereignty. See *Puerto Rico Aqueduct and Sewer Authority v. Metcalf & Eddy, Inc.*, 506 U.S. 139 (1993). (“The Supreme Court held that States and State entities may invoke the collateral order

²⁹ *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, 936 F.3d 1365 (2019).

³⁰ *But see AI23 Systems, Inc. v. Hydro-Quebec*, 626 F.3d 1213 (2010) (The Board of Regents of a State university could not be joined as a *defendant* because the State university had not waived 11th Amendment sovereign immunity in the lawsuit (emphasis added)).

³¹ *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613 (2002).

³² *Xechem Intern., Inc. v. University of Tex. M.D. Anderson Cancer Center*, 382 F. 3d 1324 (2004).

claim that stemmed from a collaboration between the university and Xechem International, a biopharmaceutical company that was developing the cancer drug paclitaxel.³³ Xechem alleged that UT took several actions that equated to a waiver of sovereign immunity, such as entering into a collaborative research agreement.³⁴

To the contrary, the Federal Circuit held that none of UT's actions were a waiver of sovereign immunity; instead, the court clarified that waiver of sovereign immunity should be "clear, explicit, and voluntary."³⁵ The court also echoed the opinion made in *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, which stressed the fact that a state's voluntary entry into federal jurisdiction serves as a valid waiver.³⁶

In a similar set of facts relating to patent corrections, the Federal Circuit in *Ali v. Carnegie Inst. of Washington* discussed the impact of the Bayh-Dole Act with respect to the University of Massachusetts' assertion of sovereign immunity.³⁷ In particular, the court noted that just because the patents-in-suit resulted from federal funding through the Bayh-Dole Act does not mean that a university "makes a clear declaration" of its submission to federal court jurisdiction.³⁸ In other words, a state's waiver must not be implied or constructive. Furthermore, there is no "quid pro quo arrangement" whereby a contractual agreement between a state university and the federal government constitutes a waiver of sovereign immunity.³⁹

Waiver of Sovereign Immunity Through Voluntary Pursuit of Litigation

By contrast, sovereign immunity is waived through aggressive pursuit of litigation in federal court. For example, in *Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, the Federal Circuit stated that the University of

Missouri waived its constitutional immunity by initiating and participating in a patent interference proceeding before the United States Patent and Trademark Office.⁴⁰ Furthermore, the court held that the University of Missouri's waiver at the patent proceeding level also applied at the appellate level. Similarly, in *Regents of University of New Mexico v. Knight*, the Federal Circuit declared that the University of New Mexico waived its sovereign immunity as to any compulsory counterclaims when it brought a patent ownership action against the inventors of cancer treatment compounds.⁴¹ Waiver can also be invoked by a defendant that voluntarily agrees to remove a case to federal court, which was seen in *Lapides v. Board of Regents of University System of Georgia*.⁴² By contrast, a state university's filing of a patent infringement action does not waive sovereign immunity to a different suit in a different court involving the same parties.⁴³

These cases stress the fact that once a state university initiates a lawsuit in federal court, it consents to federal court jurisdiction and waives 11th Amendment immunity. The Supreme Court in *Lapides* explained this concept further:

It would seem anomalous or inconsistent for a State both (1) to invoke federal jurisdiction, thereby contending that the "Judicial power of the United States" extends to the case at hand, and (2) to claim 11th Amendment immunity, thereby denying that the "Judicial power of the United States" extends to the case at hand. And a Constitution that permitted States to follow their litigation interests by freely asserting both claims in the same case could generate seriously unfair results.⁴⁴

More colloquially, the Supreme Court's rationale to the University of Georgia was simple: "you can't eat your cake and have it too" (Heywood, 1546).

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Bd. of Regents of the Univ. of Tex. Sys v. Boston Scientific Corp*, 936 F.3d 1365 (2019).

³⁷ *Ali v. Carnegie Inst. of Washington*, 684 F. Appx. 985 (2017).

³⁸ *Id.*

³⁹ *Id. at 25.*

⁴⁰ *Vas-Cath, Inc. v. Curators of the Univ. of Mo.*, 473 F.3d 1376 (2007).

⁴¹ *Regents of University of New Mexico v. Knight*, 321 F.3d 1111 (2003).

⁴² *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613 (2002).

⁴³ *Tegic Communications Corp. v. Board of Regents of University of Texas System*, 458 F.3d 1335 (2006).

⁴⁴ *Lapides v. Board of Regents of University System of Georgia*, 535 U.S. 613 (2002).

The Supreme Court Has Jurisdiction Over Suits Between State Universities

The majority of cases discussing technology transfer at state universities and sovereign immunity involve a single state university and a private actor. However, in *University of Utah v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V.*, a state university brought a patent correction claim against another state university.⁴⁵ The dispute concerned two professors who had presented about RNA interference issues at the same professional conferences and were familiar with one another's work. When the University of Massachusetts's professor filed for and was granted a patent, the University of Utah professor sued for a correction of patent ownership, claiming she was the rightful owner. Since the dispute arose between two state universities, the University of Massachusetts argued that the Supreme Court had jurisdiction over the dispute under the Constitution's Original Jurisdiction clause.⁴⁶

The Federal Circuit held that the Supreme Court did not have exclusive jurisdiction over the patent claim between two state universities.⁴⁷ The reasons provided by the court were complex but generally referred to the fact that (1) the University of Massachusetts was not an indispensable or real party of interest; and (2) the State has no core sovereign interest in inventorship.⁴⁸ The Federal Circuit also reminded the universities that states do not enjoy sovereign immunity from suits brought by other states.⁴⁹ The case was filed before the Supreme Court yet denied in 2014, meaning that the lower court decision stands. Interestingly, this case raises the question as to whether a state could ever have a sovereign *interest* in a patent invention.

⁴⁵ *University of Utah v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V.*, 734 F. 3d 1315 (2013).

⁴⁶ U.S. Const. art. III, § 2, cl. 2 (“In all Cases ... in which a State shall be a Party, the [S]upreme Court shall have original Jurisdiction.”)

⁴⁷ *University of Utah v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V.*, 734 F. 3d 1315 (2013).

⁴⁸ *Id.*

⁴⁹ *University of Utah v. Max-Planck-Gesellschaft Zur Forderung Der Wissenschaften E.V.*, 734 F. 3d 1315 (2013);

Texas v. New Mexico, 482 U.S. 124 (1987).

Sovereign Immunity Does Not Bar Inter Partes Review

Whether or not sovereign immunity can be invoked in an inter partes review (IPR) proceeding was discussed in *Regents of the University of Minnesota v. LSI Corporation*.⁵⁰ Established in 2012, inter partes review is a trial proceeding conducted at the USPTO Patent Trial and Appeal Board to review the patentability of one or more claims in a patent.⁵¹ IPRs were created to address the public's confidence and trust in the patent system by giving patent challengers an opportunity to purge bad patents through a re-examination forum (Janis, 1997).⁵² In this case, the University of Minnesota brought a patent infringement action against a group of alleged infringers of the university's semiconductor chip patents.⁵³ In response, the alleged infringers subsequently filed petitions for inter partes review, but the University of Minnesota moved to dismiss the IPR proceedings based on sovereign immunity. The university argued that sovereign immunity applies to Article III proceedings and therefore should also apply to IPR proceedings.

However, the Federal Circuit disagreed with the University of Minnesota, concluding that sovereign immunity does not apply to IPR proceedings because an IPR is “more like an agency enforcement action rather than a civil suit brought by a private party.”⁵⁴ Furthermore, the court noted that the Federal Rules of Civil Procedure do not apply in IPR proceedings and that petitioners do not have to be present for a final decision to be rendered by the Patent Trial and Appeal Board.⁵⁵ The university filed suit before the Supreme

⁵⁰ *Regents of the University of Minnesota v. LSI Corporation*, 926 F. 3d 1327 (2019).

⁵¹ United States Patent and Trademark Office. *Inter Partes Review*. Retrieved from <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review>

⁵² See S. Rep. No. 96–617, at 2–3, 14S. Rep. No. 96–617, at 2–3, 14 (1980); H.R. Rep. No. 96–1307, pt. 1, at 3 (1980) (expressing concern as to the lack of confidence in the patent system).

⁵³ *Regents of the University of Minnesota v. LSI Corporation*, 926 F. 3d 1327 (2019).

⁵⁴ *Id.*

⁵⁵ *Id.*

Court, but this request was denied in 2020, leaving the Federal Circuit's decision unchanged.⁵⁶

Several amici briefs, or briefs written by parties with a strong interest in the case, were filed by other state universities, which highlighted the potential harm that the Federal Circuit's decision in *Regents of the University of Minnesota* would cause.⁵⁷ One of the major ramifications of the decision was both "practical and economic."⁵⁸ State universities would be forced to defend valuable patents in an increasing number of IPR proceedings, which cost roughly half a million dollars on average per proceeding.⁵⁹ Another dire consequence of this decision is the chipping away of the structural division of power between states and the federal government that is guaranteed by the Constitution.

Foreign Sovereign Immunities Act

In *Genetic Veterinary Sciences, Inc. v. LABOKLIN GmbH & Co KG*, the Federal Circuit also addressed whether foreign universities can assert sovereign immunity in the U.S. federal judiciary.⁶⁰ In the lower court proceedings, the University of Bern and LABOKLIN asserted a patent infringement claim against an American company (PPG) for using the university's patent in tests that detect genetic diseases in dogs.⁶¹ In response, PPG asked the district court whether the patents-in-suit were ineligible for protection under § 101 for failing to claim patent-eligible subject matter. When the district court determined that the patents were ineligible, the university and LABOKLIN appealed the decision, stating that the U.S. district court lacked personal and subject matter jurisdiction over the university because of sovereign immunity.

Pursuant to the Foreign Sovereign Immunities Act (FSIA), the Federal Circuit explained that "a foreign

state is presumptively immune from the jurisdiction of United States courts,"⁶² unless a foreign state "engages in commercial activity ... in the United States."⁶³ The Federal Circuit further explained that (1) obtaining U.S. patents and (2) enforcing patents through litigation or licensing activity are commercial activities for the purposes of determining jurisdiction under the FSIA.⁶⁴ This case is important for foreign universities who actively pursue commercial interests in the United States.

IV. Implications for Technology Transfer Programs at State Universities

Over the past several decades, federally funded technology transfer programs have fostered innovation and delivered a pipeline of novel, potentially life-changing discoveries to the public. For example, between 1969 and 2012, the USPTO issued over 75,000 patents to American universities (USPTO, 2020). However, case law reveals that state universities may be dragged into more legal disputes despite their cry for sovereign immunity. This trend in litigation activity has three important implications for American innovation.

First, state universities will suffer economic headwinds due to a rise in litigation costs from pursuing and defending patent claims. The holding in *Regents of the University of Minnesota v. LSI Corporation* is particularly worrisome given that the decision flings the door wide open for state universities to be hauled into new types of litigation proceedings, such as inter partes review. The problem with this type of tribunal is that a single patent or patent portfolio can be subjected to an unlimited number of administrative reviews by an unlimited number of petitioners.⁶⁵ Furthermore, the costs of defending these claims would dramatically

⁵⁶ Supreme Court of the United States Blog. Retrieved from <https://www.scotusblog.com/case-files/cases/regents-of-the-university-of-minnesota-v-lsi-corporation/>

⁵⁷ *Id.*

⁵⁸ *Regents of the University of Minnesota v. LSI Corporation*. (2019). Petition for Writ. Retrieved from https://www.supremecourt.gov/DocketPDF/19/19-337/115569/20190912124127177_UMN%20Petition%20a%20Appendix.pdf

⁵⁹ *Id.*

⁶⁰ *Genetic Veterinary Sciences, Inc. v. LABOKLIN GmbH & Co KG*, 933 F. 3d 1302 (2019).

⁶¹ *Genetic Veterinary Sciences, Inc. v. LABOKLIN GmbH & Co KG*, 314 F. Supp 3d 727 (May, 2018).

⁶² *Saudi Arabia v. Nelson*, 507 U.S. 349 (1993).

⁶³ 28 U.S.C. § 1605(a)(2).

⁶⁴ *Genetic Veterinary Sciences, Inc. v. LABOKLIN GmbH & Co KG*, 933 F. 3d 1302 (2019); *Intel Corp. v. Commonwealth Sci. & Indus. Research Org.*, 455 F.3d 1364 (2006).

⁶⁵ *Regents of the University of Minnesota v. LSI Corporation*. (2019). Petition for Writ. Retrieved from <https://www.supremecourt.gov/DocketPDF/19/19->

constrain the budgets of state universities, which depend on revenues from intellectual property development for reinvestment in research and public education.⁶⁶ Also, the cost to defend more legal disputes would prune the resources that state universities use to prosecute infringers of valuable university-owned patents.⁶⁷

The second implication is an overall negative impact on the social good due to a constricted downstream flow of new patent filings. With new litigation risks on the horizon, state universities may avoid filing patent applications for speculative innovations.⁶⁸ This behavior not only deprives state universities of prospective revenue from patenting and licensing activities, it also stunts innovation as fewer discoveries trickle into the market. The long-term effect of overcaution by university technology transfer programs could mean fewer groundbreaking developments of the magnitude that have led to robust job growth and the creation of entire industries. If such effects come to fruition, the United States' standing in the global innovation economy could eventually decline. The global shift in dynamics has already started to surface as China became the worldwide leader in patent filings in 2019 (Hosokawa, 2020). To further illustrate the probability of decreased technology transfer, an empirical study (Hvide and Jones, 2018) conducted in Norway revealed that a formal policy shift in rights from researcher to the university led to an approximate 50 percent drop in the rate of startups by university researchers between 2000 - 2007, highlighting the sensitivity of the relationship between rights management and entrepreneurial activity.

A third implication is that the decisions handed down by the Federal Circuit are a direct affront to the states' right of sovereign immunity. By allowing

[337/115569/20190912124127177_UMN%20Petition%20and%20Appendix.pdf](https://www.supremecourt.gov/DocketPDF/19/19-337/115569/20190912124127177_UMN%20Petition%20and%20Appendix.pdf)

⁶⁶ *Regents of the University of Minnesota v. LSI Corporation*. (2019). Brief of the Association of Public and Land-Grant Universities as Amicus Curiae in Support of Petitioner. Retrieved from https://www.supremecourt.gov/DocketPDF/19/19-337/118860/20191011163438730_2019-10-11%20PDF%20APLU%20Cert%20Stage%20Amicus%20Brief%20-%20for%20Printer.pdf

⁶⁷ *Id.*

⁶⁸ *Regents of the University of Minnesota v. LSI Corporation*. (2019). Brief of Twelve State University

states and state entities to be sued in administrative proceedings without its consent, federal courts are tarnishing the sovereign dignity of states and promoting an imbalance of powers within the legal system.

This tension between federal and state power, a division that forms the basis of American federalism, is still hotly contested among Supreme Court justices. The debate roars in the dissents of cases such as *Alden v. Maine*, *Kimel v. Florida Bd. of Regents*, and *Seminole Tribe*.⁶⁹ For example, the dissent in *Alden* points out that the right to sovereign immunity by states was curtailed when the Constitution was ratified in 1788.⁷⁰ Likewise, the dissent in *Alden* argues that Congress has the power to exercise its Article I power to abrogate state sovereign immunity.⁷¹ By contrast, the majority in *Alden* writes that the 10th Amendment, rather than the 11th, gives states the right to be immune from all suits "whether the court be state and federal, and whether the cause of action arises under state or federal law."⁷² Under the majority's reasoning, a state's reliance on the 11th Amendment is unnecessary.⁷³

An unintended consequence of the developing body of case law discussing state sovereign immunity and technology transfer is that state sovereign immunity is eroding, despite the Supreme Court's majority holdings that have advocated for state rights.

V. Conclusion

Protecting the culture of innovation within academia requires technology transfer offices to balance protection of intellectual property interests with prudent investment of federal funding into fruitful research and novel discoveries. Technology transfer programs at state universities have the additional burden of reserving adequate funds from state budgets

Systems as Amici Curiae in Support of Petitioner. Retrieved from

https://www.supremecourt.gov/DocketPDF/19/19-337/119034/20191015154508370_19-337%20Amicus%20Brief.pdf

⁶⁹ *Alden v. Maine*, 527 U.S. 706 (1999); *Kimel v. Florida Bd. of Regents*, 528 U.S. 62 (2000); *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996).

⁷⁰ *Alden v. Maine*, 527 U.S. 706 (1999).

⁷¹ *Id.*

⁷² *Id.*

⁷³ *Id.*

to fend off patent trolls and other litigious creatures. Understanding the principles of when state universities can invoke sovereign immunity may save these institutions from unnecessary costs.

Provided below is a summary of factors that determine when sovereign immunity is waived and when sovereign immunity is invoked by a state university. Although not exclusive given the ever-expanding body of case law, this outline serves as a practical resource for technology transfer offices at state universities to consult.

Sovereign Immunity Is NOT Waived:

- Entering into a collaborative research agreement
- Contracting with a private party in a license agreement for purposes of commercial gain
- Entering into an arrangement controlled by federal law, such as patent licensing and royalties activity
- The act of university employees applying for patents
- Seeking the legal benefits of the USPTO
- Filing patent applications with a federal agency
- Calling for a correction to a patent
- Invoking the authority of the USPTO to enforce patent rights
- Obtaining federal funding through the Bayh-Dole Act
- Waiving sovereign immunity in one case while a *different* suit in a different court is concurrently being tried with the same parties

Sovereign Immunity IS Waived:

- Sovereign immunity should be clear, explicit, and voluntary.
- A state's voluntary entry into federal jurisdiction is a valid waiver.
- Initiating a patent interference proceeding before the USPTO is a valid waiver.
- Sovereign immunity as to compulsory counterclaims is also waived if a lawsuit is initiated by the state university.

- If the state university (as defendant) agrees to remove a case to federal court, sovereign immunity is waived.
- Sovereign immunity does not apply in inter partes review (IPR) proceedings.
- Foreign universities waive sovereign immunity if they have obtained a U.S. patent, have been enforcing patents through litigation, or have been engaging in commercial activity in the United States.

Below are recommendations on how technology transfer programs can shift risk away from the university:

- Draft licensing agreements such that licensees assume a share of the litigation risk.
- Consider strategic joint ventures with well-funded entities.
- Assess patent litigation risk through a comprehensive early-stage patent search.
- Research competitors, marketing materials, industry practices, the international marketplace, technical publications, press releases, and shareholder announcements.
- Consider the impact from a potential default judgment resulting from failure to participate in a voluntary inter partes review proceeding.
- Invest in insurance for prospective patent disputes and demand insurance policy language that accurately and adequately provides relief.
- Develop a risk management strategy.
- Consider litigation financing to fund high-stakes patent suits.
- Pursue alternate forms of dispute resolution, such as mediation and arbitration, to mitigate the expense of litigation.
- Consider pursuing litigation in international venues where laws are more favorable.
- Eliminate co-invention scenarios where government employees are implicated in collaborative research.

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