IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

ALLERGAN, INC., *Plaintiff,* v. TEVA PHARMACEUTICALS USA, INC., et al., *Defendants*.	§ § § § § § § § § §	Case No. 2:15-cv-1455-WCB

MEMORANDUM OPINION AND ORDER

Before the Court is Plaintiff's Opposed Motion to Join Party Pursuant to Federal Rule of Civil Procedure 25(c). Dkt. No. 517. The Court GRANTS the motion.

BACKGROUND

On September 8, 2017, following the trial of this case, plaintiff Allergan, Inc., filed a letter with the Court announcing that Allergan had assigned its rights to the patents at issue in this case, to the Saint Regis Mohawk Tribe and that the Tribe had granted Allergan an exclusive license to the patents. Allergan added that it "expects to join the Tribe as a co-plaintiff in due course." Dkt. No. 480-1. Under the terms of the agreements between Allergan and the Tribe, the Tribe will receive $13.5 million upon execution of the agreement and will be eligible to receive $15 million in annual royalties. Dkt. No. 510-3.

On September 11, defendants Mylan Pharmaceuticals Inc. and Mylan Inc. filed a response stating that Allergan "has 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."

Dkt. No. 481, at 1. Mylan argued that "Allergan is attempting to misuse Native American sovereignty to shield invalid patents from cancellation." Id. at 2.

The Saint Regis Mohawk Tribe has made a special appearance in the inter partes review ("IPR") proceedings pending before the Patent and Trademark Office ("PTO"), and has moved to dismiss those proceedings based on the assertion of the Tribe's sovereign immunity. Dkt. No. 510-7.

After waiting a month for Allergan to file the promised motion to join the Tribe, the Court on October 6 entered an order directing Allergan, by October 13, to submit information regarding the assignment to the Tribe and directing the parties by the same date to file briefs addressing the question whether the Tribe should be added as a co-plaintiff or whether the assignment transaction should be disregarded as a sham. Dkt. No. 503.

Later that day, the defendants filed what they styled Defendants' Notice Regarding Allergan's Document Production According to the Court's October 6, 2017 Order (Dkt. No. 503). Dkt. No. 504. In that filing, the defendants sought to ensure that they would receive copies of the materials submitted by Allergan. In addition, the defendants listed nine categories of documents that they believed Allergan should produce in response to the Court's October 6 order and stated that, "in the event evaluation of Allergan's production reveals the necessity," they would be requesting leave to conduct depositions directed to the nature of Allergan's transaction with the Tribe. Id. at 2. The defendants also requested "leave to file a letter seeking relief from the October 13 filing and allowing Defendants to conduct such depositions on an expedited basis." Id.

On October 9, Allergan filed Plaintiff's Response to Defendants' Notice Regarding Document Production According to the Court's October 6, 2017 Order. Dkt. No. 505. Allergan stated that it had sought the defendants' consent to a motion to add the Tribe as a co-plaintiff

pursuant to Federal Rule of Civil Procedure 25(c), but that the defendants had not consented to such a motion. Dkt. No. 505, at 2. Allergan represented that it would produce "all the materials identified in the Court's October 6 order by October 10, and produce to the Court contemporaneously with this filing the assignment and license documents already provided to Defendants." Id. at 2-3. Allergan also represented that it would file an opposed motion to add the Tribe as a co-plaintiff by October 13. Id.

The following day, the Court entered an order that (1) directed Allergan to provide to the defendants all of the materials provided to the Court in response to the Court's October 6 order; (2) directed Allergan to tell the Court what consideration was given to Allergan in exchange for the purported assignment of the patents-in-suit to the Tribe; (3) denied the defendants' requests for the production of additional materials from Allergan and for the opportunity to conduct depositions regarding the issue of whether the Tribe should be added as a co-plaintiff; and (4) denied the defendants' request to submit a letter seeking relief from the October 13 date for filing briefs addressing the question whether the Tribe should be added as a co-plaintiff. Dkt. No. 509.

Allergan subsequently provided additional materials related to the assignment and license transactions between Allergan and the Tribe. Dkt. Nos. 510, 511. Allergan also answered the Court's question about consideration by stating that the consideration for the assignment of the patents to the Tribe was the Tribe's promise not to waive its sovereign immunity with respect to any IPR or other administrative action in the PTO related to the patents. Dkt. No. 510, at 2-4.

The parties' briefs were timely filed on October 13. Dkt. Nos. 513, 514. In addition, Allergan moved to substitute the Tribe as the plaintiff in this action pursuant to Federal Rule of Civil Procedure 25(c), which the defendants opposed. Dkt. No. 517. Allergan represented that the

Tribe consents to being joined as a plaintiff in this action. Dkt. No. 513, at 6 n.1. The Court advised the parties that the issue would be resolved without a hearing. Dkt. No. 519.

DISCUSSION

The Court has reviewed the information and briefs filed in response to the Court's order. From that information, it is clear that Allergan's motivation for the assignment was to attempt to avoid the IPR proceedings that are currently pending in the PTO by invoking the Tribe's sovereign immunity as a bar to those proceedings.

The Court has serious concerns about the legitimacy of the tactic that Allergan and the Tribe have employed. The essence of the matter is this: Allergan purports to have sold the patents to the Tribe, but in reality it has paid the Tribe to allow Allergan to purchase—or perhaps more precisely, to rent—the Tribe's sovereign immunity in order to defeat the pending IPR proceedings in the PTO. This is not a situation in which the patentee was entitled to sovereign immunity in the first instance. Rather, Allergan, which does not enjoy sovereign immunity, has invoked the benefits of the patent system and has obtained valuable patent protection for its product, Restasis. But when faced with the possibility that the PTO would determine that those patents should not have been issued, Allergan has sought to prevent the PTO from reconsidering its original issuance decision. What Allergan seeks is the right to continue to enjoy the considerable benefits of the U.S. patent system without accepting the limits that Congress has placed on those benefits through the administrative mechanism for canceling invalid patents.

If that ploy succeeds, any patentee facing IPR proceedings would presumably be able to defeat those proceedings by employing the same artifice. In short, Allergan's tactic, if successful, could spell the end of the PTO's IPR program, which was a central component of the America Invents Act of 2011. In its brief, Allergan is conspicuously silent about the broader consequences

of the course it has chosen, but it does not suggest that there is anything unusual about its situation that would make Allergan's tactic "a restricted railroad ticket, good for this day and train only." Smith v. Allwright, 321 U.S. 649, 669 (1944) (Roberts, J., dissenting).

Although sovereign immunity has been tempered over the years by statute and court decisions, it survives because there are sound reasons that sovereigns should be protected from at least some kinds of lawsuits. But sovereign immunity should not be treated as a monetizable commodity that can be purchased by private entities as part of a scheme to evade their legal responsibilities. It is not an inexhaustible asset that can be sold to any party that might find it convenient to purchase immunity from suit. Because that is in essence is what the agreement between Allergan and the Tribe does, the Court has serious reservations about whether the contract between Allergan and the Tribe should be recognized as valid, rather than being held void as being contrary to public policy. See generally Restatement of the Law (Second) Contracts §§ 178-179, 186.

The defendants point out that the assignment-and-licensing transaction in this case is similar in some respects to other transactions that have been held ineffective, such as abusive tax shelter transactions, in which courts have looked behind the face of the transactions to determine whether the transactions have economic substance or are simply a method of gaming the tax system to generate benefits that were not intended to be available. See, e.g., Salem Fin., Inc. v. United States, 786 F.3d 932 (Fed. Cir. 2015); Coltec Indus., Inc. v. United States, 454 F.3d 1340 (Fed. Cir. 2006).

Allergan argues that the transactions are legitimate because the Tribe has offered consideration in the form of its agreement not to waive its sovereign immunity before the PTO and in exchange has received much-needed revenue from Allergan. But such circumstances are

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