

Washington Law Review

Volume 93 | Number 3

10-1-2018

Rent-a-Tribe: Tribal Immunity to Shield Patents from Administrative Review

Seth W.R. Brickey

Follow this and additional works at: <https://digitalcommons.law.uw.edu/wlr>



Part of the [Indigenous, Indian, and Aboriginal Law Commons](#), and the [Intellectual Property Law Commons](#)

Recommended Citation

Seth W. Brickey, Comment, *Rent-a-Tribe: Tribal Immunity to Shield Patents from Administrative Review*, 93 Wash. L. Rev. 1449 (2018).

Available at: <https://digitalcommons.law.uw.edu/wlr/vol93/iss3/8>

This Comment is brought to you for free and open access by the Law Reviews and Journals at UW Law Digital Commons. It has been accepted for inclusion in Washington Law Review by an authorized editor of UW Law Digital Commons. For more information, please contact lawref@uw.edu.

RENT-A-TRIBE: USING TRIBAL IMMUNITY TO SHIELD PATENTS FROM ADMINISTRATIVE REVIEW

Seth W. R. Brickey*

Abstract: In 2017, Allergan Pharmaceuticals entered into an agreement with the Saint Regis Mohawk Tribe (SRMT). Allergan agreed to assign several patents to SRMT and to pay an initial sum of \$13.75 million and annual royalties of approximately \$15 million. SRMT, in exchange, licensed the rights to use the patents back to Allergan and agreed not to waive its tribal immunity in any administrative proceeding challenging the patents. Two outcomes were expected as a result of this Allergan-Mohawk agreement. First, Allergan would retain the rights to manufacture and market a highly profitable drug while insulating the underlying patents from an unforgiving administrative *inter partes* review (IPR). Second, SRMT would embark on a new business venture of collecting and relicensing patents from third parties, effectively “renting out” its sovereign immunity. The response from lawmakers, the judiciary, the executive branch, and the public at large was acrimonious. The agreement was branded in public forums as a “sham” and the Patent Trial and Appeal Board held the patents assigned to SRMT were not shielded by tribal immunity. This Comment argues the Allergan-Mohawk agreement is a legally effective means of avoiding IPR. Absent an express waiver of tribal immunity by Congress or the tribe itself, a tribe may not be subject to a private claim. This rule extends to IPR proceedings which closely parallel private suits. Therefore, contracts like the Allergan-Mohawk agreement effectively shield patents from IPR.

INTRODUCTION

The Saint Regis Mohawk Tribe (SRMT) is a federally recognized tribe in upstate New York.¹ Located in one of the State’s poorer counties, SRMT has an estimated 22.6% unemployment rate with 21.9% of individuals falling below the poverty line.² Currently, the Tribe boasts

* J.D. Candidate, University of Washington School of Law, Class of 2019. I would like to thank Professor Robert Anderson for his guidance, edits, and input. I would also like to thank the fantastic members of *Washington Law Review*, without whom this piece would not be possible.

1. Indian Entities Recognized and Eligible to Receive Services from the U.S. BIA, 81 Fed. Reg. 5019, 5022 (Jan. 29, 2016).

2. U.S. CENSUS BUREAU, *Selected Community Characteristics*, AM. FACTFINDER, <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml> [<https://perma.cc/A9N9-CZK4>] (search “St. Regis Mohawk Reservation, Franklin County, New York;” then select “Income” button; then follow “Selected Economic Characteristics” hyperlink) (last visited Jul. 22, 2018); “The unemployment rate, for example, hovers around 50 percent for Indians who live on reservations, nearly ten times that for the nation as a whole, and almost one third of American Indians live in poverty.” Gavin Clarkson, *Tribal Bondage: Statutory Shackles and Regulatory Restraints on Tribal Economic Development 2* (U. Mich. Law Sch. Law & Econ. Working Papers Archive 2003–2009, 2006).

three economic enterprises organized as tribally owned limited liability companies: the Mohawk Gaming Enterprises, Mohawk Networks, and Akwesasne TV.³ In 2017, the Tribe added a new form of enterprise to its economic portfolio through its Office of Technology, Research, and Patents (OTRP).⁴ The OTRP contemplates that “[t]he Tribe will manage the acquisition of intellectual property from third parties, and the [sic] maintain and license the acquired legally protected intellectual property” and create wealth, jobs, sponsored research, and economic development opportunities for SRMT.⁵

According to SRMT, OTRP’s business model commences when the Tribe acquires a patent from a non-tribal company.⁶ Next, in exchange for royalties and prearranged fees, the Tribe will license the patent back to the assigning company while retaining actual ownership.⁷ Finally, if a competitor challenges the patent, the Tribe agrees to assert its sovereign immunity to avoid review by the U.S. Patent and Trademark Office (USPTO).⁸ The Tribe claims tribal ownership of patents to avoid the “unfair” administrative processes which “allow[] patent trolls and other infringers to void valid patents.”⁹ Instead, challengers to a patent must raise a claim for invalidity in federal court, a process which relies on standards more favorable to a patent’s validity.¹⁰

This business plan is the brainchild of Michael Shore of the Dallas law firm, Shore, Chan, and DePumpo LLP, who approached SRMT with this enterprise.¹¹ The Shore firm agreed to prosecute infringers of tribally held

3. *Enterprises*, SAINT REGIS MOHAWK TRIBE, <https://www.srmt-nsn.gov/enterprises> [https://perma.cc/CG6S-VU4P].

4. *SRMT Office of Technology, Research and Patents (“OTRAP”)*, SAINT REGIS MOHAWK TRIBE, https://www.srmt-nsn.gov/_uploads/site_files/OTRAP-Website-Blurb.pdf [https://perma.cc/G7AA-V625].

5. *Id.*

6. *Saint Regis Mohawk Tribe, Frequently Asked Questions About New Research and Technology (Patent) Business*, SAINT REGIS MOHAWK TRIBE, https://www.srmt-nsn.gov/_uploads/site_files/Office-of-Technology-Research-and-Patents-FAQ.pdf [https://perma.cc/SVZ7-8VWH].

7. *Id.*

8. *Id.*

9. *Id.*

10. *Id.*

11. *See id.*; Adam Davidson, *Why Is Allergan Partnering with the St. Regis Mohawk Tribe?*, NEW YORKER (Nov. 20, 2017), <https://www.newyorker.com/magazine/2017/11/20/why-is-allergan-partnering-with-the-st-regis-mohawk-tribe> [https://perma.cc/55HB-Q6RD]; Steve Brachmann, *Allergan’s Patent Transaction with St. Regis Mohawks Could Presage More Arbitrage Patent Transactions*, IPWATCHDOG (Sep. 18, 2017), <http://www.ipwatchdog.com/2017/09/18/allergans-patent-transaction-with-st-regis-mohawks-could-presage-more-arbitrage-patent-transactions/id=87970/> [https://perma.cc/P3TH-EW2E] (quoting Michael Shore) (“If you can avoid

patents on a contingent basis, sharing in the potential damages recovered from the assigned patents.¹² The Tribe anticipates “it will earn a significant amount of money through the Shore firm’s enforcement of the patents in federal court.”¹³ Beginning in April 2017, the Tribe began approaching patent-holding companies and entering into assignment agreements.¹⁴ The first agreement was with a company that held patents for computer technologies and which assigned forty individual patents to the Tribe.¹⁵ These agreements went without challenge until SRMT entered into an agreement with Allergan, which transferred ownership of a patent for a billion-dollar product to the Tribe.¹⁶

On August 24, 2015, Allergan, an Irish pharmaceutical company, filed a patent infringement suit against Teva Pharmaceuticals and several other generic manufacturers.¹⁷ The complaint alleged the defendants had been producing and marketing a generic version of Restasis, one of Allergan’s patented products, before the patent lapsed.¹⁸ In December 2016, at the request of the generic manufacturers, the USPTO’s Patent Trial and Appeal Board (PTAB) instituted six separate *inter partes* reviews.¹⁹

The Leahy-Smith America Invents Act of 2011²⁰ established *inter partes* review (IPR).²¹ IPR allows for the PTAB to rescind a patent based on a showing of invalidity.²² The IPR process, discussed further in Part II, is an adversarial process where a party may challenge the validity of a patent. The patent challenger and the patent holder appear before the PTAB to present evidence, examine witnesses, and give arguments to

IPRs, there’s a huge value difference between patents which can be subject to IPRs and patents that are not . . . a significant enough difference that if you can find a sovereign which is willing to take advantage of that arbitrage, there is money to be made there.”)

12. SAINT REGIS MOHAWK TRIBE, *supra* note 6, at 2.

13. *Id.*

14. *Id.*

15. *Id.*; see also Joe Mullin, *Apple Is Being Sued for Patent Infringement by a Native American Tribe*, ARS TECHNICA (Sep. 27, 2017, 5:11 AM), <https://arstechnica.com/tech-policy/2017/09/apple-is-being-sued-for-patent-infringement-by-a-native-american-tribe/> [<https://perma.cc/5NJT-CNU5>].

16. See *infra* notes 32–41.

17. Complaint, Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-01455 (E.D. Tex. Aug. 24, 2015).

18. *Id.* at 4–5.

19. Gene Quinn, *PTAB Institutes Mylan IPR Challenges on Allergan Patents for Restasis*, IPWATCHDOG (Dec. 13, 2016), <http://www.ipwatchdog.com/2016/12/13/ptab-institutes-mylan-ipr-allergan-patents-restasis/id=75645/> [<https://perma.cc/UY97-ARGN>].

20. Leahy–Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at amended in scattered sections of 35 U.S.C.).

21. 35 U.S.C. § 311 (2018).

22. *Id.*

support or attack the patent's validity.²³ Then the PTAB may issue a binding ruling which either affirms the patent's validity or rescinds some or all of the patent's claims.²⁴ Congress intended IPR to benefit patent challengers, as the administrative proceeding is often far less costly than litigation in a federal court.²⁵

After nine months of IPR, Allergan assigned the patents-in-suit to SRMT.²⁶ The Tribe received an initial payment of \$13.75 million and the promise of annual royalties of up to \$15 million for the life of the patents.²⁷ In exchange, SRMT granted Allergan an exclusive license to manufacture, market, and sell the drug.²⁸ The Tribe promised it would not waive its tribal immunity "in relation to any *inter partes* review or any other proceeding in the [USPTO] or any administrative proceeding . . . filed for the purpose of invalidating or rendering unenforceable any [a]ssigned [p]atents."²⁹ Allergan plainly admitted the purpose of the agreement was to defeat the "unfair" IPR process and preserve the validity of its patents against administrative attack.³⁰ Pursuant to its agreement, SRMT intervened in the IPR proceedings and moved to dismiss those proceedings based on the assertion of the Tribe's sovereign immunity.³¹

23. See *infra* Part II.

24. 35 U.S.C. § 314(a).

25. Press Release, White House, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs (Sept. 16, 2011), <https://obamawhitehouse.archives.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim> [<https://perma.cc/VQJ3-Y8CC>].

26. See Plaintiff's Response to Defendants' Notice Regarding Document Prod. According to the Court's Oct. 6, 2017 Order at Exhibit A, *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-cv-01455 (E.D. Tex. Oct. 9, 2017) [hereinafter *Allergan, Response to Defendants' Notice*]. Exhibit A contains the executed Short Form Patent Assignment at issue in this case.

27. See *id.*; *Allergan and Saint Regis Mohawk Tribe Announce Agreements Regarding RESTASIS® Patents*, ALLERGAN (Sept. 8, 2017), <https://www.allergan.com/News/News/Thomson-Reuters/Allergan-and-Saint-Regis-Mohawk-Tribe-Announce-Agr> [<https://perma.cc/5YYM-HA39>].

28. *Supra* note 26.

29. *Id.*

30. Meg Tirrell, *Senators Question Allergan CEO on Tribe Patent Deal*, CNBC (Nov. 7, 2017, 6:55 PM), <https://www.cnbc.com/2017/11/07/senators-question-allergan-ceo-on-tribe-patent-deal.html> [<https://perma.cc/H2KB-ZU2H>] ("Allergan is not attempting to artificially extend patents, we're trying to protect our investment in intellectual property against a system that exposes our products to the double jeopardy created by the unfair IPR process.").

31. *Mylan Pharm., Inc. v. Saint Regis Mohawk Tribe*, IPR2017-00576, 2018 WL 1100950, at *2 (P.T.A.B. Feb. 23, 2018), *aff'd*, *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, No. 18-1638 (Fed. Cir. Jul. 20, 2018).

Subsequently, Allergan moved to join the SRMT in its suit against Teva Pharmaceuticals in federal court in the Southern District of Texas.³² The defendants vehemently objected, arguing Allergan “admitted in other forums that the intent is to employ Native American sovereign immunity and attempt to cut-off pending validity challenges with the Patent Office.”³³ The defendants accused Allergan of “attempting to misuse Native American sovereignty to shield invalid patents from cancellation.”³⁴ After reviewing the document regarding the patent assignment, the court “ha[d] serious concerns about the legitimacy of the tactic that Allergan and the Tribe . . . employed.”³⁵ “The essence of the matter is this: Allergan purports to have sold the patents to the Tribe, but in reality it paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to rent—the Tribe’s sovereign immunity”³⁶ To ensure the judgment would not be challenged for the absence of a necessary party, the court allowed the joinder.³⁷ However, the court announced that, even though it was allowing the joinder, it was not holding that the assignment was valid.³⁸

Allergan’s strategy of renting tribal sovereignty in order to protect its patents caused a rancorous response from legal practitioners, the broader public, and from members of every branch of the federal government. Some saw the maneuver as an abuse of SRMT’s immunity or a “sham,” while others viewed it as an emerging market aimed at invigorating tribes’ struggling economies.³⁹ Lawmakers reacted quickly. Less than a month after the Allergan-Mohawk agreement was made public, Senator McCaskill proposed a bill that would abrogate tribal sovereignty for

32. Plaintiff’s Opposed Mot. to Join Party Pursuant to Fed. Rule of Civ. Proc. 25(c), Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-01455 (E.D. Tex. Oct. 13, 2017).

33. Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-01455, 2017 WL 4619790, at *1 (E.D. Tex. Oct. 16, 2017) (Memorandum Opinion and Order).

34. *Id.* at 2.

35. *Id.* at 4.

36. *Id.*

37. *Id.* at 9.

38. *Id.* at 10.

39. Compare David Mitchell, *Allergan Invokes Victim Defense to Protect Restasis from Generic Challenge*, STAT (Oct. 25, 2017), <https://www.statnews.com/2017/10/25/allergan-restasis-patent-generic/> [<https://perma.cc/JS3F-XBAV>] (“This sham would hurt thousands of American patients who tell us they are forgoing other medications and even food to pay for Restasis because there is no cheaper generic.”), with Katie Thomas, *How to Protect a Drug Patent? Give It to a Native American Tribe*, N.Y. TIMES (Sept. 8, 2017), <https://www.nytimes.com/2017/09/08/health/allergan-patent-tribe.html> (last visited Sept. 30, 2018) (“For the Mohawk tribe . . . the deal offers the promise of a new revenue stream that would bring in income beyond that of a casino the tribe runs near the reservation.”).

IPR.⁴⁰ Acting Assistant Attorney General for the Antitrust Division, Makan Delrahim, suggested criminal charges might be brought against companies who assigned patents to tribes in order to escape IPR.⁴¹

Allergan is not the only company seeking to exploit this would-be loophole. Nor is SRMT the only tribal entity seeking to benefit from this new market. Amidst this fervor, the Mandan, Hidatsa, and Arikara Nation of North Dakota revealed it had been assigned a patent by a technology firm and would become the named plaintiff in a related infringement suit against Apple.⁴²

This Comment argues that, under current federal Indian law, the agreements between the tribal assignees and the non-tribal assignors are a lawful and effective method of avoiding IPR. Congress should avoid hastily undermining these agreements and allow these tribal-private partnerships to boost tribes' revenue. This Comment proceeds in four parts. Part I traces the development of tribal immunity under federal Indian law and discusses the bounds of tribal immunity as illuminated by recent and pending Supreme Court decisions. Part II looks to the IPR process under the America Invents Act and whether its operation or legislative intent waives tribal immunity and whether there are alternative methods of challenging a patents validity before the USPTO. Part III addresses the law underlying the argument that the Allergan-Mohawk agreement is a "sham," discussing what constitutes a "sham" agreement under prevailing contract theory. Part IV argues that, considering the current breadth of tribal immunity, the Allergan-Mohawk agreement is an effective means of avoiding IPR until Congress decides otherwise.

40. Michael Erman, *Senator McCaskill Drafts Bill in Response to Allergan Patent Maneuver*, REUTERS (Oct. 5, 2017, 11:16 AM), <https://www.reuters.com/article/us-allergan-patents-congress/senator-mccaskill-drafts-bill-in-response-to-allergan-patent-maneuver-idUSKBN1CA2D0> [<https://perma.cc/QF9Y-MCVP>] ("Any thinking person would look at what this company did and say, 'That should be illegal.' Well, I agree . . ."); see also *Saint Regis Mohawk Tribe Outraged at Senator McCaskill's Attempt to Abrogate Sovereign Immunity*, SAINT REGIS MOHAWK TRIBE (Oct. 5, 2017), <https://www.srmt-nsn.gov/news/2017/saint-regis-mohawk-tribe-outraged-at-senator-mccaskills-attempt-to-abrogate-sovereign-immunity> [<https://perma.cc/ZS8Z-GHNQ>].

41. Charles McConnell, *Delrahim: Patent Transfer May Have Been a Crime*, GLOB. COMPETITION REVIEW (Jan. 19, 2018), <https://globalcompetitionreview.com/article/1152913/delrahim-patent-transfer-may-have-been-a-crime> [<https://perma.cc/JY8N-GVUC>].

42. *Mullin*, *supra* note 15.

I. EXAMINING THE ORIGINS AND SCOPE OF TRIBAL IMMUNITY

Under the doctrine of tribal immunity, federally recognized Indian tribes are generally immune from suit in both federal and state courts.⁴³ Sovereign immunity emerged from customs of international law which dictate *par in parem no habet imperium*: between equals no power.⁴⁴ Under this presumption of equality, a sovereign nation generally may not be placed under the jurisdiction of another.⁴⁵ The constitutional framers understood this general principal of law.⁴⁶ The Supreme Court has since found tribal immunity is “a necessary corollary” to tribal sovereignty.⁴⁷ Unlike foreign sovereign immunity, provided for under customary international law, and unlike State sovereign immunity, which is constitutionally guaranteed under the Eleventh Amendment, tribal immunity exists as a creature of federal common law.⁴⁸ Furthermore, Congress has plenary power to shape, limit, or abrogate tribal immunity.⁴⁹ Courts have continually wrestled with how to clarify the bounds of tribal immunity in relation to the authority of the federal government, the interests of States, and the rights of private actors.⁵⁰ The arc of Indian law jurisprudence has, in recent years, bent in favor of tribal immunity.⁵¹

Part I analyzes the development of tribal immunity. First, it looks at tribal sovereignty and traces its early developments. Second, it examines the scope of tribal immunity as drawn by the courts. Third, it looks to

43. FELIX S. COHEN, HANDBOOK OF FEDERAL INDIAN LAW 645 (Neil Jessup Newton ed., 2012).

44. Thomas Weatherall, *Jus Cogens and Sovereign Immunity: Reconciling Divergence in Contemporary Jurisprudence*, 46 GEO. J. INT’L L. 1151, 1152 (2015).

45. *Jurisdictional Immunities of the State (Ger. v. It.: Greece intervening)*, Judgment, 2012 I.C.J. 99 (Feb. 3).

46. *See, e.g.*, THE FEDERALIST NO. 81, at 411 (Alexander Hamilton) (Ian Shapiro ed., 2009) (“It is inherent in the nature of sovereignty not to be amenable” to suit without consent).

47. *Three Affiliated Tribes of Fort Berthold Reservation v. Wold Eng’g*, 476 U.S. 877, 890 (1986).

48. U.S. CONST. amend. XI (“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.”); *Kiowa Tribe of Okla. v. Mfg. Tech., Inc.*, 523 U.S. 751, 758–60 (1998) (“Although the Court has taken the lead in drawing the bounds of tribal immunity, Congress, subject to constitutional limitations, can alter its limits through explicit legislation.”); *see* Eric T. Kohan, Comment, *A Natural Progression of Restrictive Immunity: Why the JASTA Amendment Does Not Violate International Law*, 92 WASH. L. REV. 1515, 1520 (2017) (“Sovereign immunity is a part of customary international law . . .”).

49. *Kiowa Tribe*, 523 U.S. at 758–60.

50. *See, e.g.*, *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. ___, 134 S. Ct. 2024, 2030–39 (2014) (examining whether a state may sue a tribe for hosting off-reservation gambling in violation of state law).

51. *See id.*

Congress's policy choices to abrogate tribal immunity in some circumstances and to leave it undisturbed in others.

A. *The Development of Tribal Sovereignty*

At its core, tribal immunity is a vestige of tribal sovereignty—a tribe's political character and inherent authority to govern themselves.⁵² Yet, from the Court's perspective, the doctrine of tribal immunity "developed almost by accident."⁵³ This section traces the extent of tribal sovereignty from an inherent pre-colonial status, to a "discovered" people, and lastly to "domestic dependent nations" within the United States.

1. *Discovered Peoples*

Prior to European colonization, American Indian tribes were wholly sovereign nations.⁵⁴ Chief Justice Marshall stated, "America, separated from Europe by a wide ocean, was inhabited by a distinct people, divided into separate nations, independent of each other and of the rest of the world, having institutions of their own, and governing themselves by their own laws."⁵⁵ However, gradual changes to tribes' legal status led to their subordination under the United States government.⁵⁶

Even after colonization, the tribes engaged in activities expected of a sovereign. They traded,⁵⁷ ceded territory,⁵⁸ entered into treaties,⁵⁹ and formed military alliances.⁶⁰ American *née* British practice demonstrates an understanding of tribes' political character and inherent sovereignty. The British Crown and provincial governments entered into numerous

52. *Three Affiliated Tribes of Fort Berthold Reservation*, 476 U.S. at 890 (characterizing immunity as "a necessary corollary to Indian sovereignty and self-governance").

53. *Kiowa Tribe*, 523 U.S. at 756.

54. *Johnson v. McIntosh*, 21 U.S. (8 Wheat.) 543, 545 (1823).

55. *Worcester v. Georgia*, 31 U.S. (5 Pet.) 515, 542–43 (1832).

56. *See, e.g., Johnson*, 21 U.S. (8 Wheat.) at 545 (holding that the United States government had superior title to lands within the United States than the tribes which originally possessed the land).

57. Jennifer Roback, *Exchange, Sovereignty, and Indian-Anglo Relations*, in *PROPERTY RIGHTS AND INDIAN ECONOMIES* 5, 11–12 (Terry L. Anderson ed., 1992).

58. *Id.*

59. *See generally* CARL VAN DOREN, *INDIAN TREATIES PRINTED BY BENJAMIN FRANKLIN, 1736–1762* (1938) (for examples of treaties of colonial governments); *see also* CHARLES J. KAPPLER, *INDIAN AFFAIRS: LAWS AND TREATIES* (1904) (a compilation of all recorded treaties between the United States government and Indian tribes between 1788 and 1883).

60. *Articles of Agreement and Confederation, U.S.-Delaware Nation, Sep. 17, 1778*, in 2 CHARLES J. KAPPLER, *INDIAN AFFAIRS: LAWS AND TREATIES* 3 (1904).

treaties with tribes as foreign sovereigns.⁶¹ Treating is an implicit “nation-to-nation form of intergovernmental interaction” between two or more sovereigns.⁶² The tribes were likewise recognized as distinct political communities through treaties by the newly independent United States government.⁶³

The Constitution also afforded recognition to tribes as separate entities. Article I, Section 8 states, “Congress shall have the power . . . to regulate Commerce with foreign nations and among the several states, and with the Indian tribes.”⁶⁴ While recognizing Indian tribes as being distinct from both “foreign nations” and “states,” this provision suggests Indian tribes were also sovereign like foreign nations and the States.

Despite this early recognition of tribal sovereignty, Americans’ westward ambitions soon became incompatible with the recognition of tribal independence. President George Washington stated in 1783, “the gradual extension of our Settlements will as certainly cause the Savage as the Wolf to retire; both being beasts of prey tho’ they differ in shape.”⁶⁵ Later, in a letter to Andrew Jackson, President James Monroe echoed this sentiment stating, “[i]t has become customary to purchase the title of the Indian tribes, for a valuable consideration . . . [a] compulsory process seems to be necessary, to break their habits.”⁶⁶

The United States’s growing impatience with the slow process of acquiring tribal land via treaty and purchase came to a head in the courts. In *Johnson v. M’Intosh*,⁶⁷ a title dispute allowed the Court to deal a crippling blow to tribal sovereignty.⁶⁸ The plaintiffs in error had inherited land originally purchased from the Piankeshaw tribe, while the defendant, M’Intosh, was later given title to the land by the United States

61. COHEN, *supra* note 43 at 14–15.

62. Joseph P. Kalt & Joseph William Singer, *Myths and Realities of Tribal Sovereignty: The Law and Economics of Indian Self-Rule* 9 (Harvard Univ. John F. Kennedy Sch. of Gov’t Faculty Research Working Paper Series, Paper No. RWP04-016, 2004).

63. Philip J. Prygoski, *From Marshall to Marshall: The Supreme Court’s Changing Stance on Tribal Sovereignty*, COMPLETE LAWYER, Fall 1995, at 14–17; *see generally* KAPPLER, *supra* note 59.

64. U.S. CONST. art. I, § 8.

65. Letter from George Washington to James Duane (Sept. 7, 1783), in THE WRITINGS OF GEORGE WASHINGTON, 140 (John C. Fitzpatrick ed., 1938).

66. Letter from James Monroe to Andrew Jackson (Oct. 5, 1870), in THE PAPERS OF ANDREW JACKSON: 1816-1820, 144–48 (Harold D. Moser et al. eds., 1994).

67. 21 U.S. (8 Wheat.) 543, 545 (1823).

68. ROBERT T. ANDERSON ET AL., AMERICAN INDIAN LAW: CASES AND COMMENTARY 42–43 (2d ed. 2010).

government.⁶⁹ The Court was tasked with determining who had superior title to the parcels at issue.⁷⁰

The Court concluded the tribal sale of land was ineffective.⁷¹ Upon the European discovery of the Americas, the Court claimed, the “superior genius” of Europe entitled the discovering powers to extend their sovereignty over the lands and inhabitants they discovered.⁷² Therefore, tribes lacked the sovereign capacity to dispense of the land they occupied, and the defendant’s federally granted claim to the land was superior.⁷³ Through the Court’s disposition in *Johnson v. M’Intosh*, tribal sovereignty and the trappings of sovereignty, such as sovereign immunity, were subjugated to the political control of the United States.

2. *Domestic Dependent Nations*

As a result of the Court’s remarks in *Johnson v. M’Intosh*, that even if “the Indians were originally an independent people, they ha[d] ceased to be so,”⁷⁴ the Court had placed a definitive ceiling on tribal sovereignty.⁷⁵ They were next tasked with determining the finer boundaries of the doctrine. The opportunity arose in 1831 in *Cherokee Nation v. Georgia*.⁷⁶ *Cherokee Nation* followed a series of laws passed by Georgia to dispossess the Cherokee of tribally held lands within Georgia’s borders, to eliminate the tribe’s right to self-rule within the state, and, in effect, to evict them from the State in order to allow increased white settlement.⁷⁷

The Cherokee Nation responded by petitioning the Supreme Court directly, claiming it had original jurisdiction over the dispute under Article III of the Constitution.⁷⁸ Article III, Section 2 states the Court has original jurisdiction over “controversies . . . between a state, or the citizens thereof, and foreign states, citizens, or subjects.”⁷⁹ To decide the

69. *Johnson*, 21 U.S. (8 Wheat.) at 545.

70. *Id.*

71. *Id.*

72. *Id.* at 573.

73. *Id.*

74. *Id.* at 568.

75. *Id.*

76. 30 U.S. (5 Pet.) 1 (1831).

77. ARTHUR FOSTER, A DIGEST OF THE LAWS OF THE STATE OF GEORGIA 126–29 (1831); MARY BETH NORTON, 1 A PEOPLE AND A NATION: A HISTORY OF THE UNITED STATES 288 (2d ed. 1986) (“[T]he Georgia legislature annulled the [Cherokees’] constitution, extended the state’s sovereignty over [them], and ordered the seizure of tribal lands.”).

78. *Cherokee Nation*, 30 U.S. (5 Pet.) at 1.

79. U.S. CONST. art. III, § 2.

issue of whether it had jurisdiction over the dispute, the Court had to determine whether the Cherokee tribe was a State or “foreign nation” entitled to sue, or some other type of entity outside of the Court’s original jurisdiction.⁸⁰

Chief Justice Marshall writing for the majority distinguished tribes within the boundaries of the United States as “domestic dependent nations” rather than being denominated as “independent” or “foreign nations.”⁸¹ While tribes may possess a right to occupy the land, their “relation to the United States resembles that of a ward to his guardian” rather than foreign sovereigns.⁸² Because the framers did not intend to confer the status of foreign statehood on Indian tribes, Chief Justice Marshall reasoned, they are subordinate to the United States government and incapable of bringing suit.⁸³

Forty years later, Congress echoed the Court’s determination in the Indian Appropriations Act.⁸⁴ Under the legislation, Congress declared “[n]o Indian nation or tribe within the territory of the United States shall be acknowledged or recognized as an independent nation . . . with whom the United States may contract by treaty.”⁸⁵ While more modern cases have emphasized that tribes enjoy the right to self-government, none have claimed the right exists free of congressional allowance. Through the preceding changes, tribal sovereignty was transformed from a pre-colonial intrinsic political identity to a status conferred and controlled at the discretion of Congress.

B. Tribal Immunity

Tribal immunity has been diminished less than other aspects of tribal sovereignty.⁸⁶ Tribal immunity is “a necessary corollary to Indian sovereignty and self-governance.”⁸⁷ In fact, the Court continued to recognize tribal immunity long after absolute tribal sovereignty had been abridged.⁸⁸ The first case in which the Court implicitly grappled with

80. See *Cherokee Nation*, 30 U.S. (5 Pet.) at 1–2.

81. *Id.* at 17.

82. *Id.*

83. *Id.* at 18.

84. See Indian Appropriation Act of 1871, ch. 120, § 1, 16 Stat. 544, 566 (codified at 25 U.S.C. § 71 (1871)).

85. 25 U.S.C. § 71.

86. *Three Affiliated Tribes of Fort Berthold Reservation v. Wold Eng’g*, 476 U.S. 877, 890 (1986).

87. *Id.*

88. See, e.g., *id.* at 891 (recognizing that, absent a waiver, tribal immunity protects tribes from suit).

tribal immunity was *Park v. Ross*,⁸⁹ in 1850.⁹⁰ The case involved a private claim against a Chief of the Cherokee Nation for the payment of a debt allegedly owed by the nation.⁹¹ The Court held where the Chief was acting as an agent of the tribe, he was not personally liable for the contracts made within the scope of his authority given the quasi-foreign character of tribes.⁹²

Tribal immunity was explicitly adopted by the Supreme Court in the 1919 decision *Turner v. United States*,⁹³ in which a non-Indian sued the Creek Nation for damages resulting from the destruction of property by tribal members, alleging the Tribe was liable for failing to maintain order.⁹⁴ The Court found a court could not assign liability “by the general law” because “[l]ike other governments, municipal as well as state, the Creek Nation was free from liability for injuries to persons or property due to mob violence or failure to keep the peace.”⁹⁵

The Court later clarified that tribal immunity, unlike forms of sovereign immunity possessed by States, was not inherent nor unqualified.⁹⁶ In *United States v. United States Fidelity & Guaranty Co.*,⁹⁷ the Court held “Indian Nations are exempt from suit without Congressional authorization.”⁹⁸ Tribal immunity was not a feature of some inherent sovereignty the tribes retained, but rather “was theirs as sovereigns passed to the United States for their benefit, as their tribal properties did.”⁹⁹ Under cases like *U.S. Fidelity*, the Court ceded to Congress plenary power under the Indian Commerce Clause to regulate tribes’ immunity.¹⁰⁰ Article I, Section 8 of the Constitution is the main source of federal power over tribes and is the primary vehicle Congress employs to enhance or abrogate

89. 52 U.S. (11 How.) 362, 363–79 (1850).

90. William Wood, *It Wasn't an Accident: The Tribal Sovereignty Immunity Story*, 62 AM. U. L. REV. 1587, 1640 (2013) (citing *Park*, 52 U.S. (11 How.) at 363–79).

91. *Park*, 52 U.S. (11 How.) at 363–79.

92. *Id.* at 374.

93. 248 U.S. 354, 358 (1919).

94. *Id.*

95. *Id.* at 357 (emphasis added).

96. See, e.g., *McClanahan v. Arizona*, 411 U.S. 164, 172 (1973) (noting a trend “away from the idea of inherent Indian sovereignty . . . toward reliance on federal pre-emption”). But see *Okla. Tax Comm’n v. Citizen Band Potawatomi Indian Tribe of Okla.*, 498 U.S. 505, 509 (1991) (reflecting the modern trend of recognizing tribal sovereignty as “inherent”).

97. 309 U.S. 506, 512 (1940).

98. *Id.*

99. *Id.*

100. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49 (1978).

tribal immunity.¹⁰¹ Furthermore, because tribal sovereignty or immunity, unlike States', is not guaranteed by the Constitution, Congress's power to abrogate or enlarge it is presumably unlimited.¹⁰²

In recent history, the Court has examined the scope of tribal immunity through several lenses. First, a notable line of cases concerns the definition of "tribe" for the purposes of tribal immunity, namely what people, entities, and property enjoy the protection of a tribe's immunity.¹⁰³ Second, the Court looks to whether the geographic or commercial character of the tribe's activity affects the tribe's immunity.¹⁰⁴ Third, the Court considers whether sovereign immunity extends to administrative as well as judicial proceedings.¹⁰⁵ This section addresses each dimension of tribal immunity in turn.

1. *Who Enjoys the Protection of Tribal Immunity?*

Sovereign immunity from suits generally extends to tribes.¹⁰⁶ Certain plaintiffs have a greater degree of latitude in suing tribes directly. For example, tribes are not immune from suits brought by the federal government.¹⁰⁷ However, as a general rule, tribes enjoy sovereign

101. See Gregory Ablavsky, *Beyond the Indian Commerce Clause*, 124 YALE L.J. 1012, 1014 (2014).

102. See Philip P. Frickey, *Doctrine, Context, Institutional Relationships, and Commentary: The Malaise of Federal Indian Law Through the Lens of Lone Wolf*, 38 TULSA L. REV. 5, 13 (2002) ("[W]hen Lone Wolf embraced the notion that congressional abrogation of an Indian treaty is a political question unresolvable in domestic courts, the Court left tribes without a remedy to prevent the abrogation and without hope of retrospective relief for the consequences of the abrogation unless they successfully beseeched the tender mercies of a later Congress.").

103. See, e.g., *Lewis v. Clarke*, 581 U.S. ___, 137 S. Ct. 1285, 1288 (2017) (examining whether an employee of a tribe being sued for negligence was protected by the tribe's immunity).

104. See, e.g., *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 752 (1998) (examining whether an off-reservation commercial transaction between a tribe and a non-Indian company was a waiver of tribal immunity).

105. See, e.g., *Fed. Mar. Comm'n v. S.C. State Port Auth.*, 535 U.S. 743, 753–61 (2002) (examining whether state sovereign immunity extended to privately instituted administrative proceedings).

106. *Kiowa Tribe*, 523 U.S. at 754.

107. *Quileute Indian Tribe v. Babbitt*, 18 F.3d 1456, 1459–60 (9th Cir. 1994); *United States v. Yakima Tribal Court*, 806 F.2d 853, 861 (9th Cir. 1986); *United States v. Red Lake Band of Chippewa Indians*, 827 F.2d 380, 383 (8th Cir. 1987) ("We conclude that just as a state may not assert sovereign immunity as against the federal government . . . Tribal sovereign immunity may not be asserted against the United States . . .") (citing *United States v. Mississippi*, 380 U.S. 128, 140–41 (1965)); William C. Canby, Jr., *AMERICAN INDIAN LAW* 102 (3d ed. 2015) ("Tribes are not immune from suits by the United States.").

immunity from suits brought by states and private parties.¹⁰⁸ The Court has grappled with what and who constitutes a “tribe” for immunity purposes.¹⁰⁹ As part of their right to self-governance, tribal governments maintain the power to determine their own governance structures and law enforcement, albeit with federal involvement in some areas.¹¹⁰ Therefore, because the 567 federally recognized tribes¹¹¹ are each entitled to structure themselves as they see fit—establishing governing bodies, creating offices, and hiring employees—there is a question as to *who* is protected by tribe immunity.

The Court in *Santa Clara Pueblo v. Martinez*¹¹² contended with the breadth of tribal immunity when a female member of the Pueblo tribe and her daughter sued the Tribe and the tribal Governor, Lucario Padilla, for violating the Fourteenth Amendment.¹¹³ Before reaching the merits, the Court had to address the issue of whether the defendants, both the Tribe and the Governor, were immune from suit. First, the Court noted tribes had historically not been bound by the constitutional constraints that limited federal or state power because they predated the Constitution.¹¹⁴ Congress, through its plenary authority to limit the tribes’ self-governance, had enacted the Indian Civil Rights Act (ICRA),¹¹⁵ which incorporated numerous constitutional protections verbatim as applicable to the tribes.¹¹⁶ Yet, ICRA did not expressly waive tribal immunity to private suit and therefore the Tribe was beyond the reach of the plaintiffs.¹¹⁷

108. *See, e.g.*, *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. ___, 134 S. Ct. 2024 (2014) (holding that tribal immunity prevents a state from suing a tribe over off-reservation gambling activities); *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978) (holding that tribal immunity prevents a private individual from suing a tribe for violations of ICRA).

109. *See, e.g.*, *Lewis v. Clarke*, 581 U.S. ___, 137 S. Ct. 1285, 1288 (2017) (examining whether an employee of a tribe being sued for negligence was protected by the tribe’s immunity).

110. *Santa Clara Pueblo*, 436 U.S. at 55 (“Although no longer possessed of the full attributes of sovereignty, [tribes] remain a separate people, with the power of regulating their internal and social relations.”) (internal quotation marks omitted).

111. *Indian Entities Recognized and Eligible to Receive Services from the United States Bureau of Indian Affairs*, 81 Fed. Reg. 26,826, 26,826 (May 4, 2016).

112. 436 U.S. 49 (1978).

113. *Id.* at 49.

114. *Id.* at 56.

115. 25 U.S.C. § 1302 (2018).

116. *Id.*

117. The Court did note that ICRA expressly allowed private individuals to file habeas petitions in federal court, but distinguished these proceedings as being against an individual custodian rather than a tribe. *Santa Clara Pueblo*, 436 U.S. at 49.

Having shown the plaintiffs' suit against one of the defendants was barred, the Court turned to the question of whether the plaintiffs' suit against the Pueblo's Governor could proceed.¹¹⁸ The Court held "as an officer of the Pueblo, [the Governor was] not protected by the tribe's immunity from suit."¹¹⁹ The Court cited two of its own cases to support this proposition. First, it looked to *Puyallup Tribe, Inc. v. Department of Game of State of Washington*,¹²⁰ which held tribal immunity "does not immunize the individual members of the Tribe" from suit in a state court of competent jurisdiction.¹²¹ In *Puyallup*, the "individual members" were fishermen acting in their private capacities.¹²² The Court then cited *Ex Parte Young*,¹²³ which held that when the State acts unconstitutionally, suits for equitable relief against officials acting on behalf of a State may proceed.¹²⁴

Recent litigation revealed another dimension of tribal immunity: whether tribal immunity extends to property owned by a tribe. In 2013, Washington State's Upper Skagit Indian Tribe purchased a parcel of land.¹²⁵ The Tribe surveyed the land in preparation for the federal government to take the land into trust.¹²⁶ The Tribe discovered the owners of the neighboring parcel, the Lundgrens, had a fence extending over the official boundary of the land described in the Tribe's deed.¹²⁷ The Lundgrens filed a quiet title action claiming they had acquired the disputed property by adverse possession.¹²⁸ The suit was an in rem action. Nevertheless, the Tribe moved to dismiss the suit claiming it was an

118. *Id.* at 59.

119. *Id.* (finding that ICRA did not create any private right of action other than habeas petitions, even though the Governor may not have been protected by immunity; therefore, the suit against the Governor could not proceed).

120. 433 U.S. at 172 (1976).

121. *Id.*

122. *Santa Clara Pueblo*, 436 U.S. at 59.

123. 209 U.S. 123 (1908).

124. *Id.* at 168 (at bottom this is still a constitutional claim under the Supremacy Clause).

125. *Lundgren v. Upper Skagit Indian Tribe (Upper Skagit Indian Tribe I)*, No. 91622-5, slip op. at 3 (Wash. Feb. 16, 2017).

126. *Id.*

127. *Id.* at 2.

128. *Id.* at 3.

“indispensable party”¹²⁹ in the action and, because the court could not join the Tribe without its consent, the action could not proceed.¹³⁰

To determine whether the Tribe was a necessary party, the Washington State Supreme Court considered whether the Tribe actually had an interest in the land stating, “[w]here no interest exists, nonjoinder presents no jurisdictional barriers.”¹³¹ Essentially the Court was asking: who owns the property? The Court recognized this analysis seems to put “the cart before the horse,” yet found it essential to determine whether the Tribe needed to be joined.¹³² The Court held the Lundgrens had acquired the land by adverse possession long before the Tribe bought the parcel. Therefore, according to the Court, the Tribe’s interest in the land was unfounded and the quiet title action did not require the Tribe to be joined.¹³³

On appeal, the U.S. Supreme Court overturned the Washington State Supreme Court.¹³⁴ The Court found the case relied on by the Washington State Supreme Court, *County of Yakima v. Confederated Tribes and Bands of Yakima Nation*,¹³⁵ dealt only with in rem taxation of fee-patented land within the reservation under section 6 of the General Allotment Act.¹³⁶ *Yakima*, according to the Court, did not restrict or expand the doctrine of tribal immunity.¹³⁷ However, the Court noted that an argument raised by the respondents at oral argument may meritoriously defeat the

129. Superior Court Civil Rule (CR) 19 mirrors that of the Federal Rule of Civil Procedure 19 and states:

(a) Persons to Be Joined if Feasible. A person who is subject to service of process and whose joinder will not deprive the court of jurisdiction over the subject matter of the action shall be joined as a party in the action if . . . (2) the person claims an interest relating to the subject of the action and is so situated that the disposition of the action in the person’s absence may (A) as a practical matter impair or impede the person’s ability to protect that interest

(b) Determination by Court Whenever Joinder Not Feasible. If a person joinable under (1) or (2) of section (a) hereof cannot be made a party, the court shall determine whether in equity and good conscience the action should proceed among the parties before it, or should be dismissed, the absent person being thus regarded as indispensable. The factors to be considered by the court include: (1) to what extent a judgment rendered in the persons absence might be prejudicial to the person or those already parties; (2) the extent to which, by protective provisions in the judgment, by the shaping of relief, or other measures, the prejudice can be lessened or avoided; (3) whether a judgment rendered in the person’s absence will be adequate; (4) whether the plaintiff will have an adequate remedy if the action is dismissed for nonjoinder.

SUP. CT. CIV. R. 19; *see also* FED. R. CIV. P. 19.

130. *Upper Skagit Indian Tribe I*, slip op. at 3–4.

131. *Id.* at 13.

132. *Id.*

133. *Id.* at 13–14.

134. *Upper Skagit Indian Tribe v. Lundgren (Upper Skagit Indian Tribe II)*, No. 17–387, slip op. (U.S. May 21, 2018).

135. *Cty. of Yakima v. Confederated Tribes and Bands of Yakima Nation*, 502 U.S. 251 (1992).

136. *Upper Skagit Indian Tribe II*, slip op. at 3.

137. *Id.*

Tribe's claim of sovereign immunity.¹³⁸ The respondent suggested that where a tribe buys land within a state as a private party would, then sovereign immunity does not attach to the property.¹³⁹ Instead, the state retains the right to settle disputes related to the title and ownership of "immovable property within the state."¹⁴⁰ The Upper Skagit Indian Tribe alongside the federal government argued while the "immovable property" exception might be applicable to state sovereign immunity or sovereign immunity to foreign princes, it does not automatically extend to tribes.¹⁴¹ Rather, whether tribal immunity is subject to the "immovable property" exception is a question best left to the "political branches rather than judges."¹⁴²

2. *When is Tribal Immunity Waived?*

A tribe may be sued only if the tribe consents to suit or if Congress abrogates its immunity.¹⁴³ Generally, a tribe's sovereign immunity is only waived by the tribe if the waiver is "clear."¹⁴⁴ A common form of express waiver of immunity is a contract. For example, an express waiver may be as clear as "the tribe waiv[ing] sovereign immunity over all disputes arising under this agreement" or submitting claims to the jurisdiction of a particular court or tribunal.¹⁴⁵

138. *Id.* at 5–6.

139. *Id.*

140. *Id.* (citing *Schooner Exchange v. McFaddon*, 11 U.S. (7 Cranch) 116, 145 (1812)) ("A prince, by acquiring private property in a foreign country . . . may be considered as so far laying down the prince, and assuming the character of a private individual.").

141. *Id.*

142. *Id.* at 6. In his dissent in *Upper Skagit Indian Tribe II*, Justice Thomas identified the roots of the "immovable property" exception: the common law principle *lex rei sitae* ("land is governed by the law of the place where it is situated"). *Id.* at 5 (Thomas, J., dissenting) (quoting F. WHARTON, *CONFLICT OF LAWS* § 273, at 607 (G. Parmele ed., 3d ed. 1905)). This principle evolved as a method to protect encroachment into one sovereign's territory by another. "[B]ecause 'land is so indissolubly connected with the territory of a State,' a State 'cannot permit' a foreign sovereign to displace its jurisdiction by purchasing land and then claiming 'immunity.'" *Id.* (quoting *Competence of Courts in Regard to Foreign States*, 26 AM. J. INT'L L. SUPP. 451, 578 (1932)).

143. *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 752 (1998).

144. *See Michigan v. Bay Mills Indian Cmty.*, 572 U.S. ___, 134 S. Ct. 2024, 2035 (2014) ("[A] party dealing with a tribe in contract negotiations has the power to protect itself by refusing to deal absent the tribe's waiver of sovereign immunity from suit." (quoting Brief for Michigan at 40, *Bay Mills Indian Cmty.*, 572 U.S. ___, 134 S. Ct. 2024); *Okla. Tax Comm'n v. Citizen Band Potawatomi Indian Tribe of Okla.*, 498 U.S. 505, 509 (1991).

145. *See C & L Enters., Inc. v. Citizen Band Potawatomi Indian Tribe of Okla.*, 532 U.S. 411, 415 (2001).

Courts often reject arguments that tribal conduct constitutes an implied waiver of sovereign immunity.¹⁴⁶ Nor have courts construed a tribe's participation in litigation to be a waiver.¹⁴⁷ Even when the tribe initiates litigation against a party, it "does not waive its sovereign immunity from actions that could not otherwise be brought against it merely because those actions were pleaded in a counterclaim to an action filed by the tribe."¹⁴⁸ However, as a narrow exception, if a counterclaim is defensive, such as one for recoupment or set-off of claims, the court may allow it to proceed.¹⁴⁹

Beyond the recoupment exception to tribes' immunity from counterclaims, lower courts have explored the outer limits of the implied waiver doctrine. Courts have attempted to articulate the boundaries of implied waiver of tribal immunity. It is clear that, by instituting an action as a plaintiff, a tribe submits itself to adverse judgment.¹⁵⁰ Further, when it requests the court to compel counterclaims, it implicitly waives its immunity over those claims.¹⁵¹ Moreover, a court, approaching the outer bounds of implicit waiver doctrine, found a tribe intervening in a suit in equity waives immunity over later actions requesting modification of the court's order.¹⁵²

But most critically for SRMT, when a tribe initiates a suit over a particular piece of property, it does not waive immunity for any subsequent actions concerning the same property.¹⁵³ In *Jicarilla Apache Tribe v. Hodel*,¹⁵⁴ the Jicarilla Tribe sued to cancel certain oil and gas leases on reservation lands awarded by the Department of the Interior because the leases were undervalued.¹⁵⁵ Dome Petroleum was one such

146. See, e.g., *Kiowa Tribe*, 523 U.S. at 760 (holding off-reservation commercial transaction between a tribe and a non-Indian company was not a waiver of tribal immunity). "Tribes enjoy immunity from suits on contracts, whether those contracts involve governmental or commercial activities and whether they were made on or off a reservation. Congress has not abrogated this immunity, nor has petitioner waived it, so the immunity governs this case." *Id.*

147. *Okla. Tax Comm'n*, 498 U.S. at 509 (1991).

148. *Id.*; *Quinault Indian Nation v. Pearson for Estate of Comenout*, 868 F.3d 1093, 1097 (9th Cir. 2017) ("On this point, 'Supreme Court precedent couldn't be clearer . . . : a tribe's decision to go to court doesn't automatically open it up to counterclaims—even compulsory ones.'").

149. See *United States v. Washington*, 853 F.3d 946 (2017).

150. *Rupp v. Omaha Indian Tribe*, 45 F.3d 1241, 1245 (8th Cir. 1995) (citing F. COHEN, HANDBOOK OF FEDERAL INDIAN LAW 324 (1982)).

151. *Id.*

152. *United States v. Oregon*, 657 F.2d 1009 (9th Cir. 1981).

153. See *Jicarilla Apache Tribe v. Hodel*, 821 F.2d 537, 540 (10th Cir. 1987).

154. 821 F.2d 537 (10th Cir. 1987).

155. *Id.* at 538.

leaseholder and filed an independent action to preserve its leasehold by paying the difference in fair value of the lease.¹⁵⁶ Dome's independent suit was dismissed for lack of jurisdiction over the Tribe due to its immunity.¹⁵⁷ On appeal, Dome claimed the Tribe had implicitly waived its immunity in disputes regarding the leaseholds when it filed its original action. The court rejected this argument, stating, "[a]lthough the Tribe's filing of the *Jicarilla* litigation may have waived its immunity with regard to Dome's intervention in that suit, we cannot construe the act of filing that suit as a sufficiently unequivocal expression of waiver in subsequent actions relating to the same leases."¹⁵⁸ Further, waiver of immunity in Dome's independent action "was not one of the terms of the Tribe's initial suit; it therefore cannot be made a party to [Dome's] subsequent litigation."¹⁵⁹

A recent determination by PTAB on whether Eleventh Amendment sovereign immunity protects state-owned patents from IPR muddies the waters of implicit waiver doctrine. In *Ericsson v. Regents of the University of Minnesota*,¹⁶⁰ an IPR proceeding initiated against several patents owned by the University of Minnesota, a PTAB court found that, while state-owned patents are ordinarily immune from IPR, the State "waived its Eleventh Amendment immunity by filing an action in federal court alleging infringement of the patent being challenged in this proceeding."¹⁶¹

While there was no express, specific waiver of sovereign immunity, the PTAB found the University of Minnesota implicitly waived its immunity.¹⁶² Prior to the IPR proceedings, the University of Minnesota filed a patent infringement suit in federal court concerning the same patents at issue in the IPR complaint.¹⁶³ The PTAB looked to cases remarking there is no "bright-line rule whereby a State's waiver of sovereign immunity can never extend to a . . . separate lawsuit."¹⁶⁴ In

156. *Id.*

157. *Id.*

158. *Id.* at 539.

159. *Id.* at 540.

160. *Ericsson, Inc. v. Regents of the Univ. of Minn.*, IPR2017-01186, 2017 WL 6517563 (P.T.A.B. Dec. 19, 2017).

161. *Id.* at *4.

162. *Id.*

163. *Id.* at *7.

164. *Id.* (citing *Biomedical Patent Mgmt. Corp. v. Cal. Dep't of Health Servs.*, 505 F.3d 1328, 1339 (Fed. Cir. 2007)).

Lapides v. Board of Regents of University System of Georgia,¹⁶⁵ the Court explained the rule governing waiver of immunity by litigation conduct rests on the need to avoid “unfairness” and “inconsistency,” as well as to prevent a state from selectively using immunity to achieve a litigation advantage.¹⁶⁶ In a state’s patent infringement suit, the defendant “must request an *inter partes* review of the asserted patent within one year of service of that complaint or be forever barred from doing so.”¹⁶⁷ Therefore, the PTAB reasoned, the State had notice of the compulsory-counterclaim-like nature of the IPR proceedings following its infringement suit.¹⁶⁸ Further, to bar the IPR petitioner from initiating the proceedings would be unfair.¹⁶⁹ So far, no court has extended the PTAB’s reasoning regarding waivers of state immunity to waivers of tribal immunity.

Absent tribal consent to suit, Congress may also use its plenary power over the tribes to waive tribal immunity. While Congress’s power over the scope of tribal immunity is broad, Congress’s use of its power must be express.¹⁷⁰ The Court held abrogation of tribal immunity cannot be implied from a statute, but must be “unequivocally expressed.”¹⁷¹ “Thus, unless and ‘until Congress acts, the tribes retain’ their historic sovereign authority.”¹⁷² The Court stated that when ambiguity exists in a statute alleged to waive sovereign immunity, a court must resolve any ambiguities in favor of the tribes.¹⁷³ In this way, tribal immunity shares a crucial presumption of existence absent express abrogation with other sovereign entities such as foreign governments, States, and the federal

165. 535 U.S. 613 (2002).

166. *Id.* at 614. *But see* Tegic Commc’ns Corp. v. Bd. of Regents of Univ. of Tex. Sys., 458 F.3d 1335, 1343 (Fed. Cir. 2006) (holding that a state university’s suit in Texas against cellular telephone companies for patent infringement did not waive Eleventh Amendment immunity to a contemporaneous private action for declaratory judgment in Washington that patent was invalid; although the university had made itself a party to its litigation to the full extent required for its complete determination, it did not thereby voluntarily submit itself “to a new action brought by a different party in a different state and a different district court”).

167. *Ericsson, Inc. v. Regents of the Univ. of Minn.*, IPR2017-01186, 2017 WL 6517563, at *8 (P.T.A.B. Dec. 19, 2017) (citing 35 U.S.C. § 315(b) (2018)).

168. *Id.*

169. *Id.*

170. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978) (quoting *United States v. Testan*, 424 U.S. 392, 399 (1976)) (“It is settled that a waiver of sovereign immunity ‘cannot be implied but must be unequivocally expressed.’”).

171. *Id.*

172. *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. ___, 134 S. Ct. 2024, 2030 (2014).

173. *Bryan v. Itasca County*, 426 U.S. 373, 392 (1976).

government itself.¹⁷⁴ Nevertheless, while requiring Congress to use express terms of abrogation, the Court left Congress's legislative prerogative concerning tribal immunity undisturbed. The Court recognized "[i]t is fundamentally Congress's job, not [the Court's], to determine whether or how to limit tribal immunity. The special brand of sovereignty tribes retain—both its nature and its extent—rests in the hands of Congress."¹⁷⁵

3. *To What Forums Does Sovereign Immunity Apply?*

The Court has not addressed whether tribal immunity extends to administrative as well as judicial proceedings. In *Federal Maritime Commission (FMC) v. South Carolina State Port Authority*,¹⁷⁶ the Court held the sovereign immunity afforded to states applies to some adjudicative administrative proceedings. In *FMC*, a private cruise ship company filed a maritime services complaint against the South Carolina State Port Authority (SCSPA) with the Federal Maritime Commission (FMC).¹⁷⁷ SCSPA filed a motion to dismiss the administrative complaint claiming that, as an arm of the State of South Carolina, it was entitled to "Eleventh Amendment immunity."¹⁷⁸

The FMC argued the Eleventh Amendment only extended to exercises of "judicial power," and the FMC's administrative proceeding were not "judicial" or a "suit in law or equity" within the meaning of the Eleventh Amendment.¹⁷⁹ The Court found even if it accepted this textual argument, "sovereign immunity enjoyed by the States extends beyond the literal text of the Eleventh Amendment."¹⁸⁰ The Court considered the features of the administrative proceeding to determine whether it was "the type . . . from which the Framers would have thought the States possessed immunity when they agreed to enter the Union."¹⁸¹ From their inquiry, they found an administrative proceeding "walks, talks, and squawks very much like

174. *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 242 (1985); *see also* *The Schooner Exch. v. McFaddon*, 11 U.S. (7 Cranch) 116, 125 (1812) ("the law of nations excludes the implication and presumption in every case where the sovereignty is concerned . . . [is of] the sovereign himself").

175. *Bay Mills Indian Cmty.*, 134 S. Ct. at 2037.

176. 535 U.S. 743, 753–61 (2002).

177. *Id.* at 747.

178. *Id.* at 749.

179. *Id.* at 753.

180. *Id.* at 754.

181. *Id.* at 756.

a lawsuit.”¹⁸² Its rules for pleadings, discovery, claims, and default mirrored the federal rules of civil procedure.¹⁸³ Further, the roles and deference afforded to the administrative judge were similar to an Article III judge.¹⁸⁴

In addition to the procedural similarity between civil litigation and the administrative adjudication at issue, the Court also looked to the purpose of state immunity “to accord States the dignity that is consistent with their status as sovereign entities.”¹⁸⁵ It found “[p]rivate suits against nonconsenting States . . . present ‘the indignity of subjecting a State to the coercive process of judicial tribunals at the instance of private parties,’ *regardless of the forum.*”¹⁸⁶ Furthermore, it would be inconsistent to prevent Congress from abrogating state sovereignty in an Article III court only to allow the same proceeding to take place in an administrative court.¹⁸⁷

While the Court has not addressed whether IPR proceedings against States are specifically barred by sovereign immunity, PTAB has upheld state immunity in IPR proceedings.¹⁸⁸ When it came to States, PTAB was “not persuaded . . . that the differences in pleadings, discovery, relief, standards, and jurisdictional and standing requirements effectively distinguish *inter partes* reviews from civil litigation for the purposes of applying sovereign immunity.”¹⁸⁹

Yet, when deciding whether the same reasoning applied to IPR proceedings instituted against tribally-owned patents, PTAB found SRMT failed to establish it was entitled to assert its tribal immunity with respect to the patents assigned to it by Allergan. PTAB made several arguments on which it based its holding which can be distilled into four lines of reasoning. First, the PTAB found the statutes regulating patents were “generally applicable” and applied to tribes and therefore tribes were subject to IPR proceedings.¹⁹⁰ Second, the PTAB argued “tribal immunity

182. *Id.* at 757 (quoting *S.C. State Port Auth. v. Fed. Mar. Comm’n*, 243 F.3d 165, 174 (4th Cir. 2001)).

183. *Id.*

184. *Id.* at 758.

185. *Id.* at 744.

186. *Id.* at 760 (quoting *In re Ayers*, 123 U.S. 443, 505 (1887)).

187. *Id.*

188. *See, e.g.*, *Covidien LP v. Univ. of Fl. Research Found., Inc.*, IPR2016-01274, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017).

189. *Id.* at *19.

190. *Mylan Pharm., Inc. v. Saint Regis Mohawk Tribe*, IPR2017-00576, 2018 WL 1100950, at *11 (P.T.A.B. Feb. 23, 2018), *aff’d*, *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, No. 18-1638 (Fed. Cir. July 20, 2018).

is generally not asserted in administrative proceedings because tribes cannot impose sovereign immunity to bar the federal government from exercising its trust obligations.”¹⁹¹ Third, the PTAB held an IPR proceeding is not the type of “suit” to which an Indian tribe would traditionally enjoy immunity under the common law because the petitioner will not receive any relief from the tribe.¹⁹² Lastly, PTAB claimed it did not exercise in personam jurisdiction over patent owners, but rather exercised jurisdiction over the patent itself.¹⁹³

On appeal to the Federal Circuit, the court affirmed PTAB’s finding that tribal immunity did not bar IPR proceedings against SMRT’s patents.¹⁹⁴ The court reasoned that IPR was “more like an agency enforcement action than a civil suit brought by a private party,” therefore, the *FMC* exception did not apply.¹⁹⁵ The court identified several characteristics that distinguished IPR from civil litigation. First, the court reasoned that in IPR the Director “possesses broad discretion in deciding whether to institute review” whereas in *FMC*-like cases, the agency has no discretion to refuse to adjudicate complaints brought by private parties.¹⁹⁶ Second, in IPR, unlike civil litigation, the PTAB may continue to review a patent even when the private complainant chooses to no longer participate in the process.¹⁹⁷ Third, the court found that “the USPTO procedures in IPR do not mirror the Federal Rules of Civil Procedure.” Given these differences, the Federal Circuit held that SRMT’s patents were not immune from IPR.¹⁹⁸

C. Congress’s Choices Regarding Tribal Sovereignty

In recent years, Congress has entertained an numerous bids to abrogate tribal immunity, limit tribes’ powers of self-governance, and regulate tribes’ internal and external commercial dealings.¹⁹⁹ While the Allergan-Mohawk agreement represents one recent way in which tribal immunity is commercialized, in the past Congress has kept the bounds of tribal

191. *Id.* at *13–14 (quoting *Quileute Indian Tribe v. Babbitt*, 18 F.3d 1456, 1459 (9th Cir. 1994)).

192. *Id.* at *16.

193. *Id.* at *16–17.

194. *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, No. 18-1638 (Fed. Cir. Jul. 20, 2018).

195. *Id.* slip op. at 8.

196. *Id.*

197. *Id.* slip op. at 9.

198. *Id.* slip op. at 9–12.

199. DAVID E. WILKINS & HEIDI KIIWETINEPINESIIK STARK, *AMERICAN INDIAN POLITICS AND THE AMERICAN POLITICAL SYSTEM* 78–81 (3d ed. 2002).

immunity broad in order to recognize the sovereign character of tribes and encourage commercial activity.²⁰⁰ Overall, past courts have noted Congress's regular approval of the tribal immunity doctrine "in order to promote Indian self-government, self-sufficiency, and economic development."²⁰¹ This section examines Congress's use of tribal sovereignty to determine whether there is in fact a cognizable policy of using tribal immunity as a method of fostering tribal economic development.

Under the current benefits conferred by Congress, a commercial venture with an Indian tribe can offer many advantages to non-tribal partners. In 1975, Congress enacted the Indian Self-Determination and Education Assistance Act.²⁰² Ever since, in the interest of fostering tribal economic development and independence, Congress "increasingly authorized Indian tribes to manage Federal programs and assume control over their own affairs."²⁰³ Under this general congressional policy of allowing tribes a greater measure of self-governance, tribal governments enjoy numerous privileges that make them unique, and potentially profitable, business partners.

For instance, many tribal governments have exercised the privilege to charter and maintain corporate affiliates. These tribal corporations are often formed under section 17 of the Indian Reorganization Act.²⁰⁴ Additionally, some tribally owned for-profit corporations are chartered under the laws of the tribe rather than section 17.²⁰⁵ Section 17 corporations often enjoy the same sovereign immunity as the tribe itself.²⁰⁶ As the Sixth Circuit noted, "the language of Section 17 itself—

200. STAFF OF SUBCOM. ON ECON. IN GOV'T, JOINT ECON. COMM., 91ST CONG., TOWARD ECONOMIC DEVELOPMENT OF NATIVE COMMUNITIES COMMITTEE REPORT (Joint Comm. Print 1969).

201. *Okla. Tax Comm'n v. Citizen Band Potawatomi Indian Tribe of Okla.*, 498 U.S. 505, 505–06 (1991).

202. Indian Self-Determination and Education Assistance Act, Pub. L. No. 93-638, 88 Stat. 2203 (1975) (codified at amended at 25 U.S.C. §§ 450–450n, 455–458e, 458aa–458hh, 458aaa–458aaa-18 (2018)); *Obstacles and Impediments to Expansion of Self-Governance, Oversight Hearing on Tribal Self-Governance Before the S. Comm. on Indian Affairs*, 109th Cong. 1 (2006) [hereinafter *Oversight Hearing on Tribal Self-Governance*].

203. *Oversight Hearing on Tribal Self-Governance*, at 1; S. REP. NO. 100-274, at 3 (1987) (noting "[t]he present right of Indian tribes to govern their members and territories flows from a preexisting sovereignty limited, but not abolished, by their inclusion within the territorial bounds of the United States").

204. 25 U.S.C. § 477 (2018); KAREN J. ATKINSON & KATHLEEN M. NILLES, *IRS, TRIBAL BUSINESS STRUCTURE HANDBOOK* (2008).

205. ATKINSON & NILLES, *supra* note 204.

206. COHEN, *supra* note 43, at 645.

by calling the entity an ‘incorporated tribe’—suggests that the entity is an arm of the tribe.”²⁰⁷ Some courts have found business entities formed under the tribes’ own laws also enjoy immunity.²⁰⁸ Therefore, investment in the projects of a tribal corporation may mitigate some of the risk found in other corporate ventures such as legal liability for private claims (e.g., contract, common tort, and products liability claims).

Aside from the commercial benefits of immune tribal corporations, tribal land is exempt from numerous regulatory requirements that can be costly and burdensome to potential developers.²⁰⁹ Reservation lands are generally exempt from local, county, and state zoning and land-use restrictions and state permitting requirements.²¹⁰ For non-tribal investors interested in building, tribes can issue environmental licenses and permits in conformance with tribal law and certain provisions of federal Environmental Protection Agency requirements.²¹¹ Partnering with a tribal entity can be invaluable to investors seeking to build on tribal land.

To relieve some of the economic distress common among tribal communities, Congress incentivized investment in tribes.²¹² Among the

207. *Memphis Biofuels v. Chickasaw Nation Indus.*, 585 F.3d 917, 921 (6th Cir. 2009).

208. *Breakthrough Mgmt. Grp., Inc. v. Chukchansi Gold Casino & Resort*, 629 F.3d 1173 (10th Cir. 2010); *Ransom v. St. Regis Mohawk Educ. & Cmty. Fund, Inc.*, 658 N.E.2d 989 (1995).

209. *See McClanahan v. State Tax Comm’n of Ariz.*, 411 U.S. 164, 170–71 (1973) (“State laws generally are not applicable to tribal Indians on an Indian reservation except where Congress has expressly provided that State laws shall apply.”) (quoting U.S. DEP’T OF INTERIOR, FEDERAL INDIAN LAW 845 (1958)); *Santa Rosa Band of Indians v. Kings Cty.*, 532 F.2d 655, 658 (9th Cir. 1975) (“Congress assumed and intended that states had no power to regulate the Indian use or governance of the reservation . . .”).

210. *Gobin v. Snohomish Cty.*, 304 F.3d 909 (9th Cir. 2002) (holding that the Indian tribe has exclusive land use jurisdiction over fee lands owned by tribal members on an Indian reservation except in exceptional circumstances).

211. Congress has acted under several federal environmental statutes to authorize the Environmental Protection Agency (EPA) to delegate to Indian tribes specific enforcement and regulatory authority to the same or a similar degree as is delegated by the EPA to the states. Because a growing number of tribes are seeking such delegation, activities on Native American lands may be governed by tribal programs that have the backing of federal law. Potentially applicable federal environmental protection laws include the Clean Water Act, the Clean Air Act, and other statutes. *See generally Revised Interpretation of Clean Water Act Tribal Provision – Final Interpretive Rule (820-F-16-005): Frequently Asked Questions*, EPA, https://www.epa.gov/sites/production/files/2016-05/documents/faqs_cwa_tas_ir_4-20-16_508c.pdf [<https://perma.cc/LK4X-ETFW>].

212. *See Indian Financing Act of 1974*, Pub. L. No. 93-262, 88 Stat. 77 (codified at amended in scattered sections of 25 U.S.C. and 43 U.S.C.) (Congress instituted a loan guaranty program in which a loan from a lender to a Tribe or an Alaska Native group may be provided a guaranty of up to 90% of the loan if the business activity will contribute to reservation economic development. The business must be located on or near an Indian reservation and must contribute to the economy of the reservation. The tribe must have at least 20% equity in the business. The loans may be used for a variety of purposes including operating capital, equipment purchases, business refinance, building construction, and lines of credit.).

most powerful are tribes' exemption from state and federal taxation.²¹³ Congress also created positive tax credits to entice commercial investment in the tribes. So-called "New Markets Tax Credits" incentivize investors to make capital investments on reservations.²¹⁴ Congress has also permitted businesses to deduct higher depreciation rates for on-reservation equipment and buildings.²¹⁵ Non-tribal employers can receive a tax credit of up to 20% of wages and health insurance for employees residing on reservations to encourage employment of Indians and increase wages for tribal members.²¹⁶ Additionally, a variety of federal contracting preferences and loan guarantees benefit tribal corporations, and indirectly, the investors in tribal corporations.²¹⁷

Congress has leveraged the unique character of tribes to promote tribal economic development by maintaining tribal sovereignty from private liability, exempting tribes from numerous tax and zoning regimes, giving tribes greater autonomy in administering environmental regulations, and creating positive tax benefits for tribal investment.

II. *INTER PARTES* REVIEW

This section explores IPR for patents. First, it describes in broad strokes the nature of the patent challenge process. Second, it discusses the operation of and purpose for IPR. The Intellectual Property Clause of the Constitution authorizes Congress to "promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."²¹⁸ One of the ways Congress exercises its power to regulate intellectual property is to grant patents, which confer "the right to exclude others from making, using, offering for sale, or selling the invention throughout the United

213. STAFF OF JOINT COMM. ON TAXATION, 110TH CONG., OVERVIEW OF FEDERAL TAX PROVISIONS RELATING TO NATIVE AMERICAN TRIBES AND THEIR MEMBERS 2 (Comm. Print. 2008).

214. The tax credit may be up to 39% of the total on-reservation investment and is spread over seven years, five percent of the investment for the first three years, and six percent of the investment amount can be claimed the next four years. Consolidated Appropriations Act of 2001, Pub. L. No. 106-554, 114 Stat. 2763A-605.

215. Omnibus Reconciliation Act of 1993, Pub. L. No. 103-66, § 13321(a), 107 Stat. 312, 558.

216. 26 U.S.C. § 45A (2018).

217. See 25 U.S.C. § 47 (2018) (authorizing the BIA to give preference to Indian and tribally-owned companies in its procurement contracts); *Contracting*, U.S. SMALL BUS. ADMIN., https://www.sba.gov/offices/headquarters/ogc_and_bd/resources/11498 [<https://perma.cc/7GY9-XWQQ>] ("Tribal and [Alaska Native Corporation] 8(a) firms are eligible to receive sole source 8(a) contracts regardless of dollar size, with no upper limit, while all other 8(a) firms may not receive sole source contracts in excess of \$3 million for services and \$5 million for manufacturing.").

218. U.S. CONST. art. 1, § 8, cl. 8.

States.”²¹⁹ Since 1836, Congress has vested the USPTO with the power to examine and grant patents.²²⁰ The standards for patentability require the invention to satisfy conditions including eligibility and utility²²¹; novelty²²²; and non-obviousness over the prior art.²²³ In 2015, the USPTO received 629,647 patent applications and granted 325,979 patents.²²⁴

Each patent requires the PTO to examine the “prior art” and determine whether the claimed invention is novel enough to warrant a patent.²²⁵ Because a thorough examination of the prior art of each patent is a labor-intensive process, and the PTO is bound by strict resource limitations, there have been historical concerns that some patents are granted in error.²²⁶ To address the possibility that patents are granted in error, Congress in 1980 created an *ex parte* reexamination process with the goal of restoring public and commercial “confidence in the validity of patents issued by the PTO”²²⁷ The *ex parte* reexamination proceedings could be requested by any person.²²⁸ If the PTO finds the petition raises “a substantial new question of patentability” it may institute *ex parte* proceedings.²²⁹ During the proceedings, neither the petitioner or the patent-holder are entitled to present claims before the PTO.²³⁰ Congress, nearly two decades later, created an *inter partes* reexamination process.²³¹ While similar to the *ex parte* process, the *inter partes* reexamination

219. 35 U.S.C. § 154 (2018).

220. Patent Act of 1836, Pub. L. No. 24-357, 5 Stat. 117 (repealed in 1952). This act created an Official Patent office and authorized the patent office to examine patent application to ensure that the inventions were indeed original.

221. 35 U.S.C. § 101.

222. *Id.* § 102.

223. *Id.* § 103.

224. *U.S. Patent Statistics Chart Calendar Years 1963 - 2015*, U.S. PATENT & TRADEMARK OFFICE, https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm [https://perma.cc/SZ4G-XPMS].

225. *See* 35 U.S.C. § 131; 37 C.F.R. § 1.104 (2012).

226. *See* John A. Jeffery, *Preserving the Presumption of Patent Validity: An Alternative to Outsourcing the U.S. Patent Examiner’s Prior Art Search*, 53 CATHOLIC U. L. REV. 761, 763 n.9 (2003).

227. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985), *modified on other grounds on reh’g*, 771 F.2d 480 (Fed. Cir. 1985).

228. 35 U.S.C. § 302. The AIA amended the *ex parte* reexamination procedure to allow the Director to institute a reexamination on the Director’s own initiative if a substantial new question of patentability is raised by patents or publications. H.R. REP. NO. 112-98, pt. 1, at 45 (2011).

229. 35 U.S.C. §§ 303(a), 304.

230. *Id.* §§ 303(a), 305.

231. Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, §§ 4601–4608, 113 Stat. 1501, 1501A-567 (repealed 2011). This process is distinct from *inter partes* review.

allows petitioners to participate in the proceedings and respond to the patent-holder's arguments of validity.²³²

In 2011, Congress created IPR through the American Invents Act (AIA).²³³ The act created a new body within the PTO, the PTAB to hear the IPR. The AIA's creation of IPR responded to the "growing sense" that under existing procedures, "questionable patents [were] too easily obtained and [were] too difficult to challenge."²³⁴ So far the IPR process has been invoked in over 32,000 patent claims and invalidated nearly 17,000 patents through a final PTAB decision.²³⁵ The IPR proceedings at issue in Allergan-Mohawk-like agreements are held before the PTAB, an administrative court under the AIA.²³⁶ The AIA expands the role of IPR in determining the validity of patents and creates an adversarial process of patent reexamination between two private parties.²³⁷ This Part examines the mechanics of the administrative process of IPR and the congressional intent behind IPR.

A. *Operation and Legislative Purpose*

According to Congress, it intended the AIA to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."²³⁸ Thus, there were three distinct, identifiable goals of the AIA: (1) increase procedural efficiency, (2) decrease costs, and (3) increase the "quality" of patents. It is important to discuss whether IPR proceedings align with the aforementioned congressional purposes to inform the later discussion of whether an agreement to circumvent IPR is actually contrary to public policy as some critics claim.

1. *Streamlined Procedure*

To increase efficiency, the AIA converted "inter partes reexamination from an examinational to an *adjudicative* proceeding, and rename[d] the

232. 35 U.S.C. § 316, 37 C.F.R. § 42.100 (2016).

233. Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at amended in scattered sections of 35 U.S.C.).

234. H.R. REP. NO. 112-98, pt. 1, at 39 (2011).

235. U.S. PAT. & TRADEMARK OFF., PATENT TRIAL AND APPEAL BOARD STATISTICS 12 (2017) (data current as of Mar. 31, 2017).

236. 37 C.F.R. § 42 (2018).

237. *Id.* (emphasis added).

238. H.R. REP. NO. 112-98, pt. 1, at 40 (2011).

proceeding ‘inter partes review.’”²³⁹ IPR is only one of several ways third parties can challenge the validity of patents before PTAB. Unlike post-grant reviews (PGRs), which may be instituted by a third party up to nine months after the PTO grants a patent, IPR may be instituted at any time between the nine month post-grant period and the patent’s twenty-year expiration date.²⁴⁰ As with *inter partes* reexamination, any person other than the patent owner may seek IPR on the belief the invention was not novel or was obvious in light of “prior art consisting of patents or printed publications” when it was patented.²⁴¹ After receiving any response from the patent owner, the Director of the USPTO may institute an IPR if he finds “a reasonable likelihood that the petitioner would prevail” with respect to at least one of its challenges to the validity of a patent.²⁴²

If the petitioner previously filed a civil action challenging the validity of the disputed patent, or if the patent owner sued the petitioner for infringement of the disputed patent more than one year before the petition was filed, IPR proceedings cannot be initiated.²⁴³ The AIA gave third-party challengers “broader participation rights” in IPR than they had possessed in *inter partes* reexamination.²⁴⁴ Both the patent owner and the third-party challenger are entitled to certain discovery,²⁴⁵ to file affidavits, declarations, and written memoranda,²⁴⁶ and to request an oral hearing.²⁴⁷ Further, the AIA rejected the presumption of validity that applies to patents in civil litigation. To claim a patent was invalid under 35 U.S.C. § 282 before a District Court, a claimant had to “persuade the factfinder of [the patent’s] in-validity defense by clear and convincing evidence.”²⁴⁸ The standard of proof applied to patent challenges in IPR proceedings is the far less exacting “preponderance of the evidence.”²⁴⁹ PTAB must issue a final written decision on patentability within one year after the decision to institute IPR, unless the deadline is extended or the

239. *Id.* at 46–47.

240. 35 U.S.C. § 321 (2018).

241. *Id.* § 311(a), (b).

242. *Id.* § 314(a).

243. *Id.* § 315(a)–(b).

244. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. ___, 136 S. Ct. 2131, 2137 (2016).

245. 35 U.S.C. § 316(a)(5).

246. *Id.* § 316(a)(8).

247. *Id.* § 316(a)(10).

248. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 91 (2011).

249. 35 U.S.C. § 316.

PTAB dismisses review.²⁵⁰ The Federal Circuit may review PTAB's decision on appeal.²⁵¹

2. *Decreased Costs*

Aligned with Congress's goal of creating a more expeditious and less costly forum, IPR is significantly cheaper than federal litigation. Costs of federal patent litigation can easily rise into the millions.²⁵² Under the PTO's regulations, the base IPR fee is \$23,000.²⁵³ Additionally, the PTO requires the petitioner to pay nominal fees for each additional claim raised during the various stages of the proceedings.²⁵⁴ If the PTAB, finding no significant question of validity, declines the petition for IPR, the PTO will issue a refund of \$14,000 to the petitioner.²⁵⁵ Furthermore, because the IPR process is designed to be quicker and is on a strict timetable, parties will tend to owe less in attorney's fees than they would have in federal court.²⁵⁶ In total, IPR usually costs approximately \$300,000 per side compared to millions in patent litigation.²⁵⁷ Congress therefore achieved its goal of creating a less prohibitively expensive forum to root out invalid patents.

3. *Increasing the "Quality" of Patents*

The mere number of patents invalidated by PTAB does not necessarily demonstrate increased patent quality. For instance, if a valid patent is erroneously invalidated, the ruling undermines patent quality.²⁵⁸

250. *Id.* § 316(a)(11).

251. *See id.* §§ 141, 319.

252. *See* Malathi Nayak, *Cost of Patent Infringement Litigation Falling Sharply*, BNA (Aug. 10, 2017), <https://www.bna.com/cost-patent-infringement-n73014463011/> [<https://perma.cc/C2J5-B33H>] (reporting that the cost of an average patent infringement lawsuit, where \$1 million to \$10 million is at risk, was \$1.7 million in 2017).

253. 37 C.F.R. § 42.15(a)(1)–(2) (2017).

254. *Id.* § 42.15(a)(3)–(4).

255. *Id.* § 42.15(a)(2).

256. Colleen Chien & Christian Helmers, *Inter Partes Review and the Design of Post-Grant Patent Reviews* 12 (Santa Clara Univ. Legal Stud. Research Paper, Paper No. 10-15, 2015) (forthcoming STAN. TECH. L. REV.) (arguing that patent invalidation is a public good and that post-grant reviews, such as IPRs, can reduce uncertainty over the boundaries and validity of granted patents).

257. *Id.*

258. *See Quality Metrics*, U.S. PATENT & TRADEMARK OFFICE, <https://www.uspto.gov/patent/initiatives/quality-metrics-1#step1> [<https://perma.cc/5GCE-HJHQ>] (“[The USPTO] consider[s] a quality patent to be one that is correctly issued in compliance with all the requirements of Title 35 as well as the relevant case law at the time of issuance.”); *see generally* Christi J. Guerrini, *Defining Patent Quality*, 82 FORDHAM L. REV. 3091 (2014).

Therefore, rather than looking at the raw number of invalidations, it is helpful to examine how PTAB determinations are treated on appeal to the Federal Circuit. In 2016, 3% of PTAB's rulings were reversed on appeal.²⁵⁹ This number rose to 5% in 2017.²⁶⁰ However, the low number of reversals and the high number of affirmances on the merits (85% and 67% of cases in 2016 and 2017, respectively) demonstrates the Federal Circuit's confidence in PTAB findings.²⁶¹

Through IPR, Congress created a more efficient, less costly forum for patent actions than federal court. IPR demonstrated a degree of reliability in making correct determinations about the status of patents. IPR closely serves the purposes identified by Congress when it enacted the AIA's patent-reform regime. Critics of the Allergan agreement could correctly claim it undercuts public policy as identified by Congress. If enforced, the agreement would shield tribally owned patents from this efficient, economical, and often-correct forum. Enforcement would thereby restrict challenges to tribally held patents to being brought in federal court as a defense to a patent infringement claim or in non-adversarial patent review proceedings. Nevertheless, Congress in the AIA did not discuss, implicate, or waive tribal immunity. Therefore, if there is an argument that the Allergan-Mohawk agreement is ineffective, it is not found in the text of the statute.

III. SHAM AGREEMENTS

One of the criticisms of the Allergan-Mohawk agreement is that it was a "sham" transaction.²⁶² The opponents to the agreement's validity urged the court to "look[] behind the face of the transactions to determine whether the transactions have economic substance," and compared the agreement to "a method of gaming the tax system to generate benefits . . . not intended to be available."²⁶³ While the judge did not rule on whether the agreement was invalid based on the concerns implicated above, he professed "serious doubts" the agreement "is the kind of transaction to which the Tribe's sovereign immunity was meant to

259. Kerry Taylor et al., *IPR Appeals in 2017: The Pendency and Success Rates*, LAW360 (Jan. 16, 2018, 1:39 PM), <https://www.law360.com/articles/1000442/ipr-appeals-in-2017-the-pendency-and-success-rates> [<https://perma.cc/2AZL-ND3Z>].

260. *Id.*

261. *Id.*

262. *Allergan, Inc. v. Teva Pharm. USA, Inc.*, No. 2:15-cv-01455, 2017 WL 4619790, at *2 (E.D. Tex. Oct. 16, 2017) (Memorandum Opinion and Order).

263. *Id.* at 5.

extend.”²⁶⁴ This section briefly examines whether the trial court’s concerns were well founded in transactional law. The central question is: what constitutes a “sham” agreement?

Because New York law governs the Allergan-Mohawk agreement,²⁶⁵ New York’s characterization of “sham” agreements is particularly relevant. New York law on sham contracts parallels federal law on the subject.²⁶⁶ On this question, courts are typically called on to determine whether the agreements reported by the defendants were valid and effectively entitled the defendant to the tax benefits they claimed.²⁶⁷

For example, in *In re Bernard S. Hodes*,²⁶⁸ New York’s Division of Tax Appeals examined whether the reported expenses and transactions of a horse breeder were merely shams meant to escape tax liability.²⁶⁹ There the court stated that, under New York case law, “a sham transaction is one that never really took place” or “there was nothing of substance to be realized . . . from [the] transaction beyond a tax deduction.”²⁷⁰ New York’s so-called “economic substance” test mirrors federal case law on “shams.”²⁷¹

In the tax context, when judging whether an agreement lacks “economic substance” and is therefore a “sham,” the court engages in a two-part inquiry. First, the court considers whether the agreement is profitable absent the tax benefit.²⁷² If not, the court examines whether the transaction meaningfully alters the parties’ economic positions—absent the tax consequences—and whether the transaction has a “bona fide business purpose.”²⁷³ Even if the answer to both forgoing questions is “no,” the court may not brand the transaction a sham if the parties prove the purpose of the transaction was not to “game the system” but was

264. *Id.* at 6.

265. Allergan, *Response to Defendants’ Notice*, *supra* note 26, at Exhibit A.

266. *Salem Fin., Inc. v. United States*, 786 F.3d 932, 946 (Fed. Cir. 2015).

267. *See, e.g., In re Bernard S. Hodes*, Nos. 807328 and 808528, 1993 WL 498231 at *18 (N.Y. Div. Tax App. Ct. Nov. 24, 1993) (examining whether business deductions claimed by the petitioner were correctly disallowed as “sham” transactions).

268. *Id.*

269. *Id.*

270. *Id.* The presence of tax-avoidance motives does not necessarily make a sham if the transaction has real economic effect. *See Rice’s Toyota World v. Comm’r*, 752 F.2d 89, 91 (4th Cir. 1985) (“To treat a transaction as a sham, the court must find that the taxpayer was motivated by *no business purpose other than obtaining tax benefits* in entering the transaction, and that the transaction has no economic substance because no reasonable possibility of a profit exists.” (emphasis added)).

271. *Salem Fin., Inc.*, 786 F.3d at 946.

272. *Id.* at 950.

273. *Id.*

aligned with a broader policy goal.²⁷⁴ For instance, in some cases Congress may incentivize companies to conduct business through targeted tax breaks.²⁷⁵ If a transaction was declared a “sham” merely for taking advantage of those incentives, it “would be contrary to the clear intent of Congress.”²⁷⁶

It is unclear whether the definition of “sham” in the context of tax law can be fairly analogized to other types of agreements and government programs. More specifically, it is not clear whether an agreement solely intended to circumvent the patent review system follows the same “profitability” considerations as those intended to avoid tax liability.

IV. THE ALLERGAN-MOHAWK AGREEMENT: SHREWD OR SHAM?

In light of the unique character of Indian tribes, the Allergan-Mohawk Agreement is a lawful and effective measure for avoiding IPR. Tribes are generally immune from suit in federal court.²⁷⁷ Absent congressional or tribal waiver, this immunity should extend to most administrative adjudications as well. Congress did not expressly abrogate tribal sovereignty in the AIA or any other statute governing patents, nor did the tribe waive its immunity by participating in the patent process.²⁷⁸ Further, the agreements between SRMT and Allergan were supported by valid consideration and actual performance.²⁷⁹ Therefore, tribally held patents are immune from IPR. This Part argues each of the preceding points.

A. *SRMT Is Generally Immune from Privately-Initiated Actions in Administrative Proceedings like IPR.*

The PTAB and the Federal Circuit incorrectly found tribal immunity does not extend to IPR proceedings. The PTAB held and the Federal Circuit affirmed that tribal immunity is not implicated by IPR because

274. *Id.* at 942.

275. *See Sacks v. Comm’r*, 69 F.3d 982, 990–92 (9th Cir. 1995) (upholding the taxpayer’s claim for regular investment credit and a business energy investment credit—where the taxpayer entered into a sale-leaseback transaction for solar water heaters—against the IRS’s claim that the transaction as a sham because it was unprofitable before tax benefits were accounted for).

276. *Salem Fin., Inc.*, 786 F.3d at 950.

277. *See supra* section I.0.

278. *See generally* 35 U.S.C. §§ 1–390 (2018) (making no express mention of tribes or tribal governments).

279. *See Allergan, Response to Defendants’ Notice*, *supra* note 26 at Exhibit A.

tribes are not immune to federal agency enforcement.²⁸⁰ Moreover, the involvement of a private claimant in IPR did not preclude PTAB from being able to hear the case against SMRT's patents.²⁸¹ The Federal Circuit highlighted three key differences between IPR and civil litigation: the Director's discretion whether to institute IPR, that the PTAB may continue review even if the complaining party does not participate, and that the USPTO rules do not mirror the Federal Rules of Civil Procedure.²⁸² This subsection challenges the PTAB's and the Federal Circuit's analysis.

The features identified by the Federal Circuit do not meaningfully differentiate IPR from civil litigation. The standard set forth in *FMC* was that states, as sovereigns, are immune from "the type of proceedings from which the Framers would have thought the States possessed immunity when they agreed to enter the Union."²⁸³ The fact that the Director has discretion whether to institute proceedings does not completely diminish the private nature of IPR. The Director may only institute IPR if a private party first files a petition.²⁸⁴ The statute does not permit the Director to institute IPR sua sponte. The fact that the Director may choose not to allow a petition to develop into IPR does discount that, from the outset, a private party drives IPR substantially like civil litigation. Furthermore, once initiated, the private petitioner may file a joint request with the patent holder to force the PTAB to terminate the proceedings.²⁸⁵

The IPR statute contemplates that a petitioner may choose to end their participation during the course of the proceedings.²⁸⁶ In such a case, PTAB is permitted to "terminate the review or proceed to a final written decision."²⁸⁷ However, the statute does not authorize PTAB to act as a prosecuting party in the petitioner's place. Rather, when the petitioner ceases to participate it is equivalent to a party to litigation resting their case-in-chief. If the petitioner up to the point of non-participation has presented sufficient evidence for the PTAB to issue the ruling, it may do

280. *Mylan Pharm., Inc. v. Saint Regis Mohawk Tribe*, IPR2017-00576, 2018 WL 1100950 (P.T.A.B. Feb. 23, 2018), *aff'd*, *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, No. 18-1638, slip op. at 4 (Fed. Cir. Jul. 20, 2018).

281. *Mylan Pharm.*, IPR2017-00576, 2018 WL 1100950, at *6; *Saint Regis Mohawk Tribe*, No. 18-1638, slip op. at 4.

282. *Saint Regis Mohawk Tribe*, No. 18-1638, slip op. at 8–10.

283. *Fed. Mar. Comm'n v. S.C. State Port Auth.*, 535 U.S. 743, 756 (2002).

284. 35 U.S.C. § 314(a) (2018).

285. *Id.* § 317(a).

286. *Id.*

287. *Id.*

so. Contrary to the finding of the Federal Circuit, this feature of IPR is analogous, not wholly dissimilar, to traditional civil litigation.

The Federal Circuit further found that due to differences in rules of procedure, “[a]n IPR hearing is nothing like a district court patent trial.”²⁸⁸ The court highlighted that IPR petitioners and patent owners could amend their complaint at different times and to a different extent than that of plaintiffs and defendants under the Federal Rules of Civil Procedure.²⁸⁹ Further, the court found that IPR was subject to different discovery options. However, the Federal Circuit overlooks that for much of the country’s history, the Federal Rules of Civil Procedure did not exist.²⁹⁰ The mere fact that a federal civil trial in the 1800s proceeded differently than a trial might today does not make either one less like private litigation.

Despite the Federal Circuit’s finding, under the *FMC* standard, IPR shares enough of the core elements of private litigation to implicate sovereign immunity. IPR is an adversarial process which was purposely designed as a contest between a patent owner and a petitioner. The proceedings are only initiated after the complaint of a private party mirroring the complaint and pleading functions of litigation. Panels of at least three impartial administrative patent judges (APJs) preside over the proceedings.²⁹¹ Lastly, the discovery process of IPR is similar to the discovery process in civil litigation.

Tribal immunity may not be *generally* asserted in administrative proceedings.²⁹² However, IPR is not like most administrative proceedings. Unlike federal enforcement actions where administrative agencies bring a case against a tribe, private parties institute IPR.²⁹³ The private party is then intimately involved in the proceedings and responsible for carrying the burden of proof of the claims before PTAB from first motion to final judgment.²⁹⁴ IPR proceedings mirror private civil actions in form.²⁹⁵ While tribes may not raise sovereign immunity against a federal agency

288. *Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, No. 18-1638, slip op. at 10 (Fed. Cir. Jul. 20, 2018).

289. *Id.* at 8–10.

290. “The [Federal] Rules [of Civil Procedure] formally went into effect on September 16, 1938.” Jack B. Weinstein, *After Fifty Years of the Federal Rules of Civil Procedure: Are the Barriers to Justice Being Raised?*, 137 U. PENN. L. REV. 1901, 1901 (1989).

291. 37 C.F.R. § 42 (2017).

292. *See supra* section I.B.3.

293. *Supra* Part 0.

294. *Id.*

295. *Covidien LP v. Univ. of Fla. Research Found., Inc.*, IPR2016-01274, 2017 WL 4015009 (P.T.A.B. Jan. 25, 2017).

where the agency merely operates as a forum to litigate, tribes should be entitled to bar actions by private parties.

The additional reasons asserted by PTAB, which were not addressed by the Federal Circuit on appeal, are similarly flawed. The PTAB found the patent regulations were “generally applicable,” and tribes were subject to IPR proceedings.²⁹⁶ This application of a narrow principle is too broad. It is usually true that generally applicable federal laws apply to tribes.²⁹⁷ Also, most laws governing patents are “generally applicable” and do not upset the sovereign rights of tribes.²⁹⁸ Though the patent regime applies to tribally owned patents, it does not necessarily follow that the tribes are then exposed to private patent claims. Such a conclusion defies jurisprudence requiring Congress or the tribes to “unequivocally express[]” a waiver of sovereign immunity.²⁹⁹ The PTAB instead finds where Congress enacts a generally applicable statute, it must expressly exempt tribes from private actions provided for under the statute to implicate sovereign immunity.

The PTAB also held an IPR proceeding is not the type of “suit” from which an Indian tribe would traditionally enjoy immunity under the common law because the petitioner will not receive any relief from the tribe.³⁰⁰ The PTAB notes, “the scope of the authority granted by Congress to the Patent Office with respect to *inter partes* review proceedings is limited to assessing the patentability of the challenged [patents].”³⁰¹ Here, PTAB underestimates the gravity of its own proceedings. When an IPR petitioner requests proceedings be initiated, the request is essentially a request for the PTAB to void a patent owner’s rights. While there is no potential for petitioners to be awarded money damages or injunctive relief, there is no binding jurisprudence suggesting tribal immunity may be circumvented by suing for declaratory relief. To the contrary, in *Santa Clara Pueblo*, the plaintiff was suing the tribe for declaratory relief (in

296. *Mylan Pharm., Inc. v. Saint Regis Mohawk Tribe*, IPR2017-00576, 2018 WL 1100950 (P.T.A.B. Feb. 23, 2018), *aff’d*, *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, No. 18-1638 (Fed. Cir. July 20, 2018).

297. *Donovan v. Coeur d’Alene Tribal Farm*, 751 F.2d 1113, 1116 (9th Cir. 1985) (“A federal statute of general applicability that is silent on the issue of applicability to Indian tribes will not apply to them if: (1) the law touches ‘exclusive rights of self-governance in purely intramural matters’; (2) the application of the law to the tribe would ‘abrogate rights guaranteed by Indian treaties’; or (3) there is proof ‘by legislative history or some other means that Congress intended [the law] not to apply to Indians on their reservations.’”).

298. *See generally* 35 U.S.C. (2018).

299. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978).

300. *Mylan Pharm.*, IPR2017-00576, 2018 WL 1100950, at *6.

301. *Id.* at *16.

addition to injunctive relief), yet the Court still found a declaratory judgment was barred by the Tribe's immunity.³⁰² IPR proceedings, similar to a declaratory judgment,³⁰³ establish whether the patent owner has any rights to the patent at issue.³⁰⁴ Therefore, the PTAB's distinction about the type of relief petitioners seek is immaterial in light of *Santa Clara Pueblo*.

Lastly, PTAB claimed it did not exercise in personam jurisdiction over patent owners, but rather exercised jurisdiction over the patent itself and, therefore, did not implicate the tribe's immunity.³⁰⁵ The PTAB views IPR as akin to in rem proceedings, where the property itself is at issue and not necessarily the owner.³⁰⁶ It remains uncertain whether in rem proceedings avoid implicating sovereign immunity questions all together. For instance, in its Eleventh Amendment jurisprudence, the Court allowed in rem actions to proceed against State property where the property was not in the State's possession.³⁰⁷ In IPR proceedings, a patent is in the "possession" of the patent holder because the patent holder always exerts control over the patent. Therefore, the PTAB's analogy to in rem proceedings is questionable when it comes to state-owned patents.

For tribally held patents, Eleventh Amendment jurisprudence merely offers guidance since tribes derive their sovereignty as a matter of federal common law rather than the Constitution.³⁰⁸ If, as a rule, property owned by the sovereign received the benefit of the sovereign's immunity from suit, then tribally held patents would enjoy the tribe's sovereignty. The Court's 2018 disposition in *Upper Skagit Indian Tribe II* partially illuminates the bounds of this question.³⁰⁹ The Court left open the possibility that actions within a state involving "immovable property" purchased by a tribe might not be barred by sovereign immunity in the

302. *Santa Clara Pueblo*, 436 U.S. at 58.

303. *Declaratory Judgment*, BLACK'S LAW DICTIONARY 497 (4th ed. 1968) ("One which simply declares the rights of the parties or expresses the opinion of the court on a question of law, without ordering anything to be done.").

304. *See* 35 U.S.C. § 311(b) (2018).

305. *Id.*

306. *Id.* § 261 ("Subject to the provisions of this title, patents shall have the attributes of personal property.").

307. *See* *Tenn. Student Assistance Corp. v. Hood*, 541 U.S. 440, 446–48 (2004) (exercise of bankruptcy court's in rem jurisdiction over a debtor's estate to discharge a debt owed to a state does not infringe the state's sovereignty); *California v. Deep Sea Research, Inc.*, 523 U.S. 491, 507–08 (1998) (despite state claims over shipwrecked vessel, the Eleventh Amendment does not bar federal court in rem admiralty jurisdiction where the res is not in the possession of the sovereign).

308. *See* *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 756 (1998) ("[I]mmunity possessed by Indian tribes is not coextensive with that of the States.").

309. *Upper Skagit Indian Tribe II*, No. 17-387, slip op. (U.S. May 21, 2018).

first place.³¹⁰ In the context of IPR proceedings, the “immovable property” exception is inapplicable, primarily, because the patents are not “immovable property.”³¹¹

The underlying policies of the “immovable property” exception do not strengthen the arguments that tribal immunity ought not to be recognized in actions relating to tribal patents on an in rem theory.³¹² The concerns could be analogized to the patent context—allowing immune non-federal entities to exercise their immunity over their patents would cede federal sovereignty over the patent system. Unlike land, patent ownership bears little on the territorial integrity of the United States and therefore does not present the same existential threat to sovereignty as land acquisition might. Additionally, no patent holder is totally immune from federal patent review, therefore the federal government will maintain supreme regulatory power over the patent system.³¹³ PTAB’s argument that tribal immunity should be curbed due to the in rem nature of the IPR proceedings does not necessarily correlate to the “immovable property” exception in *Upper Skagit Indian Tribe II*.

The Federal Circuit and PTAB’s findings that tribes are not immune from IPR proceedings is inconsistent with jurisprudence on the issue. The lack of an express waiver by Congress, the private and adversarial nature of IPR, and the implication of tribal property rights all support a finding that tribes are generally immune from IPR as they would be from private actions in another forum. Therefore, to have jurisdiction to conduct IPR, PTAB must show the tribe waived its immunity.

B. There Was No Waiver of Tribal Immunity

Although a tribe may be immune from suit or a sufficiently similar adversarial administrative process, if it waives its immunity, it will be subject to the proceedings. There are two ways tribal immunity can be waived. First, Congress may unequivocally and expressly waive tribal immunity via statute.³¹⁴ The fact that Senator MacAskill found it

310. *Id.*

311. In most contexts patents are treated as personal property. *See, e.g.*, *Fleming v. Okla. Tax Comm’n*, 157 F.2d 888, 890 (10th Cir. 1946) (stating that patents are intangible personal property); *see also* 35 U.S.C. § 261 (2018) (“patents shall have the attributes of personal property”).

312. *Fed. Mar. Comm’n v. S.C. State Port Auth.*, 535 U.S. 743, 756 (2002).

313. Patents may still be reviewed by the government through ex parte proceedings.

314. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978); *see, e.g.*, 25 U.S.C. § 2710(d)(7)(A) (2018) (“The United States district courts shall have jurisdiction over . . . (ii) any cause of action initiated by a State or Indian tribe to enjoin a class III gaming activity located on Indian lands and conducted in violation of any Tribal-State compact entered into under paragraph (3) that is in

necessary to propose a bill to append an express waiver provision to the AIA demonstrates Congress did not include an express waiver of tribal immunity when it enacted the AIA.³¹⁵ Second, the tribe itself may agree to waive its own sovereign immunity.³¹⁶ Regarding the patents at issue in the Allergan-Mohawk agreement, SRMT did not waive tribal immunity. Therefore, SRMT retains its sovereign protection from IPR proceedings and private lawsuits concerning the patents.

Prior to the establishment of the Allergan-Mohawk deal, Allergan brought a patent infringement action against several generic drug makers for their alleged use of elements of Allergan's dry-eye drug, Restasis.³¹⁷ In response, the named defendants contended in federal court that the patents were invalid and concurrently filed a complaint with PTAB to institute IPR proceedings against the patents at issue.³¹⁸ During the course of both the federal trial and the IPR proceedings, Allergan formed the agreement with SRMT and assigned the patents to the Tribe.³¹⁹ Allergan and SRMT then moved to have SRMT joined or substituted as a named plaintiff to the patent infringement suit proceeding in federal court under FRCP 25(c).³²⁰ Additionally, Allergan and SRMT moved to dismiss the IPR proceedings, arguing that SRMT (as the patents' owner) must be joined as a defendant yet could not be so, due to its sovereign immunity.³²¹ By voluntarily injecting itself into the patent infringement suit as a plaintiff, the court held that SRMT waived its sovereign immunity and submitted itself to the jurisdiction of the court.³²²

The more nebulous question is whether the tribe's participation in the infringement proceedings in a federal court waived its immunity over proceedings in a separate administrative forum. In rare instances, a tribe's participation in a lawsuit can "effect a waiver for limited purposes."³²³

effect. . .").

315. *See generally* Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at amended in scattered sections of 35 U.S.C.); Erman, *supra* note 40.

316. *See* Kiowa Tribe of Okla. v. Mfg. Techs., Inc., 523 U.S. 751, 758–60 (1998); Quileute Indian Tribe v. Babbitt, 18 F.3d 1456, 1459 (9th Cir. 1994).

317. Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-01455, 2017 WL 4619790, at *1–3 (E.D. Tex. Oct. 16, 2017) (Memorandum Opinion and Order).

318. *Id.*

319. *Id.*

320. *Id.*

321. *Id.*

322. Immunity is primarily concerned with actions against sovereign defendants. Had the court not had the Tribe's permission it would have been powerless to compel them to join as either plaintiff or defendant.

323. COHEN, *supra* note 43, at 645.

There is a wealth of case law discussing whether a tribe, by filing suit, waived its sovereign immunity as to counterclaims.³²⁴ There is no question a defendant in a patent infringement suit, even one instituted by a tribe, may raise the defense that the patent is invalid without upsetting sovereign immunity.³²⁵ Yet, the question at issue here is distinct—can a patent infringement suit instituted by a tribe waive that tribe's immunity as to a claim of invalidity brought in a separate administrative forum? This is a question unexplored by the courts.³²⁶

The circuit courts' interpretation of tribal immunity suggests the prosecution of patent infringement suits does not implicitly waive the tribe's immunity to subsequent IPR proceedings. Although arising out of the same piece of property, IPR proceedings are independent from the patent infringement suit. The *Jicarilla* court found a tribe suing under a lease did not unequivocally waive sovereign immunity as to all suits arising out of that lease.³²⁷ In *Jicarilla*, the subsequent action was brought in the same forum.³²⁸ The court was unconvinced that tribally instituted litigation waived immunity for later suits concerning the same subject matter in the same forum; even less of an implied waiver exists to suits in a different forum. Likewise, the *Oregon* court, which is widely viewed as pressing the outer limits of the implied waiver doctrine,³²⁹ did not contemplate waiver to suits arising in a different forum.³³⁰ Nor was the *Oregon* judgment a new judgment, but rather a modification to a judgment the tribe had previously and expressly consented to.³³¹

The PTAB's ruling in *University of Minnesota* should be troubling for SRMT. A core element of their business strategy is to prosecute patent infringement for the patents they own, while maintaining their immunity

324. Okla. Tax Comm'n v. Citizen Band Potawatomi Indian Tribe of Okla., 498 U.S. 505, 509–10 (1991); United States v. U.S. Fid. & Guar. Co., 309 U.S. 506, 513 (1940) (“Possessing [] immunity from direct suit, we are of the opinion [that a tribe] possesses a similar immunity from cross-suits.”); McClendon v. United States, 885 F.2d 627, 630 (9th Cir. 1989) (“[A] tribe’s participation in litigation does not constitute consent to counterclaims asserted by the defendants in those actions.”).

325. Even though this defense, if successful, would invalidate the tribe’s patent.

326. *But see* Kescoli v. Babbitt, 101 F.3d 1304, 1310 (9th Cir. 1996) (holding that tribes “did not waive their immunity by intervening in [] administrative proceedings” because “[a]ny waiver must be unequivocal and may not be implied”).

327. *Jicarilla Apache Tribe v. Hodel*, 821 F.2d 537, 539 (10th Cir. 1987).

328. *Id.*

329. *Am. Indian Agric. Credit Consortium, Inc. v. Standing Rock Sioux Tribe*, 780 F.2d 1374, 1380 (8th Cir. 1985) (disapproving of *Oregon* as “press[ing] the outer boundary of what the [U.S.] Supreme Court intended by its plain statement in *Santa Clara Pueblo*”).

330. Both actions were brought in the district court. *United States v. Oregon*, 657 F.2d 1009 (9th Cir. 1981).

331. *Id.*

from IPR proceedings. *University of Minnesota* suggests PTAB may not allow SRMT to have it both ways. However, SRMT may argue that a tribe's patent infringement suits do not constitute an implicit waiver of immunity for IPR proceedings. First, the policies underlying Eleventh Amendment sovereign immunity of "unfairness" and "inconsistency" are wholly dissimilar from those which control tribal immunity. Second, tribal immunity from IPR would not prejudice a would-be patent infringement defendant.

While "unfairness" and "inconsistency" may be the fundamental policies of implied waiver of state sovereign immunity, the policies surrounding tribal immunity are based on different foundations.³³² The Court visited the idea of fairness and tribal immunity in *Kiowa*.³³³ The Court observed tribes becoming more active in off-reservation commercial activity and determined whether such off-reservation activities qualified as an implicit waiver of tribal immunity.³³⁴ It noted unfair situations could arise from preserving tribal sovereignty in the commercial sphere; "[i]n this economic context, immunity can harm those who are unaware they are dealing with a tribe, who do not know of tribal immunity, or who have no choice in the matter, as in the case of tort victims."³³⁵ Nevertheless, the Court did not find mere unfairness to be sufficient to overcome tribal immunity. Instead, the Court "defer[red] to the role Congress may wish to exercise in this important judgment."³³⁶

In the Eleventh Amendment context, the Court has repeatedly held that Congress is not authorized to abrogate sovereign immunity merely out of concerns of fairness or public policy.³³⁷ However, in the tribal immunity context, Congress, not the courts, is responsible for regulating the fairness of tribal immunity. Furthermore, Congress may expand, limit, or abrogate a tribe's immunity for virtually any reason or no reason at all.³³⁸ It is not within the purview of the courts to fill the gap where Congress has declined to act. Where Congress created express exceptions for tribes in generally applicable statutory schemes, it has done so to create a unique

332. *Kiowa Tribe of Okla. v. Mfg. Techs., Inc.*, 523 U.S. 751, 758–60 (1998).

333. *Id.*; *Quilteute Indian Tribe v. Babbitt*, 18 F.3d 1456, 1459 (9th Cir. 1994).

334. *Kiowa Tribe*, 523 U.S. at 758–60.

335. *Id.*

336. *Id.*

337. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 647–48 (1999) (holding that neither Commerce Clause nor Patent Clause provided Congress with authority to abrogate state sovereign immunity from patent infringement claims in Patent and Plant Variety Protection Remedy Clarification Act.); *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 76 (1996).

338. *United States v. U.S. Fid. & Guar. Co.*, 309 U.S. 506, 512 (1940).

advantage for the tribes' benefit, which some may call "unfair."³³⁹ Therefore, the PTAB's finding of mere "unfairness," which warranted the waiver of state sovereign immunity, does not extend to tribes' sovereign immunity.

Contrary to what the PTAB suggests, maintaining sovereign immunity for IPR proceedings, despite a pending patent infringement suit, would not prejudice the non-sovereign party because they may raise the same claims in the infringement suit as they would raise in IPR. When any plaintiff—including a sovereign—institutes a patent infringement suit, the defendant may raise the defense of invalidity based on prior art.³⁴⁰ The defense of invalidity will absolve the defendant of liability if the defendant can show the patent is invalid because either (1) the exact claimed invention was invented earlier by someone else, (2) the nature of the differences between the claim and the prior art would have rendered the subject matter of the claim obvious to a person of ordinary skill in the art at the time of the claimed invention, or (3) some other ground of unpatentability.³⁴¹

The burden of proving invalidity by clear and convincing evidence falls on the defendant in a patent infringement suit³⁴²; the standard of proof in IPR is the preponderance of evidence.³⁴³ This difference does not sufficiently prejudice the defendant to warrant a waiver of sovereign immunity. In *Lapides*, the case cited by the PTAB to advance its assertion that unfairness warrants waiver, the state's use of its immunity would have resulted in the plaintiffs' claims being barred in *all* potential forums.³⁴⁴ Here, the patent challenger, as a defense to patent infringement, may still make the claim in district court that the patent is invalid. A patent challenger's burden of proof in district court has never been found to be unduly onerous or plainly prejudicial. Although the PTAB may be a more challenger-friendly forum, it is not the only forum for the patent challenger.

Tribes who initiate a patent infringement suit have not waived immunity from IPR proceedings over the same patents. Several circuits have illustrated that the limited scope of implied waiver of tribal immunity does not allow independent private actions based on the same subject matter as a tribally initiated suit, let alone an independent action in another forum. Despite PTAB's recent proclamation that a state's prosecution of

339. See *supra* section I.0.

340. 35 U.S.C. § 282 (2018).

341. *Id.*

342. *State Contracting & Eng'g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057 (Fed. Cir. 2003).

343. 35 U.S.C § 316(e).

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

a patent infringement action waives its Eleventh Amendment immunity from subsequent IPR proceedings, the fundamental differences between tribal immunity and Eleventh Amendment immunity make the holding inapplicable to tribes. Further, even as applied to the states, the PTAB's *University of Minnesota* decision is suspect in its reasoning that immunity from IPR would impermissibly and unfairly prejudice would-be claimants. Therefore, the ultimate purpose of the Allergan-Mohawk agreement is not undone by SRMT's prosecution of patent infringement actions.

C. *The Agreement Is Not a "Sham"*

Many have referred to the agreement between SRMT and Allergan as a "sham," a word also used by the district court who first grappled with this agreement.³⁴⁵ The mere fact the patent assignment *agreement* may have been a sham only affects the enforceability of the agreement. For instance, if the entire agreement was a sham, SRMT and Allergan would no longer have an obligation to perform their respective contractual duties. Here, the concern is not to the enforceability of the agreement, but whether the ownership of the patent actually changed hands. It did. The question of whether or not the patent assignment itself would have been enforceable in court is moot. Allergan already assigned the patents to the tribe. Even if a court declared the assignment agreement a sham now, it would not affect the ownership of the patents.

When critics label an agreement a "sham," they are often simply communicating "I don't like it" rather than using the word consistently with the narrow legal doctrine of "sham" agreements. New York's definition of "sham" is instructive as the Allergan-Mohawk agreement is governed by New York contract law.³⁴⁶ As discussed in Part III, New York courts hold "a sham transaction is one that never really took place" or "there was nothing of substance to be realized . . . from [the] transaction beyond a tax deduction."³⁴⁷

Here, an actual exchange of valuable consideration supports the agreement's validity. In the agreement at issue, Allergan conferred the patents to SRMT.³⁴⁸ In the same stroke, SRMT gave an unlimited and

345. Allergan, Inc. v. Teva Pharm. USA, Inc., No. 2:15-cv-01455, 2017 WL 4619790, at *2 (E.D. Tex. Oct. 16, 2017) (Memorandum Opinion and Order).

346. Allergan, *Response to Defendants' Notice*, *supra* note 26, at Exhibit A.

347. *In re Bernard S. Hodes*, Nos. 807328 and 808528, 1993 WL 498231, at *18 (N.Y. Div. Tax App. Ct. Nov. 24, 1993).

348. Allergan, *Response to Defendants' Notice*, *supra* note 26, at Exhibit A.

exclusive license to Allergan.³⁴⁹ At first glance it seems as though no exchange actually occurred; Allergan remains the effective “owner” of the patent in all but name. In exchange for the license, Allergan agreed to pay royalties of approximately \$15 million per year to SRMT.³⁵⁰ Allergan also gave an additional \$13 million with SRMT to go with the patents for the Tribe’s promise to never waive tribal immunity over the patents.³⁵¹ SRMT also retained enforcement rights.³⁵² Here, ignoring the patent rights Allergan ultimately retained in the agreement, there is still an actual transaction taking place. Allergan receives SRMT’s promise to assert tribal sovereignty over the patents (something it previously would have had the right to do, or not do), and Allergan gives the tribe de jure ownership of the patents, patent enforcement rights, and royalties. Therefore, there was an actual transaction, and the transaction materially changed the economic position of both parties.³⁵³

The Allergan-Mohawk agreement does not unduly burden the patent system. Nested within the doctrine of “sham” is public policy concern. By targeting agreements where “there was nothing of substance to be realized . . . from [the] transaction beyond a tax deduction,” New York highlights a concern for agreements seeking to undermine broadly applicable state-imposed systems.³⁵⁴ Allergan-Mohawk critics may intend to invoke these connected-yet-distinct public policy concerns by using the word “sham.” Therefore, the question at issue is whether the Allergan-Mohawk agreement is void because it violates the public policy of allowing patents to be reviewed through IPR.

In fact, Congress may not have to choose between the patent system and tribal sovereignty. Recall tribes are not immune to suits brought by the federal government. In the AIA, Congress included an *ex parte* proceeding that the Director may invoke.³⁵⁵ If a party desires to challenge

349. *Id.*

350. *Id.*

351. *Id.*

352. *Id.* at 3 (“The Tribe, in turn, retained enforcement rights and rights to practice the patents in all other fields.”).

353. PTAB emphasizes whether the agreement is supported by adequate consideration. However, consideration is relevant only to the extent a party to an agreement seeks to enforce the agreement against the other party. Here, this is not the issue. The issue is whether Allergan assigned the patents to the Tribe. Assignments of a patent need not be supported by consideration. They may be gifted. Here, Allergan did sign ownership of the patents over to SRMT. Whether they received anything in return is not an issue.

354. *In re Bernard S. Hodes*, Nos. 807328 and 808528, 1993 WL 498231, at *18 (N.Y. Div. Tax App. Ct. Nov. 24, 1993).

355. 35 U.S.C. § 303 (2018).

a patent held by a sovereign, the party can request the Director of PTO reexamine the patent for patentability. If there is a question of patentability, the Director may institute an *ex parte* proceeding wherein the patent-holder sends in a written statement on the patent's merits. While the party requesting the proceedings receives the opportunity to reply, the process is instituted, controlled, and decided at the discretion of the Director. This process is far less adversarial than IPR and shares far fewer similarities with civil litigation.³⁵⁶ Further, the federal government, through the Director and not a private actor, is ultimately the party instituting the proceedings. It is unlikely a tribe would be immune from *ex parte* patent review.

Congress intended for patents to become more cheaply and easily challenged when it created the IPR by passing the AIA.³⁵⁷ Since the creation of IPR, high numbers of "bad patents" have been eliminated from the patent system allowing for more innovators to make use of the formerly monopolized technologies.³⁵⁸ Agreements to stall, avoid, or inhibit IPR inherently run counter to Congress's intent to eliminate bad patents. Yet when considering the Allergan-Mohawk agreement, unlike an agreement between private parties that undermines the IPR process, Congress's intent in administering the patent system is not the only public policy at issue. The intent to expose patents to IPR is in tension with Congress's longstanding interest in leveraging tribes' unique character to foster economic development.³⁵⁹

The Allergan-Mohawk agreement, and those like it, have caused millions of dollars to flow into impoverished tribal communities. Rather than building casinos, resorts, or toxic waste facilities on tribal land,³⁶⁰ these agreements serve to engage tribes in technologically advanced industries. Congress should be cautious and not react too hastily to this new development. While some legislators view this type of agreement as "unfair," Congress should look to how it affords tribes unique advantages in the marketplace. Through tax exemption, tax credits for non-tribal investors, various regulatory allowances, and tribal contractor

356. *Comparison of Post-Grant Proceeding*, RATNERPRESTIA (2013), <http://www.rppostgrant.com/ComparisonCharts/post-grant-review-comparison.html> [<https://perma.cc/E3UN-WKHK>].

357. H.R. REP. NO. 112-98, pt. 1, at 39 (2011).

358. U.S. PATENT & TRADEMARK OFFICE, *supra* note 235, at 12.

359. *See supra* section I.0.

360. EARTH TALK, *Reservations About Toxic Waste: Native American Tribes Encouraged to Turn Down Lucrative Hazardous Disposal Deals*, SCI. AM. (Mar. 31, 2010), <https://www.scientificamerican.com/article/earth-talk-reservations-about-toxic-waste/> [<https://perma.cc/4S8S-TWQZ>].

preferences, Congress strategically leverages tribes' unique quasi-sovereign character. Here, Congress has another opportunity to do so. By allowing Allergan-Mohawk-type deals to continue, a massive revenue stream—and an entirely new marketplace—opens for tribes.

Senate Bill 1948,³⁶¹ introduced by Senator McCaskill in 2017, would definitively close this substantial revenue source to the tribes. Subsection (b) of the Bill states, “Notwithstanding any other provision of law, an Indian tribe may not assert sovereign immunity as a defense in a review that is conducted under chapter 31 of title 35, United States Code.”³⁶² This would unequivocally abrogate tribal immunity for IPR proceedings relating to tribal patents. Nevertheless, the question of whether the Allergan-Mohawk agreement is void for violating public policy requires a balancing of Congress's interest in maintaining IPR proceedings and Congress's interest in promoting tribal economic development. The courts, and certainly PTAB, are the improper forums for this balancing to occur. Because this question cuts to the core of tribal immunity, “[i]t is fundamentally Congress's job, not [the Court's], to determine whether or how to limit tribal immunity. The special brand of sovereignty the tribes retain—both its nature and its extent—rests in the hands of Congress.”³⁶³

CONCLUSION

Contracts like the Allergan-Mohawk agreement open up a field of lucrative opportunities for tribes to leverage their sovereign character for economic gain. While many commentators, would-be-patent challengers, and even judges may not enjoy the result of these agreements, general indignation is not sufficient to upset the jurisprudence governing tribal immunity established over the past two centuries. Tribal sovereignty bars private action against tribes. Only Congress has the authority to abrogate tribal immunity. Because Congress has not unequivocally stated otherwise, tribes—and their patents—remain immune from privately instituted IPR proceedings. Courts should respect the sovereignty of tribes and defer to Congress to clearly articulate whether immunity ought to stand in IPR proceedings. Congress should not undercut the Allergan-Mohawk deal too hastily. Rather, given Congress's longstanding interest in promoting the economic development of tribes, it should observe whether the economic benefit conferred on tribes through such agreements outweighs the burdens on the patent system.

361. S. 1948, 115th Cong. § 1 (2017).

362. *Id.* at § 1(b).

363. *Michigan v. Bay Mills Indian Cmty.*, 572 U.S. ___, 134 S. Ct. 2024, 2037 (2014).