The court affirmed the district court’s dismissal of Xechem’s suit to correct inventorship of several patents. Xechem sued the University of Texas (UT), but UT defended on Eleventh Amendment sovereign immunity grounds. Judge Newman also wrote separately to express additional views, arguing that there are reasons to be concerned with the effects of the evolving Eleventh Amendment sovereign immunity jurisprudence.

Xechem and UT undertook a join venture beginning in 1995 to develop “a pharmaceutical formulation that would enhance the solubility and thereby the effectiveness of the cancer drug paclitaxel.” While four scientists were originally involved, two from each side, the patents at issue named Dr. Andersson, an employee of UT. A license agreement resulted, with Xechem having distribution and commercialization rights. When Xechem later allegedly became insolvent, the present dispute resulted. Xechem raised various arguments hoping to obtain federal jurisdiction over UT.

In its analysis, the court first discussed the Florida Prepaid Supreme Court cases.

The [Supreme] Court stressed the exclusive role of the Fourteenth Amendment in abrogation of Eleventh Amendment immunity in Tennessee v. Lane, ___ U.S. ___, 124 S. Ct. 1978 (2004) . . . Although sustaining the authority of Congress under the Fourteenth Amendment to abrogate the states’ immunity, the Court made clear that the issues resolved in Florida Prepaid were not being reopened. In Tennessee v. Lane the Court explained that Florida Prepaid had “further defined the contours of Boerne’s ‘congruence and proportionality’ test,” 124 S. Ct. at 1987, and reiterated that suits against states for patent infringement had not been shown to raise Fourteenth Amendment issues.

Xechem argued that correction of inventorship raised Fourteenth Amendment issues, but the court turned this argument aside.

The court also turned aside the argument that UT, by entering the joint venture, waived sovereign immunity. Such waivers must be clear.

[A] state’s waiver of Eleventh Amendment rights cannot be imposed or implied based on a state’s entry into commerce, but must be founded on a “clear declaration” by the state of its intent to submit to federal jurisdiction.

Nor did filing for a patent, even with the possibility of 35 U.S.C. § 256 ¶2 specifying that a court can correct inventorship, operate as a waiver. “[W]aiver must be clear, explicit, and voluntary, and cannot be imposed on a state that has not voluntarily entered federal jurisdiction.” Finally, the court rebuffed two other jurisdictional basis offered by Xechem.

Judge Newman’s views are highlighted below.

I write separately to state my concern lest the caveats and safeguards recognized by the Supreme Court in its rulings in Florida Prepaid and College Savings become submerged in generalizations of absolute state immunity. The Court observed in Florida Prepaid that if no state court remedy were available for patent infringement, such failure of recourse could raise the due process concerns of the Fourteenth Amendment . . .

The circumstances of this case illustrate that when a state is charged with contravention of federal law in a way that directly affects private property, and if no remedy is indeed available within the state’s tribunals -- whether by the state’s invocation of immunity or by federal preemption of the cause of action -- there can arise an affront to the fundamentals of due process. Respect for the principles of federalism does not automatically immunize the state from due process considerations. The Court in Florida Prepaid kept this door ajar. I write to the same purpose, for there is an increasing urgency, as the states enter the private competitive arena governed by the laws of intellectual property, to establish fair relationships and just recourse.