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Federal Circuit Issues a Splintered Ruling on the Eleventh Amendment Immunity and Rule 19 Joinder Analysis

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On July 24, 2020, a panel of the Court of Appeals for the Federal Circuit issued splintered precedential opinions surrounding the interplay of state sovereign immunity under the Eleventh Amendment and required joinder of parties under Rule 19 of the Federal Rules of Civil Procedure in a patent-in-suit infringement case in *Gensetix, Inc. v. Baylor College of Medicine, et al.*

Gensetix, an exclusive licensee to the patents-in-suit granted by the University of Texas, filed an infringement suit against Baylor and other defendants in the southern district of Texas. When the University declined to join the suit, Gensetix sought to join it as an involuntary plaintiff under Rule 19(a). The district court granted the University's Rule 12(b)(1) motion to dismiss, holding the University had not waived its sovereign immunity and the Eleventh Amendment prohibited its involuntary joinder. The district court also concluded the University was an indispensable party under Rule 19(b) and that the suit could not proceed in its absence. Upon appeal, the panel of the Federal Circuit issued three separate opinions, ultimately affirming in part, reversing in part, and remanding.

Judge Kathleen O'Malley issued the controlling opinion, which affirmed the University's involuntary joinder was prohibited by the sovereign immunity. Finding "dispositive" the fact that the University of Texas "did not voluntarily invoke federal court jurisdiction", Judge O'Malley held the Eleventh Amendment prevents "the indignity of subjecting a State to the coercive process against its will", quoting *Seminole Tribe of Fla. v. Fla.*. Accordingly, Rule 19(a)(2) "cannot be used to drag an unwilling [University of Texas] into federal court." *See* Judge O'Malley's opinion at 10. Judge Richard Taranto concurred in affirming the University's sovereign immunity from joinder. Judge Taranto's opinion at 1-2.

Judge Pauline Newman, however, dissented on this issue, highlighting the Eleventh Amendment does not insulate a State from its contractual obligations. Judge Newman held the University entered into commerce when it obtained United States patents on inventions and entered into an exclusive license agreement with Gensetix for development and commercialization. Therefore, the University must accede to the rules of commerce and comply with its contractual obligation to "cooperate fully" with Gensetix in any infringement action according to the license agreement. Judge Newman's opinion at 3-4.

The three circuit judges also clashed on whether the district court had abused its discretion dismissing the case under the Rule 19(b) "indispensable party" analysis. Rule 19(b) provides that, where a required party cannot be joined, the court must consider whether, in equity and good conscience, the action should proceed or be dismissed, in light of the following factors: (1) the extent to which a judgment rendered in the required party's absence might prejudice that party or the existing parties; (2) the extent to which any prejudice could be lessened or avoided; (3) whether a judgment rendered in the party's absence would be adequate; and (4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder.

Judge O'Malley's controlling opinion held the district court had abused its discretion "by collapsing the multi-factorial Rule 19(b) inquiry into one dispositive fact: [the University's] status as a sovereign". Judge O'Malley's opinion at 15. For example, Judge O'Malley found Gensetix can fully step into the University's shoes as an exclusive licensee in every field, but Gensetix would be without recourse to assert its patent rights if the action were dismissed for nonjoinder of the University. *Id.* at 16-19. Therefore, she reversed the dismissal of the case and remanded.

Judge Newman, while dissenting on the sovereign immunity issue, concurred with Judge O'Malley regarding the application of the Rule 19(b) inquiry. Judge Newman also observed the case can proceed without the University's joinder by applying "legal and equitable theories of property rights", such as the constructive trust of title by patent owner for exclusive licensee or the assignment of rights to sue infringers in exclusive licensee's own name when patent owner declines to join or be joined. Judge Newman's opinion at 6.

On the other hand, Judge Taranto, who concurred with the controlling opinion on the sovereign immunity issue, dissented in the Rule 19(b) analysis. Finding the Rule 19(b) analysis is a matter of regional circuit law, Judge Taranto held the lower court had not abused its discretion in finding the University as an indispensable party and dismissing the case. The University of Texas had made a non-frivolous claim that its interests as patent owner could be harmed if the suit were to proceed in its absence. Judge Taranto's opinion at 5. While Judge Taranto recognized the dismissal would leave Gensetix without any forum to pursue the infringement claims, he concluded the state sovereign immunity jurisprudence contemplates such lack of available forum for plaintiffs in some instances. *Id.* at 6-7.

Although the case is ultimately remanded to the lower court, it is notable that no two judges agreed on both the scope of state sovereign immunity under the Eleventh Amendment and the application of Rule 19(b) analysis – the complexity of which expands beyond the patent law realm. Should Baylor seek and the Federal Circuit grant a rehearing *en banc*, more clarity might be provided.

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