

Biomedical Patent Mgmt. Corp. v. Cal. Dept. of Health Servs.

No. 06-1515, Federal Circuit (Rader, Gajarsa, O'Malley*)

[A] State is entitled to assert its sovereign immunity under the Eleventh Amendment where the State intervened in an earlier, related action that was dismissed for improper venue.

On October 23, 2007, the Federal Circuit affirmed the district court's dismissal on Eleventh Amendment sovereign immunity grounds of BPMC's suit against DHS for infringement of U.S. Patent No. 4,874,693, which related to birth defect screening in pregnant women. DHS had intervened in a 1997 suit by DHS subcontractor Kaiser Foundation Health Plan, Inc., against BPMC seeking a declaration of invalidity of the '693 patent that was dismissed for improper venue. The Federal Circuit stated:

DHS, as an arm of the State of California, generally is accorded Eleventh Amendment immunity. "[T]wo circumstances [exist] in which an individual may sue a state." Those circumstances occur where Congress validly authorizes such a suit "in the exercise of its power to enforce the Fourteenth Amendment," or where a State has waived its sovereign immunity by consenting to suit. In the present case, only the latter circumstance is at issue. "Generally, we will find a waiver either if the State voluntarily invokes our jurisdiction, or else if the State makes a clear declaration that it intends to submit itself to our jurisdiction." [B]y intervening and asserting claims against BPMC in the 1997 lawsuit, DHS voluntarily invoked the district court's jurisdiction and, thus, waived its sovereign immunity for purposes of that lawsuit. "[A] state waives its Eleventh Amendment immunity when it consents to federal court jurisdiction by voluntarily appearing in federal court." . . .

BPMC first argues that DHS's waiver in the 1997 lawsuit extends or carries over to the instant lawsuit because this action involves the same subject matter and the same parties. [W]here a waiver of immunity occurs in an earlier action that is dismissed, or an entirely separate action, [the] waiver does not extend to the separate lawsuit. [Still, BPMC argues] that the policy behind the rule governing waiver by litigation conduct – the need to avoid unfairness and inconsistency – should prevent DHS from asserting sovereign immunity in this case. . . . BPMC complains that, if DHS is permitted to assert immunity in this lawsuit, DHS will gain an unfair tactical advantage because parties like BPMC will be forced either to litigate in improper venues or face the consequence of moving to dismiss, which includes risking the possibility that the State will assert immunity in a re-filed action. BPMC also argues that, as a side benefit of its unfair tactics, DHS will gain the benefit of initial disclosures under Fed. R. Civ. P. 26 before a court

can rule on any motion to dismiss for improper venue. [W]e conclude that any unfairness or inconsistency that would arise from permitting DHS to assert sovereign immunity in the present case is not so substantial as to cause us to diverge from the general principles of waiver that we have laid out in this opinion: that a waiver generally does not extend to a separate lawsuit, and that any waiver, including one effected by litigation conduct, must be “clear.” Accordingly, we reject BPMC’s first theory as to why DHS should be prevented from asserting sovereign immunity in this case.

Next, BPMC argues that DHS should be judicially estopped from asserting immunity because DHS’s current position is inconsistent with its position in the 1997 lawsuit, where, in its motion to intervene, it asserted that it was a party over which the court had jurisdiction. [The non-exhaustive factors governing the application of the] doctrine of judicial estoppel [are] (1) whether a party’s later position is “clearly inconsistent” with its earlier position; (2) whether the party succeeded in persuading a court to accept that party’s earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create “the perception that either the first or second court was misled;” and (3) whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped.

[A]lthough DHS’s positions were inconsistent, the inconsistency is excused by an intervening change in the law. . . . The question here is whether it is fundamentally unfair to allow DHS to assert its immunity in this 2006 lawsuit solely because it chose to intervene in a related action almost ten years earlier; we conclude it is not. We find that the district court correctly determined that DHS is not judicially estopped from asserting sovereign immunity in the present lawsuit, and did not abuse its discretion by dismissing this action in the face of BPMC’s argument to the contrary.

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