

UMass immune from 93A liability

Published: 5:08 pm Tue, February 15, 2011
By Eric T. Berkman



In a decision that lawyers say has broad implications for lawsuits brought against the commonwealth, a U.S. District Court judge has ruled that a state entity is not subject to liability under G.L.c. 93A, even when it is acting outside its public function.

The case involved a German biotech company that brought a Chapter 93A claim against the University of Massachusetts for allegedly licensing out patented technology to which the firm claimed exclusive rights.

The company argued that though UMass is a public entity, it was engaged in trade or commerce when it granted the license to a third party and thus was not immune to 93A liability.

But Judge Patti B. Saris disagreed and found that, while UMass was indeed engaged in trade or commerce, it could not be considered a “person” for the purposes of liability under Chapter 93A. She further ruled that the Legislature did not implicitly waive sovereign immunity for public entities when it enacted the law.

“In light of [these] conclusions, [the company’s] Chapter 93A claims must fail as a matter of law,” the judge said.

Saris went on to rule for UMass on the merits of the underlying allegations, finding no evidence that the university’s license grant was improper or that it unjustly enriched the university.

A contrary decision on the Chapter 93A issue would have opened up the commonwealth to a broad range of liability and even treble damages, said Craig R. Smith, a patent litigator at Lando & Anastasi in Cambridge who was not involved in the case. “So the court was looking and saying that, without something very explicit or implicit in the statute, it wasn’t going to find a waiver.”

The 37-page decision is *Max-Planck-Gesellschaft Zur Foerderung der Wissenschaften E.V., et al. v. Whitehead Institute for Biomedical Research, et al.*, Lawyers Weekly No. 02-023-11. [The full text of the ruling can be found by clicking here.](#)

Broad impact

Smith said Saris’ ruling is particularly significant because no court had previously ruled on the broad question of a public entity’s potential liability under Chapter 93A.

“Courts have decided other related issues or portions of it, but it’s the first time I’ve seen a court say, ‘No, you can’t be sued under Chapter 93A,’” he said. “That’ll impact any case where someone wants to sue [the commonwealth] under Chapter 93A; you wouldn’t be able to bring it under this precedent.”

Smith also said that had the court — which had to grapple with the fact that in some instances the commonwealth has been considered a “person” for the purpose of being a *plaintiff* in a Chapter 93A action — found there to be a waiver of sovereign immunity under the statute, it would have “very broad implications” for other cases, opening up the state to a whole host of liability scenarios.

Robert R. Gilman, a Boston patent litigator who also was not involved in the case, said the ruling has more specific implications in the area of intellectual property law.

For example, he said, in a competitive situation in which a drug company is trying to develop a product, wants to partner with a university to take advantages of its researchers and institutional know-how, and is deciding which university to work with, public universities could be at a disadvantage.

The corporation might rather go private or even out of state, because it wants the full menu of remedies available to it — including Chapter 93A — in case something goes awry in the relationship, the Gilman Clark lawyer said.

On the other hand, in a non-competitive situation in which a public university has a patent for which the company needs a license in order to develop a product, the availability of the 93A remedy will not be as much of a factor, he said.

“It’s not like [the company] can try to strike a deal with UMass and say, ‘I don’t like your terms so I’ll go to MIT for a license.’ You can’t, because they don’t hold the patent,” he said. “And in a case like that, a public university will embrace this decision because they have no Chapter 93A exposure.”

Local counsel for the plaintiff biotech firm, Thomas F. Maffei of Griesinger, Tighe & Maffei in Boston, declined to comment, citing ongoing litigation in the matter.

Donald R. Ware of Foley Hoag in Boston, who represented the defendant university, said his client looks forward to trial of its counterclaims in March and final resolution of the case.

Patent dispute

The case arose from genetic research commenced in a laboratory at the Whitehead Institute in Cambridge in 1999.

Two of the scientists, who were post-doctoral scholars at Whitehead when the project began, left to take positions elsewhere before finishing their research. One of the scientists took a position with the University of Massachusetts Medical School in Worcester. The other took a job with plaintiff Max Planck Institute in Germany.

In 2000, the Massachusetts Institute of Technology, Whitehead, the plaintiff and UMass jointly filed a patent application on their discovery of small RNA molecules, known as “siRNAs,” that are capable of switching off mutated genes that cause health complications.

The plaintiff subsequently filed a second patent application describing additional research on siRNAs conducted at its own laboratories.

MIT, Whitehead and the plaintiff later licensed their patent rights to a start-up biotech company called Alnylam Pharmaceuticals, while UMass licensed its patent rights to another biotech company, Sirna Therapeutics.

A dispute arose when Alnylam claimed that Sirna was overstating the scope of its licensed patent rights. Alnylam then demanded that the other co-owners agree to remove certain data and information from the patent application licensed to Sirna.

In 2009, Alnylam and the plaintiff sued MIT, Whitehead and UMass in U.S. District Court seeking to compel changes in the way the joint application was being prosecuted. They also sought damages under G.L.c. 93A and other theories.

In September 2009, Saris denied the plaintiffs' motion for a preliminary injunction. Four months later, the plaintiffs amended their complaint to add another 93A claim as well as an unjust enrichment claim, accusing defendant UMass of granting a license to Sirna that covered patent rights the defendant did not own.

Defendant UMass moved for summary judgment, arguing that its license to Sirna was proper and that Chapter 93A does not cover suits against entities of the commonwealth.

No waiver of immunity

Addressing the defense motion, Saris noted that the commonwealth and its subdivisions are shielded from suit absent legislative waiver of immunity. She also noted that whether an entity of the commonwealth can ever be sued under G.L.c. 93A is an open question.

However, she said, the Supreme Judicial Court ruled previously that a public entity cannot be liable under 93A when it is partaking in government activity. So a threshold inquiry would be whether or not UMass was engaged in "trade or commerce" when it granted the license, and in this case it was.

"[T]he entering of contracts solely for profit does not fit the traditional mold of 'government activity,'" the judge said. "If accumulating wealth that *could* be used for some unspecified public purpose ... were enough to qualify an action as 'governmental activity' outside the realm of trade or commerce, then no governmental entity would ever be engaged in trade or commerce for the purposes of Chapter 93A."

That would render the SJC's distinction between trade and commerce and government activity meaningless, Saris said.

Nonetheless, the fact that UMass was engaging in trade or commerce was not enough to create Chapter 93A liability on its own, she said. The plaintiffs still needed to establish that the Legislature explicitly or implicitly waived sovereign immunity when it enacted the statute.

Saris then noted that any "person" who violates the terms of 93A can be held liable under the statute, which begged the question: Does a public entity count as a "person" under the law?

The judge observed that while the Legislature did not explicitly include public entities among those considered a "person," it did extend the definition to include "any other legal entity" beyond those enumerated.

"[This] is some evidence ... that Chapter 93A constitutes waiver of sovereign immunity, but [the fact] that [the Legislature] did not go so far as to expressly include the commonwealth in the definition (which it has done elsewhere in the Massachusetts General Laws) is equally weighty evidence against that conclusion," Saris said.

And given the SJC's requirement that a waiver be found by "necessary implication," the judge continued, "the use of the phrase 'any other legal entity' in the definition of 'person' is not a sufficient basis on which to find that the Legislature intended to waive sovereign immunity in Chapter 93A."

Saris also rejected the notion that, in order to effectuate the legislative purpose behind 93A, public entities needed to be liable under the statute, concluding that summary judgment should be granted in favor of the defense.

For more information about the judges mentioned in this story, visit the Judge Center at www.judgecenter.com.

Eric T. Berkman, an attorney and formerly a reporter for Massachusetts Lawyers Weekly, is a freelance writer.

CASE: *Max-Planck-Gesellschaft Zur Foerderung der Wissenschaften E.V., et al. v. Whitehead Institute for Biomedical Research, et al.*, Lawyers Weekly No. 02-020-11

COURT: U.S. District Court

ISSUE: Could a Chapter 93A claim be brought against a public university for allegedly licensing out patented technology to which another entity claimed exclusive rights?

DECISION: No, because although the university was engaging in trade and commerce when it licensed the technology, it did not count as a "person" for the purposes of Chapter 93A liability, and the Legislature did not waive sovereign immunity for public entities when it enacted the statute