IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND

ARRIVALSTAR S.A., et al.	*	
Plaintiffs	*	
v.	*	**Case No.: 1:11-CV-00761 JKB**
MARYLAND TRANSIT ADMINISTRATION	*	
Defendant	*	

* * * * * * * * * * * * *

MEMORANDUM IN SUPPORT OF THE DEFENDANT'S MOTION TO DISMISS

Defendant, Maryland Transit Administration ("MTA"), by its undersigned counsel, files this Memorandum in Support of its Motion to Dismiss the Complaint for Patent Infringement filed by the Plaintiffs, ArrivalStar S.A. and Melvino Technologies Limited,[1] and in support thereof states:

SUMMARY

MTA administers, maintains and operates public transportation systems throughout Maryland as a modal administration of the Maryland Department of Transportation ("MDOT"). Plaintiffs' lawsuit alleges that certain infrastructure used by MTA infringes upon two United States patents that they purportedly own. There is no dispute, however, that MTA is an instrumentality of the State of Maryland. Indeed, the Plaintiffs' Complaint concedes this point. *See* Complaint at ¶ 6. Accordingly, as the State of Maryland has not waived its or MTA's Eleventh Amendment immunity from suit regarding claims for patent infringement, MTA cannot

[1] It is not clear from the Complaint or exhibits filed in support thereof why Melvino Technologies Limited ("Melvino") is identified as a Plaintiff in this action. It is not identified in the Complaint as an owner, licensee or otherwise having any interest in either of the Asserted Patents (as defined below). There is also no allegation that it has been injured as a result of the MTA's alleged infringement. In fact, other than its inclusion as a plaintiff in this action, the Complaint does not otherwise refer to Melvino.

be sued by the Plaintiffs in this matter, and thus, the Plaintiffs' Complaint must be dismissed in its entirety with prejudice.

ARGUMENT

A. Allegations of Patent Infringement

MTA is a state entity originally formed in 1969 to administer, maintain and operate rail and transit facilities and services in a unified regional public transportation system throughout Maryland. *MD Code Ann., Transp., §7-102.* It is also a modal administration within MDOT, which is a principal department of Maryland State government. *MD Code Ann., Transp., §§ 1-101(i)(3), 2-101 and 7-201*. Indeed, the Plaintiffs concede MTA's status as an instrumentality of the State of Maryland in their complaint. *See* Complaint at ¶ 6.

Plaintiffs' suit alleges that MTA uses a system that infringes on two (2) patents, U.S. Patent No. 6,317,060 entitled *"Base Station System and Method for Monitoring Travel of Mobile Vehicles and Communication Notification Messages"* and U.S. Patent No. 7,030,781 entitled *"Notification System and Method that Informs a Party of Vehicle Delay"* (collectively, patent nos. 6,317,060 and 7,030,781 will be referred to as the "Asserted Patents"). *See* Complaint at ¶ 6. In conclusory fashion, the complaint identifies the primary elements of many of the claims of the Asserted Patents and alleges that certain infrastructure that is allegedly used by MTA reads on such limitations. *See* Complaint at ¶¶ 8-19. Even assuming, *arguendo,* the facts as alleged in the Complaint are true, Plaintiffs' suit must be dismissed as Maryland has not waived its or its instrumentality, MTA's, sovereign immunity under the Eleventh Amendment of the United States Constitution.

B. The MTA's Sovereign Immunity from Suit for Allegations of Patent Infringement

It is axiomatic that States and their instrumentalities are immune from suit unless this immunity has been waived. In this regard, the Eleventh Amendment of the United States Constitution provides:

> 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.

In *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 116 S.Ct. 1114, 134 L.Ed.2d 252 (1996), the Supreme Court elaborated on this principle stating:

> Although the text of the [Eleventh Amendment] would appear to restrict only the Article III diversity jurisdiction of the Federal Courts, "we have understood the Eleventh Amendment to stand not so much for what it says but for the presupposition . . . which it confirms." *Blatchford v. Native Village of Noatak*, 501 U.S. 775, 779, 111 S. Ct. 2578, 2581, 115 L. Ed. 2d 686 (1991). That presupposition, first observed over a century ago in *Hans v. Louisiana*, 134 U.S. 1, 10 S.Ct. 504, 33 L.Ed. 842 (1890), has two parts: first, that each State is a sovereign entity in our federal system; and second, that "it is inherent in the nature of sovereignty not to be amendable to the suit of an individual without its consent." *Id.* at 13, 10 S.Ct. 504 (emphasis deleted), quoting The Federalist No. 81. . . . *See also Puerto Rico Aqueduct and Sewer Authority, supra,* at 146 ("The Amendment is rooted in a recognition that the States, although a union, maintain certain attributes of sovereignty, including sovereign immunity"). For over a century we have reaffirmed the federal jurisdiction over suits against unconsenting States "was not contemplated by the Constitution when establishing the judicial power of the United States." *Hans, supra*., at 15, 10 S.Ct. 504.

Several recent cases have confirmed that Eleventh Amendment immunity applies to suits brought against States and their instrumentalities for alleged patent infringement. Most notably, the Supreme Court confirmed this principle in *Florida Prepaid Post Secondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 119 S.Ct. 2199, 144 L. Ed. 2d 575

(1999). In *Florida Prepaid*, the Supreme Court held that an act enacted by Congress which purported to waive states' sovereign immunity in patent cases was unconstitutional. The act at issue was the Patent and Plant Variety Protection Remedy Clarification Act which stated, in pertinent part:

> Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any doctrine of sovereign immunity, from suit in Federal court by any person . . . for infringement of a patent under section 271, or for any other violation [of the U.S. Patent Act].

After a thorough analysis, the Supreme Court held (i) neither the Commerce nor Patent Clauses of the Constitution provided Congress with the authority to abrogate State sovereign immunity for patent infringement actions, and (ii) the Fourteenth Amendment's authorization for "appropriate legislation" to protect against deprivations of property without due process of law also failed to provide Congress with authority to abrogate State sovereign immunity relating to alleged violations of the Patent Act. *Id*., 119 S. Ct. at 2205-2211. Accordingly, the Supreme Court held that Congress' attempt to waive sovereign immunity with passage of the Patent and Plant Variety Protection Remedy Clarification Act was unconstitutional. *Id.*

Several appellate decisions have confirmed States' immunity from suits alleging patent infringement. For example, in *Biomedical Patent Management Corp. v. California*, 505 F.3d 1328 (Fed. Cir. 2007), the Federal Circuit confirmed the State of California's immunity from suit in a patent infringement matter. In *Biomedical Patent*, California's Department of Health Services ("DHS") had intervened in an action brought against a patent owner seeking a declaratory judgment that a program operated and administered by it did not infringe a certain patent. *Id*. at 1330. After certain procedural jockeying that resulted in dismissal of this

declaratory judgment action without prejudice, the same patent owner brought suit against DHS in a separate action alleging infringement of the very same patent that was at issue in the original declaratory judgment action. *Id*.

Although the Federal Circuit found that DHS had waived its sovereign immunity when it intervened in the original declaratory judgment action, such waiver did not constitute a waiver of sovereign immunity in the subsequently filed action despite the patents and parties at issue in both actions being identical. *Id*. at 1332-1336.

The Federal Circuit also confirmed that California's voluntary participation in the patent system, and particularly patent litigation, did not operate as a general waiver of sovereign immunity for all California instrumentalities. In this regard, the patent owner argued that because certain instrumentalities of the State had filed for, and been issued, patents, and had filed patent infringement suits against alleged infringers, the State had generally waived immunity for all State instrumentalities in patent suits. The Federal Circuit cited to the Supreme Court's decision in *Florida Prepaid*, *supra*., which expressly overruled this notion, *i.e.*, that a State can constructively waive its Eleventh Amendment immunity by its participation in a regulatory scheme. *Id*. at 1338, *citing College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Board*, 527 U.S. 666, 119 S.Ct. 2219, 144 L.Ed.2d 605 (1999)("[w]e think that the constructive waiver experiment of *Parden* [*v. Terminal R. Ala. Docks Dept*., 377 U.S. 184, 84 S. Ct. 1207, 12 L. Ed. 2d 233 (1964)] was ill conceived, and see no merit in attempting to salvage any remnant of it"); *see also*, *Vas-Cath Corp. v. Curators of the University of Missouri*, 473 F.3d 1376, 1381 (Fed. Cir. 2007)("[i]t is established that a State's participation in the federal patent system does not itself waive immunity … with respect to patent infringement . . .").

The Federal Circuit again confirmed application of the sovereign immunity doctrine to States and their instrumentalities in patent infringement matters in *A123 Systems, Inc. v. Hydro-Quebec*, 626 F.3d 1213 (Fed. Cir. 2010). In *A123*, the plaintiff brought suit against a private entity seeking a declaratory judgment that it did not infringe certain patents licensed to the private party defendant. The defendant argued that its license from the University of Texas Board of Regents did not transfer all substantial rights to the patents in suit to it, and thus, the University of Texas was a necessary defendant. After holding that the license to the private party defendant was indeed limited to a particular field of use, and thus, the University of Texas was a necessary defendant, the Federal Circuit held that neither the University of Texas nor the State of Texas had waived their immunity from suit. *Id*. at 1219. Notwithstanding that the University of Texas had initiated patent infringement litigation against the very same party involving the very same subject matter, the Federal Circuit held that sovereign immunity had not been waived. *Id*.

Here, there can be no question that neither the State of Maryland nor the MTA has waived sovereign immunity with regard to patent infringement matters. Neither the Maryland Tort Claims Act ("MTCA"), *MD Code Ann., State Gov't, §12-101 et. seq*., nor the MTA Tort Claims Act, *MD Code Ann., Transp., §7-702*, waives such immunity. The MTCA expressly states that the State has not "waive[d] any right or defense of the State or its units, officials, or employees in an action in a court of the United States or any other state, including any defense that is available under the 11th Amendment to the United States Constitution." *Md. Code Ann., State Gov't § 12-103(2)*; see also *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 n.9, 104 S. Ct. 900, 79 L. Ed. 2d 67 (1984) ("[t]he Court consistently has held that a State's waiver of sovereign immunity in its own courts is not a waiver of the Eleventh Amendment

immunity in the federal courts"). Similar to the MTCA, the MTA Tort Claims Act, *Md. Transp. Code Ann. §7-702*, provides a limited waiver of tort liability for action against the MTA in state court. In this regard, however, the court in *Weide v. Mass Transit Administration*, 628 F. Supp 247 (D. Md. 1985), held that this MTA-specific waiver of sovereign immunity as to certain tort claims did not constitute a general waiver by Maryland of MTA's constitutional immunity under the Eleventh Amendment, citing as support *Florida Dept of Health and Human Services v. Florida Nursing Ho*me, 450 U.S. 147, 150, 101 S. Ct. 1032, 1034, 67 L.Ed. 2d 132 (1981). Neither has MTA nor the State engaged in any actions that even arguably waive the MTA's sovereign immunity here. Accordingly, there can be no dispute that MTA enjoys full immunity from suit involving patent disputes, and therefore, the Plaintiffs' allegations of patent infringement must be dismissed.

WHEREFORE, for the reasons set forth herein, Defendant Maryland Transit Administration, respectfully request that this Court grant its motion to dismiss and enter judgment in its favor, along with all costs.

Respectfully submitted

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