

Texas Gives its Own Licensee the Horns

Immunity Prohibits Licensee from Forcing Joinder of Sovereign Licensors

On December 10, 2018, the United States District Court for the Southern District of Texas held that sovereign immunity under the 11th Amendment prevented the Court from compelling joinder of a patent licensor, the University of Texas (“UT”), as an involuntary plaintiff to a patent infringement lawsuit brought by its exclusive licensee, Gensetix, Inc. (“Gensetix”), even though UT was a necessary and indispensable party, resulting in dismissal of the lawsuit. *Gensetix, Inc. v. Baylor Coll. of Med., et al.*, No. 17-cv-1025, Memo. And Order, at *8, 21–23 (S.D. Tex. Dec. 10, 2018).

The case arose following Gensetix’s attempt to enforce a pair of patents that the inventor, Professor William K. Decker, invented while employed by UT. *Id.* at *2. The patents were assigned to UT, and Decker subsequently left UT to join the Baylor College of Medicine (“BCM”). *Id.* Gensetix obtained an exclusive license to commercialize the patented methods in early 2014, and then sought to enforce them against Decker and BCM, whom Gensetix alleged to have been practicing and developing improvements to the patented methods. *Id.* at *2–3. BCM was allegedly initially receptive to assigning the developments to Gensetix, but as talks progressed, the plot thickened: discussions broke down allegedly due to interference by Decker (who, at the same time, allegedly sought and obtained funding for continued research *from Gensetix*), and BCM assigned the inventions to a third party (who then unsuccessfully *attempted to sublicense them back to Gensetix*). *Id.* at *2–3. If the alleged bizarre and convoluted sequence of events were taken as true, the equities would not seem to favor dismissal.

The law, at least according to the Court, was a different story. The Eleventh Amendment confers immunity upon sovereign entities that can be waived should the sovereign choose to be subjected to suit before a federal court. *Id.* at *4. The issue in *Gensetix* concerned whether such immunity could bar a court from compelling the sovereign to appear as an involuntary *plaintiff*. *Id.* Relying upon well-settled precedent that a licensor even outside a court’s jurisdiction could be brought in as an involuntary plaintiff “‘if there is no other way of securing justice to the exclusive licensee,’” *id.* at *5 (quoting *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 472 (1926)), Gensetix then asserted that the case of *Regents of the Univ. of Cal. v. Eli Lilly & Co.* showed that the Eleventh Amendment did not apply where, as here, the sovereign was not a defendant or subject to any claims. *Id.* (citing *Regents*, 119 F.3d 1559 (Fed. Cir. 1997)). The *Gensetix* Court, however, relying upon non-patent decisions out of the Eighth Circuit and the Southern District of Ohio, distinguished *Regents* on the theory that—unlike California, which had voluntarily joined the lawsuit but opposed transfer to another district—UT refused to join the lawsuit, and thus the Eleventh Amendment prohibited forcing UT to participate. *Id.* at *5–7.

A prospective licensee may not expect the patent owner and licensor to itself turn around and block a potentially lucrative enforcement action. However, as Gensetix’s experience shows, such partners may not only have a different playbook, but be held to a different rulebook. Whether the call will survive official review remains to be seen (and Gensetix has indeed appealed), prospective licensees would be well-advised to consider that their sovereign licensors may one day turn against them, and without contractual safeguards—such as a license of “substantial rights” in the patent—they may have no straightforward recourse.