

**United States House of Representatives, Committee on the Judiciary
Subcommittee on the Courts, Intellectual Property and the Internet**

**Sovereign Immunity and the Intellectual Property System
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I. Introduction

Good Afternoon. I am Karl Manheim, a Professor of Law at Loyola Law School in Los Angeles, where I teach Constitutional Law, as well as Intellectual Property and technology courses. I had the pleasure of serving this subcommittee as a Fellow in 2007 and helped with that year's patent reform legislation. It is an honor to be back.

II. Background of State and Tribal Sovereign Immunity in Patent Cases

A. Context for Assertion of Sovereign Immunity

A patent grants the owner the exclusive right to practice an invention in the United States for 20 years, measured from the date of application. A patent issues only after "examination" by the Patent and Trademark Office (USPTO), which is mostly an *ex parte* proceeding between the applicant and the Office. There is little opportunity for third parties to oppose an application prior to issuance. Indeed, an application is not made public for 18 months.

Once issued, patent controversies can arise either in federal court or in the PTO. A patent holder may assert its rights against accused infringers by filing a complaint seeking damages or injunctive relief. Defendants typically deny infringement or seek to have the patent or relevant claims declared invalid. Alternatively, a competitor can preempt an infringement suit against it by filing a declaratory relief action seeking a determination of patent invalidity or non-infringement.

In addition to these judicial remedies, third parties can seek to have one or more patent claims canceled through administrative hearings at the PTO. The Leahy-Smith America Invents Act (AIA) (P.L. 112-29, 2011) contains several such mechanisms for post-issuance review. The most commonly used procedure is *Inter Partes* Review (IPR) by which a petitioner (usually a competitor or defendant in an infringement action) seeks to challenge a patent. This procedure was added by AIA as a more expeditious and less expensive mechanism than litigation. Since instituted, more than 7,000 IPR petitions have been filed. An IPR petition must be approved by the Commissioner before continuing, and is heard by the Patent Trial and Appeal Board (PTAB). A dissatisfied party may appeal to the Court of Appeals for the Federal Circuit. Another procedure, known as Post Grant Review (PGR), follows similar procedures, but may be filed only within 9 months of patent issuance.

Parties that enjoy sovereign immunity may become involved in litigation as plaintiffs/patent holders or as defendants/accused infringers. Or they may become involved in PTO proceedings as petitioners/challengers or as patent holders/respondents. If they institute the lawsuit or PTO petition, they have voluntarily waived their sovereign immunity, at least in part. If they are respondents either in federal court or at the PTO, they may assert their immunity. That will result in dismissal of the proceeding for lack of jurisdiction. Immune parties may be patent holders, assignees, competitors or accused infringers. In any case, immunity is complete and the party effectively has rights far superior to other patentees or competitors.

B. State Sovereign Immunity and the Eleventh Amendment

The Supreme Court has interpreted the Eleventh Amendment to grant sovereign immunity to States and State agencies when they are sued in federal court. It has also expanded that immunity to suits on federal causes of action that are filed in state court or in administrative agencies. Sovereign immunity can be waived by States if they consent and agree not to assert it to defeat jurisdiction. It can also be abrogated by Congress (without State consent) if Congress creates a remedy against States when legislating under Section 5 of the 14th Amendment. However, legislation enacted pursuant to Congress' Art. I, § 8 powers cannot serve as a vehicle for abrogating State sovereign immunity. See *Seminole Tribe v. Florida*, 517 U.S. 44 (1996).

The Patent Remedy Act of 1992, 35 USC §271(h), purported to expressly abrogate State sovereign immunity. However, in *Florida Prepaid v. College Savings Bank*, 527 U.S. 627 (1999), the Supreme Court held that the Act was not a valid § 5 law, stating that the law was not necessary to protect the property rights of patent holders. Although Congress could use the patent clause (Art. I, § 8, cl. 8) to provide remedies for infringement, it could not abrogate State sovereign immunity under that clause.

There is a work-around available in some cases to bypass State immunity. It is known as the "stripping doctrine." *Ex parte Young*, 209 U.S. 123 (1908). If plaintiff sues a State officer for violating federal law, rather than the State itself, the officer does not share the State's sovereign immunity. However, the stripping doctrine is available only for equitable relief (such as injunction) and not damages. Thus, a private patent holder would be unable to obtain damages for infringement by a State or State officer, as in the case of *Florida Prepaid*. Injunctive relief might be available.

It is noteworthy that State immunity is more complete than the sovereign immunity enjoyed by the United States. When the federal government or a federal contractor is sued for infringement, damages are usually available through actions filed in the Court of Federal Claims. There is no comparable relief in the case of State infringers.

A similar problem arises when a State is patentee. As title-holder of property in dispute, any suit against it (including for equitable relief) implicates the State's sovereign interests just as does a claim for damages. *Idaho v. Coeur D'Alene Tribe*, 521 U.S. 261 (1997). Accordingly, a suit challenging a State's patent rights will most likely be barred by the Eleventh Amendment unless the State has waived its immunity.

C. Common Law and Statutory Recognition of Tribal Sovereign Immunity

Under U.S. law, recognized Indian tribes are considered Domestic Dependent Nations. As with foreign nations, they enjoy sovereign immunity as a matter of common law and comity. Unlike State sovereign immunity, however, tribal immunity is not rooted in the Constitution and can be restricted by Congress. See *Kiowa Tribe v. Manufacturing Technologies*, 523 U.S. 751 (1998). But unless Congress says otherwise, tribes enjoy immunity from suit. A third party may not sue for infringement or challenge the validity of a patent owned by a tribe unless it waives its immunity.

D. Extension of Sovereign Immunity to State and Administrative Adjudications

In *Alden v. Maine*, 527 U.S. 706 (1999), the Supreme Court held that State sovereign immunity was not confined to the literal language of the Eleventh Amendment. Rather, it was a background principle of our constitutional structure. Accordingly, States were immune from suit (on federal claims) in state court as well as federal court. In *Federal Maritime Comm'n v. South Carolina State Ports Auth.*, 535 U.S. 743 (2002), the Court extended State immunity to administrative adjudications. It presumed that the framers of the Constitution would have intended immunity had they been aware of the breadth of the administrative state two centuries later. But this applies only to agency actions that bear a strong resemblance to federal court litigation; namely adversarial adjudications in agency tribunals (called "Article I courts").

There is no Supreme Court precedent analogous to *FMC* regarding tribal immunity in agency adjudications, but most courts considering the issue have found that the reasoning of *FMC* and *Kiowa* apply to tribal immunity as well. *Cf. Confederated Tribes v. White*, 139 F.3d 1268 (9th Cir. 1998). As noted below, this is the position that USPTO has taken.

E. Sovereign Immunity in Patent Cases

1. Federal Court Litigation

As noted above, States and State entities cannot be sued in federal court without their consent. Immunity applies to patent infringement cases brought against State infringers. However, where a State initiates suit it is presumed to have waived its immunity. Thus, if a State is patentee and sues another for infringement, the defendant can defend on all grounds applicable in patent cases. This applies as well to affirmative defenses such as patent invalidity. A question arises, however, where the defendant counterclaims against the State plaintiff, such as where it has its own patent claims against the State. If the counterclaim is viewed as a new suit, joined with the main case as a matter of convenience, it is conceptually a separate case. The State, as counter-defendant, can assert sovereign immunity.

Counterclaims are either compulsory or permissive. A compulsory counterclaim is one that "arises out of the transaction or occurrence that is the subject matter of the opposing party's claim." Federal Rules of Civil Procedure (FRCP) Rule 13 (a)(1)(A). If not pleaded in the pending suit, it is barred from later filing (called *res judicata*). All other counterclaims are permissive and can be filed later in a separate lawsuit.

Although the Supreme Court has not spoken to this issue, the Federal Circuit has held that when a State asserts its patents in federal court, the Eleventh Amendment does not bar compulsory counterclaims. *Regents of Univ. of N.M. v Knight*, 321 F.3d 1111 (FC 2003); *Bd. of Regents (Wisconsin) v. Phoenix Int'l Software*, 630 F.3d 570 (7th Cir. 2010). However, the rule may be different when the original defendant asserts a permissive counterclaim, even if part of the same constitutional case (for jurisdictional purposes) as the original case. See *Regents supra* at 1126 (suggesting

immunity applies to permissive counterclaims); *Schulman v. California*, 237 F.3d 967 (9th Cir. 2001) (recognizing but not resolving the issue).

Whether a counterclaim is compulsory or permissive is ordinarily determined by the FRCP, but not in the case of sovereign immunity. Since that is a constitutional question, the analysis is far more complicated and yet to be settled. Because of lack of clarity, some courts have resorted to creative solutions. For instance, the court in *Univ. of Florida v. Medtronic*, 2016 U.S. Dist. Lexis 92337 (ND FL 2016) avoided the issue when dismissing the case on grounds of sovereign immunity by holding that the dismissed counterclaim – whether compulsory or permissive – would not be barred by *res judicata*. Ordinarily, when a State invokes the jurisdiction of federal court it waives its sovereign immunity by “litigation conduct.” *Lapides v. Bd. of Regents*, 535 U.S. 613 (2002). But, the University had sued Medtronic in state court for breach of a patent license. Medtronic wanted to counterclaim for declaratory relief that they had not infringed the patent. Since that counterclaim lay within the exclusive jurisdiction of federal court, 28 USC § 1338, Medtronic removed the case. The District Court ruled that “litigation conduct” did not apply since it was not the University that had invoked the jurisdiction of federal court, even though the substantive issue in the case (patent infringement) was one that only a federal court could try. This is just another example of where sovereign immunity can create strategic litigation advantages for States and tribes and create procedural quagmires.

2. US Patent and Trademark Office Proceedings

Both state and tribal sovereign immunity apply in administrative “adjudications” that have the trappings of litigation. In *Vas-Cath, Inc. v. Univ. of Missouri*, 473 F.3d 1376, 1383 (Fed. Cir. 2007), the Federal Circuit determined that patent interference proceedings bear “strong similarities” to civil litigation. Thus, States retained their sovereign immunity at the USPTO. More recently, PTAB applied this reasoning to bar *inter partes* review in *Covidien v. University of Florida*, Case IPR 2016-01274 (Jan. 25, 2017). The issue remains unsettled, however. While *SAS Inst. v. ComplementSoft*, 825 F.3d 1341 (Fed. Cir. 2016), held that “IPR proceedings are formal administrative adjudications,” the Supreme Court has granted *certiorari*. See also *Cuozzo Speed Techs v. Lee*, 136 S.Ct. 2131 (2016) (in some respects “*inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding”). The constitutionality of IPR is also before the Court in *Oil States Energy v. Greene’s*, 2017 U.S. Lexis 3737. In short, the jury is still out on whether States can assert sovereign immunity in IPR proceedings filed by third parties challenging State-owned patents.

The same is true for tribal sovereign immunity. Whether tribes retain immunity in USPTO proceedings is at issue in *Mylan Pharm. v. Allergan*, Case IPR 2016-01127 (PTAB, 2017). Although the District Court has recently invalidated Allergan’s patent, *Allergan v. Teva Pharmaceuticals* (ED TX, Oct. 16, 2017), as of now the IPR remains alive at PTAB. Whatever the outcome in *Allergan*, the issue is likely to recur. Indeed, there is support for the proposition that, unless Congress authorizes suit, tribes enjoy sovereign immunity in administrative proceedings. *In re Jamal Kanj v. Viejas Band of Kumeyaay Indians*, 2007 WL 1266963 (DOL Adm. Rev. Bd. Apr. 27, 2007).

III. Sovereign Immunity Poses a Problem for Patent & Innovation Policy

A. The Finely Balanced System of Patent Exclusivity and Competition Policy

The British Statute of Monopolies (1624) prohibited monopolies as “contrary to the Laws of this Realm.” British law contained a limited exception for letters patents in recognition of the public good they conferred. We inherited the British legal and economic systems and the effort to mediate between patent and competition policies. As the Supreme Court said in *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141 (1989), “the Patent Clause reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’”

That finely wrought balance is upset when a patentee is immune from antitrust scrutiny. While a valid patent confers immunity from antitrust, a fraudulently procured patent does not. In *Walker Process v. Food Machinery*, 382 U.S. 172 (1965), the Supreme Court held that a defendant in a patent infringement suit can, in addition to asserting invalidity due to fraud on the Patent Office as a defense, can raise a Sherman Act violation as a counterclaim. A similar issue arises when a patentee abuses her patent by tying or other anti-competitive arrangements. Suits for abuse of patent can also be filed by consumers of the patented product. *Ritz Camera v. Sandisk*, 700 F.3d 503 (Fed. Cir. 2012); *In re DDAVP Direct Purchaser Litigation*, 585 F.3d 677 (2nd Cir. 2009). Litigation misconduct by patentees can also be grounds for responsive action. *Eon-Net v. Flagstar Bancorp.*, 653 F.3d 1314 (Fed. Cir. 2011). Finally, a patentee may withhold a patent or application from a Standard-Setting Organization (SSO) as a means of inducing adoption of its technology by others and then holding the standard hostage to demands for monopoly rents. See *Broadcom Corp. v. Qualcomm*, 501 F.3d 297 (3d Cir. 2007). All of these misuses of the patent system defeat long-standing competition policy that is essential to a free market system.

One other patent activity deserves special mention. That is the practice of “reverse payments” in patent infringement cases. Ordinarily, a competitor wanting to enter the market covered by another party’s patent has two choices: pay a licensing fee for use of the patented technology, or challenge the patent in court or at the PTO. If it succeeds in a patent challenge, the competitor and others may freely enter the market. Competition will lower the cost to consumers. A “reverse payment” scheme is where the patent holder pays a competitor to forego a patent challenge and delay entering the market. Thus, without competition, prices remain at monopoly levels.

In *FTC v. Actavis*, 133 S.Ct. 2223 (2013), the Supreme Court held that this practice (usually by brand pharmaceutical companies paying generics) is subject to antitrust scrutiny. There, Actavis, filed with the FDA an Abbreviated New Drug Application (ANDA). ANDAs provide a streamlined process for the approval of generic drugs if bioequivalent to an approved branded drug. ANDAs are encouraged by the Drug Price Competition and Patent Term Restoration Act of 1984 (Hatch-Waxman) as a means to promote drug competition, hence lower prices. Filing an ANDA is a deemed infringement of the brand-name company’s patent, which usually triggers

an infringement suit by the patent holder. In *Actavis*, the parties settled the infringement suit with an agreement that Actavis would delay entry into the market.

Consumers harmed by this practice may have standing to sue, but not if the patent is owned by a State or tribe who asserts sovereign immunity. It is not that States and tribes routinely engage in anti-competitive activity, inequitable conduct or patent abuse. But, a private patentee facing such charges can escape liability by assigning its patent to an immune entity. The availability of antitrust claims in patent cases, where warranted, help to maintain the balance between innovation and competition.

It is not just in patent abuse cases where immune patentees distort competition policy. It can occur in run-of-the-mill patent cases as well. “There is no apparent reason, for example, why the University of Wisconsin should be immune from lawsuits that Marquette University, a Catholic Jesuit institution located in Milwaukee, would have to defend. Nor is there any apparent reason why a state-owned hospital, or garbage pick-up service, or power plant, should have a competitive edge over a private competitor.” *Board of Regents of Univ. of Wisc. v. Phoenix Int’l Software*, 653 F.3d 448, 477 (7th Cir. 2011).

B. How Immunity for Select Parties Distorts Patent and Competition Policies

1. Enforcement Actions Against Immune Infringers

The principal enforcement mechanism available to patent holder is a suit in federal court for damages or injunction. Actions to exclude the import of infringing goods may also be filed with the International Trade Commission (ITC). Other than those venues, infringement actions may not be brought elsewhere, including state courts and international tribunals. If an alleged patent infringer has immunity from suit, no legal remedy will lie against it anywhere.

In this sense, State and tribal infringers distort the underlying purpose of patent law – to incentivize innovation through the temporary grant of monopoly rights. If exclusive rights are the reward for the expenditure of time, effort and resources, immunity undermines that by allowing States and tribes to practice an invention without permission. In addition, inventors often make an election early in their research and development whether to seek patent protection or keep their inventions as trade secrets. While trade secret protection can promote innovation, especially with the new Defend Trade Secrets Act (114 P.L. 153, 2016), it lacks a major feature of patent policy; namely, the dedication of new knowledge to the public domain. That is the balance wrought by U.S. patent law – exclusive rights for a term of years in exchange for full disclosure of the invention. The inability to enforce patent rights against States and tribes may encourage inventors to rely on trade secret protection rather than patent. While trade secrets are not very useful for pharmaceutical compounds, since these are subject to lawful reverse engineering, they are often a viable alternative to patents for research tools and in the tech industry. As patent immunity gains more notoriety, some inventors at least may decide to keep their inventions as trade secrets rather than seek patent protection, with its attendant disclosure.

2. Declaratory Relief Actions Against Immune Patentees

In *MedImmune v. Genentech*, 549 U.S. 118 (1007), the Supreme Court held that a party who wants to practice a patented invention can avoid the risk of an infringement case by filing suit under the Declaratory Judgment Act, seeking a judicial determination of invalidity. However, where the patent holder enjoys sovereign immunity, a putative infringer may not invoke the jurisdiction of federal court to obtain a declaratory judgment. *Delano Farms v. Cal. Table Grape Comm'n*, 2009 WL 3586056 (ED Cal, 2009).

IV. Legislative Options to Restore Balance in the Patent System

A. Senator McCaskill Senate Bill

Senator McCaskill has introduced a bill to “abrogate the sovereign immunity of Indian tribes as a defense in *inter partes* review of patents.” S. __ (115th Congress). This was in response to the Allergan assignment of its *Restasis* patent to the Saint Regis Mohawk Tribe. As noted earlier, tribal sovereign immunity is a creature of common law and can be set aside by statute. So, facially at least, this form of abrogation is well within Congress’ power.

The tribe and some rights organizations argue that the McCaskill bill discriminates against Native Americans in violation of the Equal Protection principle of the Fifth Amendment. I do not believe it suffers from that infirmity any more than would any other statute limiting tribal sovereignty. As it stands, tribes have a patent preference denied to most other patentees (other than States). Removing that preference is hardly an act of discrimination. Cf. *Schuette v. Coalition to Defend Affirmative Action*, 134 S.Ct. 1623 (2014) (voter initiative ending a constitutional affirmative action program at state universities did not itself violate equal protection). The purpose of Sen. McCaskill’s bill is not to harm Native Americans but to restore balance in the patent system and protect consumers from unnecessarily high drug prices.

B. Going Further – Conditioning Patent Grant or Assignment on Waiver of Sovereign Immunity

1. Conditional Grants of Discretionary Benefits in General – the Unconstitutional Conditions Doctrine

States and tribes may waive their sovereign immunity, if done explicitly, and often do so in order to engage in transactions where another party would balk if it could not sue the State for noncompliance. This most often occurs with federal grants to States. For instance, to receive federal education assistance, Medicaid funding and the like, States must agree to federal standards and to be sued where necessary to enforce the purposes of the grant. The waiver must be explicit.

Whether Congress can condition a discretionary grant upon a State’s surrender of its constitutional rights (sovereign immunity) would be analyzed under the *Unconstitutional Conditions Doctrine*. If the condition (surrender of rights) is unrelated to the purpose of the grant, then it is functionally equivalent to Congress “buying up”

rights. Since so much of State budgets are comprised of federal funds, it would be too easy to undermine States' rights by requiring waiver in all cases. To guard against this, the Supreme Court has held that any condition must be "substantially related" to the grant of a discretionary benefit (such as funding). *South Dakota v. Dole*, 483 U.S. 203 (1987). Moreover, if there is a constitutional entitlement to a particular item (e.g., a parade permit), rather than it being discretionary on the part of government, then conditions will need to satisfy heightened scrutiny.

In *Nat'l Fed'n of Ind. Bus. v. Sebelius*, 567 U.S. 519 (2012), the Supreme Court held that the Medicaid expansion provisions of the Affordable Care Act did not satisfy the Unconstitutional Conditions Doctrine. That is because Congress had conditioned all of a State's Medicaid funding, including amounts that had been embodied in previous law, on its agreement to expand eligibility under the ACA. This was thought to be too coercive of State autonomy. Had the condition been simply that additional funding was conditioned on increased eligibility, there would be a substantial relation between the grant and condition. That is how the ACA has played out in practice.

In sum, *NFIB* teaches that Congress may condition new discretionary benefits on the surrender of (substantially related) rights, but that previously conferred benefits may not be conditioned retroactively.

2. Requiring Waiver for Sovereign Plaintiffs in District Court and Petitioners in USPTO

There is no constitutional right to a patent. Accordingly, the grant of a patent is a discretionary benefit. Congress may, and does, attach relevant conditions, as it does with all federal IP rights. Could Congress require that States waive their sovereign immunity in order to obtain a patent or an assignment of a patent? In *College Savings Bank v. Florida Prepaid*, 527 U.S. 666 (1999), the Court held that merely engaging in federally regulated activity did not constitute a "constructive waiver" of immunity. Nor could an explicit waiver be demanded in exchange for the state engaging in otherwise lawful activity that does not require federal permission. Thus, a state can surely practice a technology covered by a patent without surrendering its immunity. But can it also assert the exclusive right to do so? For that it will need a patent, a discretionary benefit conferred by the United States. See *New Star Lasers v. Regents of the Univ. of California*, 63 F.Supp.2d 1240, 1244 (ED CA 1999) ("The Regents wish to take the good without the bad. The court can conceive of no other context in which a litigant may lawfully enjoy all the benefits of a federal property or right, while rejecting its limitations. . . . A patent constitutes a "gift or gratuity" bestowed by the federal government, and if Congress has conditioned its receipt on a waiver of Eleventh Amendment immunity to a declaratory suit, then Congress has acted permissibly").

College Savings Bank makes it clear that the theory of constructive waiver does not apply to sovereign immunity. But, were Congress to explicitly condition the grant or assignment of a patent to a State on its knowing and voluntary waiver, then the question would be whether that condition is substantially related to patent policy. As shown above, sovereign immunity disrupts the uniformity of patent law and cre-

ates an uneven playing field, both in the case of State patentees and State infringers. The same is true for tribal immunity, although since that can easily be modified by statute, the “substantial relation” test need not be satisfied.

In addition to patent issuance or assignment, can Congress condition any other patent-related benefits on a State’s waiver of immunity? For instance, could States be denied federal jurisdiction to enforce their patents unless they agreed to permissive counterclaims? Could they be denied the benefit of administrative proceedings at the PTO (e.g., re-issue, *inter partes* review, post-grant review) absent a waiver? For patents that haven’t yet been issued or assignments made, I believe the answer is yes. It is less clear for previously issued patents. Denying access to federal court for enforcement of existing patents may run into the *NFIB* problem. It surely affects the rights States have in those issued patents, which include the right to invoke federal jurisdiction (especially since patents are not enforceable in state court). But a different answer may obtain for post-grant access to the PTO.

In enacting the AIA, the Committee on the Judiciary stated that the new and expanded suite of post-grant proceedings were intended “as an effective and efficient alternative to often costly and protracted district court litigation.” H.R. 1249 Report 112-98 (June 1, 2011) at 45. It will “will make the patent system more efficient and improve the quality of patents and the patent system.” *Id.* at 48. Arguably, then, conditioning a State’s resort to new administrative procedures on its waiver of immunity, even for previously issued patents, would be constitutional.

A line of cases involving bankruptcy court jurisdiction supports this analysis. Courts have uniformly held that voluntary participation by a State in a bankruptcy proceeding constitutes a “waiver by litigation conduct,” allowing for claims against the State in that proceeding. *See, e.g., Arecibo Com. Health Care v. Puerto Rico*, 270 F.3d 17, 29 (1st Cir. 2001) (“As with any case of a knowing and intelligent waiver of rights, the state has the option (however unattractive that option may be) of determining whether the potential benefit from waiving its immunity will exceed the potential liability. If the state expects participation in the bankruptcy to yield a net gain, it may file a claim and waive its immunity with respect to certain counterclaims.... The unfairness the state may face in being forced into making this election is certainly no greater than that faced by any creditor who must decide whether to forego certain constitutional protections by submitting to the bankruptcy proceedings”).

The above analysis applies where a State patent holder initiates a re-examination procedure before the PTO. In the more likely case where a putative infringer or competitor initiates an IPR or PGR proceeding, requiring waiver by the State would be tantamount to a retroactive condition attached to a previously issued patent. That is less likely to pass constitutional muster. That would be true even if the State patent holder filed suit in federal court followed by defendant initiating IPR proceedings to challenge the patent. However, where the patent holder is a tribe rather than a State, as in *Mylan v. Allergan*, noted above, Congress could abrogate immunity even as to involuntary participants at the PTO.

C. Legislative Approaches to Sovereign Immunity for Patent Infringers

The legislative solutions described above work when a sovereign entity is the patentee or assignee. A different solution is necessary where the entity is the accused infringer. In such case, it is an involuntary party in federal court. While Congress can repeal tribal immunity in such a case, it cannot abrogate State sovereign immunity, not unless there is a persistent pattern of infringement by the State. *Florida Prepaid*. This problem would need more creative solutions. These might include limiting future funding in areas related to the infringing activity or restricting the issuance of patents to the State entity accused of infringement. With these or any other legislative response, the condition (that the State voluntarily waive its sovereign immunity if sued for infringement) would need to be “substantially related” to a government benefit (future funding or patents). If the goal is to promote patent policy, such a relationship may be justified.

V. Conclusion

State and tribal sovereign immunity in patent cases distorts the patent system and can lead to anticompetitive conduct harming consumers and the public welfare. While both States and tribes deserve special solicitude (including immunity) in many contexts, the patent system is not one of them. The delicate balance between innovation and competition policies would be reinforced by crafting a limited exception to sovereign immunity. It can be done without violating the Eleventh Amendment or the respect and comity our nation owes to Native Americans.