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Sovereign Immunity Bars Involuntary Joinder of a Sovereign Party to a Suit, but the Suit May Proceed Without the Sovereign Party

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On July 24, 2020, the Court of Appeals for the Federal Circuit ("Federal Circuit") in *Gensetix, Inc. v. Baylor College of Medicine*, No. 19-1424 (Fed. Cir. July 24, 2020)^[1] issued an opinion involving the interplay between state sovereign immunity under the Eleventh Amendment^[2] and required joinder under Rule 19 of the Federal Rules of Civil Procedure ("F.R.C.P.")^[3]. The Court found that the Eleventh Amendment barred joinder under Rule 19(a) of a sovereign patent owner as an involuntary plaintiff to a patent infringement suit, but that the suit could proceed in the absence of the sovereign patent owner under Rule 19(b).

Summary of the Opinion

Gensetix exclusively licensed U.S. Patent Nos. 8,728,806 and 9,333,248 from the University of Texas ("UT"). Gensetix sued Baylor College of Medicine, Diakonos Research Ltd., and William Decker (collectively, "Baylor") for infringement of the patents-in-suit. Gensetix's license agreement with UT provided that Gensetix is required to initiate an infringement suit and UT is required to cooperate in any infringement suit. Before filing its complaint, Gensetix requested that UT join as co-plaintiff, but UT declined. Gensetix then named UT as an involuntary plaintiff pursuant to Rule 19(a). UT filed a motion seeking to dismiss itself from the lawsuit, invoking sovereign immunity under the Eleventh Amendment.

The District Court for the Southern District of Texas ("District Court") determined that UT was entitled to Eleventh Amendment sovereign immunity that prohibited involuntary joinder of UT under Rule 19(a). The District Court also determined that under Rule 19(b), the suit must be dismissed because UT was a "necessary" party, retained substantial rights in the patents-in-suit, and was an "indispensable" party, based on the District Court's analysis of the applicable Rule 19(b) factors. Thus, the District Court dismissed the suit.

Gensetix appealed, arguing that the District Court (1) erred in holding that sovereign immunity barred involuntary joinder of UT under Rule 19(a), and (2) abused its discretion in determining that under Rule 19(b), the infringement suit should be dismissed rather than proceed in UT's absence.

The Federal Circuit agreed with the District Court that Eleventh Amendment sovereign immunity prohibited joinder of UT as an involuntary plaintiff under Rule 19(a). However, the Federal Circuit found that the District Court failed to meaningfully analyze each of the Rule 19(b) factors. In particular, the Federal Circuit found that "Gensetix is fully able (and willing) to step into UT's shoes and protect the absent sovereign's interests in the validity of the patents-in-suit." *Gensetix*, at 17. The Federal Circuit also found that there was no risk of multiple suits because of the express terms of the license agreement, and that as an exclusive licensee with less than all substantial rights in the patents-in-suit, Gensetix simply could not enforce its patent rights unless the suit was allowed to proceed in UT's absence. Accordingly, the Federal Circuit reversed the District Court's decision on this point.

Judge Newman dissented in part, opining that Eleventh Amendment sovereign immunity should not shield UT from its contractual obligations to Gensetix under the license agreement, and thus UT should be joined as a plaintiff in the suit. Judge Taranto dissented in part and opined that when a sovereign is immune to joinder to a suit under Rule 19(a), and the sovereign makes a non-frivolous assertion that it will be prejudiced by the suit proceeding in its absence, the court should dismiss the suit under Rule 19(b).

Takeaway

A party entering into a license agreement with a sovereign patent owner should be aware that they may be unable to enforce a licensed patent if the sovereign patent owner refuses to join a suit and invokes sovereign immunity. Absent an express waiver of sovereign immunity, contractual language granting the party rights to enforce the patents or securing cooperation of the patent owner in a suit to enforce the patents, may not be sufficient to join the immune patent owner. Although the Federal Circuit in *Gensetix* found that the suit could proceed without joinder of the sovereign patent owner based on an application of Rule 19(b) factors to the facts of *Gensetix*, different circumstances may trigger a different Rule 19(b) outcome that could result in dismissal of the suit and inability of the party to enforce the licensed patent.

A sovereign patent owner who grants less than all substantial rights in a patent in an exclusive license to a licensee and is unwilling to participate in the licensee's suit to enforce the patent, should be aware that even if sovereign immunity may bar its joinder in the suit, the suit may still proceed. When determining whether the suit can proceed without the sovereign patent owner, courts are required under Rule 19(b) to consider the prejudice or harm to the sovereign patent owner. However, like the Federal Circuit in *Gensetix*, a court applying Rule 19(b) may find in certain circumstances that an exclusive licensee with less than all substantial rights in the licensed patent has sufficient interests in the licensed patent so as to diminish any harm to the sovereign patent owner, thereby permitting the suit to proceed in the absence of the sovereign patent owner.

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1. A copy of the opinion is available at: <http://www.cafc.uscourts.gov/node/26423>.
 2. The 11th Amendment states: "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."
 3. The text of F.R.C.P. Rule 19 (Required Joinder of Parties) subpart (a) - Persons Required to be Joined if Feasible and subpart (b) - When Joinder is Not Feasible, is available at: <https://www.federalrulesofcivilprocedure.org/frcp/title-iv-parties/rule-19-required-joinder-of-parties/>.

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