

CLOSING FEDERALISM'S LOOPHOLE IN INTELLECTUAL PROPERTY RIGHTS

Robert T. Neufeld[†]

ABSTRACT

For more than ten years the courts and Congress have grappled with the issue of subjecting states to suit in federal court for intellectual property infringement. Under the Supreme Court's *Florida Prepaid* decisions, states and state entities are currently insulated from suit by private entities in federal court for intellectual property infringement under the sovereign immunity preserved by the Eleventh Amendment. This holding has far-reaching effects on the ability of private parties to enforce their intellectual property rights because federal court is the preferred and, often, the only venue available for enforcing such rights. Furthermore, this state of the law is of increasing importance in view of the growing role that many states and state entities are taking in the intellectual property arena. Since the *Florida Prepaid* decisions, several different legislative remedies have been proposed in Congress, but none have yet been enacted into law. Congress has also commissioned a study by the General Accounting Office to gather statistics and opinions concerning the involvement of states in intellectual property law and the effect of the immunity from suit they currently enjoy in federal court. The results of this study, made available this past year, will impact the scope of the proposed legislation and whether, assuming it is enacted, the legislation survives judicial review.

I. INTRODUCTION

In 1993 and 1995, State Paving Corporation, a highway construction company, obtained two patents on improved technology for the design of sound barrier walls commonly placed adjacent to highways.¹ State Paving developed the new technology while working on a project for the State of

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[†] Associate, King & Spalding, Atlanta, Georgia. B.A., State University of New York at Binghamton, 1994; B.S., State University of New York at Binghamton, 1994; J.D., Fordham University School of Law, 1997. The opinions expressed herein are solely those of the author and should not be ascribed to his employer.

1. *State Contracting & Eng'g Corp. v. Florida*, 258 F.3d 1329, 1332 (Fed. Cir. 2001).

Florida and incorporated the new design in an amendment to its contract with the state.² The State of Florida allegedly infringed both patents by using data from the new design in subsequent requests for bids on other state projects.³ In August 1997, State Contracting & Engineering Corporation (State Contracting)⁴ filed suit in the Southern District of Florida against the State of Florida and seven private contractors.⁵ State Contracting claimed that the State of Florida directly infringed State Contracting's two patents, violated the Lanham Act in making false representations about the existence of State Contracting's patents, and committed an unconstitutional taking of State Contracting's property.⁶ State Contracting based its right to sue the State of Florida on federal legislation granting private parties the right to sue states for intellectual property infringement.⁷

While the *State Contracting* suit was pending, the United States Supreme Court decided a pair of related cases concerning the right of a private party to sue a state for intellectual property infringement. In *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*⁸ and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*,⁹ the Supreme Court held that Congress's attempts to abrogate state Eleventh Amendment immunity to patent and trademark infringement suits were unconstitutional, and that a state was therefore immune from suit in federal court for patent and trademark infringement claims. Relying on these two cases, the State of Florida filed a motion for summary judgment in *State Contracting*.¹⁰ The district court granted summary judgment on the patent infringement and Lanham Act claims against Florida, which were clearly untenable after the Supreme Court's decisions.¹¹ The court granted summary judgment on the takings claim as

2. *Id.* at 1331-32.

3. *Id.* at 1332.

4. State Paving Corp. had assigned its patent rights to State Contracting & Engineering Corp. *Id.* n.1.

5. *Id.* at 1332. The district court action is *State Contracting & Eng'g Corp. v. Fla.*, No. 97-7014-Civ-Dimitrouleas (S.D. Fla. Mar. 2, 2000).

6. 258 F.3d at 1332.

7. *See infra* note 50.

8. 527 U.S. 627 (1999) (involving patent infringement claims against the State of Florida).

9. 527 U.S. 666 (1999) (involving claims against the State of Florida arising under the Lanham Act).

10. 258 F.3d at 1333.

11. *Id.* The Eleventh Amendment states that "[t]he Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prose-

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well, holding that a state's sovereign immunity also trumps a takings claim.¹² In July 2001 the Federal Circuit affirmed the district court's decision.¹³

The federal statute defining jurisdiction for cases such as *State Contracting* provides that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be *exclusive* of the courts of the states in patent, plant variety protection and copyright cases."¹⁴ Courts have generally interpreted this jurisdictional mandate to mean that no action for infringement of a patent or copyright can be brought in state court.¹⁵ In contrast, although federal court is

cuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." U.S. CONST. amend. XI.

12. *See id.* at 1337. The Federal Circuit affirmed this ruling on different grounds, citing *Quern v. Jordan*, 440 U.S. 332 (1979), for the holding that 42 U.S.C. § 1983 does not abrogate state sovereign immunity from suit in federal court. *Id.* at 1337-38. The Federal Circuit decision did not address the viability of a takings claim under the Fifth Amendment or a claim under the Fourteenth Amendment for deprivation of property without due process of law. *See Philip Morris, Inc. v. Reilly*, 60 U.S.P.Q.2d 1545 (1st Cir. 2001) (Selya, J., dissenting in part) (originally published at 267 F.3d 45, but subsequently withdrawn from the bound volume) (concerning a Massachusetts statute requiring the disclosure of certain trade secrets); *CCC Info. Servs., Inc. v. MacLean Hunter Mkt. Reports, Inc.*, 44 F.3d 61, 74 (2d Cir. 1994) (stating that the position that a state legislature's adoption of copyrighted material vitiates the property right "raise[s] very substantial problems under the Takings Clause of the Constitution."); *see also* Christina Bohannon & Thomas F. Cotter, *When the State Steals Ideas: Is the Abrogation of State Sovereign Immunity from Federal Infringement Claims Constitutional in Light of Seminole Tribe?*, 4 *FORDHAM L. REV.* 1435, 1458, 1477 (1999) (analyzing a takings theory and a due process theory to support abrogation of sovereign immunity under the Remedy Clarification Acts of the early 1990s).

13. *State Contracting & Eng'g Corp.*, 258 F.3d at 1340. It appears that the district court actually dismissed the patent infringement and Lanham Act claims against the state and granted summary judgment on the takings claims. *See id.* at 1333.

14. 28 U.S.C. § 1338(a) (2000) (emphasis added).

15. *But see* *Jacobs Wind Elec. Co. v. Dep't of Transp.*, 626 So. 2d 1333, 1336 (Fla. 1993) (holding that a state court action against a state alleging a taking and conversion of property that is the subject of a patent is not preempted by federal law because "the relevant federal law did not provide a remedy against a certain class of individuals"). However, the viability of alleging takings claims in state court based on infringement of intellectual property is untested and it is questionable whether such an option is legally tenable. *See Florida Prepaid*, 527 U.S. at 658 n.10 (Stevens, J., dissenting) (questioning the Florida Supreme Court's interpretation of 28 U.S.C. § 1338). *See also* *Green v. Hendrickson Publishers Inc.*, 770 N.E.2d 784, 787 (Ind. 2002) (applying *Holmes Group, Inc. v. Vornado Air Circulation Sys. Inc.*, 122 S.Ct. 1889 (2002), to conclude that federal courts no longer have exclusive jurisdiction over copyright counterclaims).

generally the preferred forum for resolving trademark disputes, state courts do have concurrent jurisdiction to hear such cases.¹⁶

The exclusivity of § 1338(a), combined with the Supreme Court's current interpretation of the breadth of the Eleventh Amendment, has created a constitutional wrinkle that severely limits the available judicial remedies against states that infringe patents or copyrights.¹⁷ The current situation, in which states¹⁸ can trample on the intellectual property rights of individuals and companies with impunity, appears to be an unintended consequence of our federal system. Both the legislative and judicial branches of our federal government have attempted to grapple with the problem through a line of case law, statutes, and proposed legislation.¹⁹ The most recent legislative attempt to close this loophole, a bill entitled "Intellectual Property Protection Restoration Act of 2002," was introduced in the Senate in March 2002.²⁰

The threshold issue in Congressional reform is whether the federal government should do anything to expand the limited remedies available to intellectual property owners when states infringe private intellectual property rights.²¹ One of the principles of our federal system is that each

16. See J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:1 (2000); U.S. GENERAL ACCOUNTING OFFICE, GAO REP. NO. 01-811, STATE IMMUNITY IN INFRINGEMENT ACTIONS 18 (September 2001), available at <http://www.gao.gov> [hereinafter U.S.G.A.O. Report].

17. Applying the Supreme Court's reasoning in *Florida Prepaid* to the copyright context in *Chavez v. Arte Publico Press*, 204 F.3d 601 (5th Cir. 2000), the Fifth Circuit held that Congress's attempt to abrogate state sovereign immunity under the Copyright Remedy Clarification Act was, like the Patent and Plant Variety Protection Remedy Clarification Act, an improper exercise of power. *Id.* at 607.

18. Throughout the remainder of this article, unless explicitly indicated otherwise, the term "state" encompasses state governments as well as other state entities such as state universities, state hospitals, public service corporations, and other such state instrumentalities. Admittedly, the determination of whether an entity is an instrumentality of the state for purposes of Eleventh Amendment immunity is not always a simple one. See *Earles v. State Bd. of Certified Pub. Accountants*, 139 F.3d 1033, 1036-37 (5th Cir. 1998); *Mancuso v. N.Y. State Thruway Auth.*, 86 F.3d 289, 293-96 (2d Cir. 1996).

19. See *infra* Parts II and III.

20. S. 2031, 107th Cong. (2002). This bill exists in two forms: an original version, already introduced in the Senate, and a substitute version, not yet introduced. See *infra* note 36 and accompanying text. Both versions will be referred to as "2002 Draft IPPRA" in the text of the article, but cited separately in the footnotes. Similar legislation previously has been introduced in Congress. See S. 1611, 107th Cong. (2001) (introducing the "Intellectual Property Protection Restoration Act of 2001"); S. 1835, 106th Cong. (1999) (introducing the "Intellectual Property Protection Restoration Act of 1999").

21. Remedies in federal court are not completely absent in that prospective injunctive relief can be obtained under the *Ex Parte Young* doctrine. See, e.g., *Salerno v. City*

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state is a sovereign entity and that, absent consent, a sovereign entity is inherently immune from suit brought by an individual in federal court.²² At the same time, Congress can vitiate state sovereign immunity for states that commit certain constitutional violations under the enforcement powers of the Fourteenth Amendment.²³ The Court in *Florida Prepaid* questioned whether state acts of infringement necessarily rise to the level of a constitutional violation.²⁴ The majority reasoned that, in the rare instances when states infringe intellectual property, the victim could pursue a claim in state court or through other administrative mechanisms, thereby complying with constitutional due process requirements.²⁵ The Supreme Court in *Florida Prepaid* also based its conclusion, in part, on the assumption that the states rarely infringe intellectual property rights, and that wholesale abrogation of state immunity was therefore not proportionate to the harm caused by states engaging in such infringement.²⁶

The opposing viewpoint, articulated by Justice Stevens' dissent in *Florida Prepaid*, contends that if states and state entities are participating in the intellectual property system, they should be subject to its constraints just as any other private entity.²⁷ The dissent argued that eliminating meaningful safeguards in the federal forum leaves states free to take intellectual property with little recourse for the owners of such property.²⁸ Proponents of this opposing view question the existence of adequate remedies

Univ. of N.Y., 191 F. Supp. 2d 352, 357 (S.D.N.Y. 2001) (denying a motion to dismiss claims against individual state officers seeking prospective injunctive relief for alleged copyright infringement). Subsequent to the *Florida Prepaid* decisions, at least one federal court has allowed an action by a private entity against a state for a declaratory judgment of patent invalidity. *See* *New Star Lasers, Inc. v. Regents of Univ. of Cal.*, 63 F. Supp. 2d 1240, 1243-45 (E.D. Cal. 1999) (denying defendant's motion to dismiss the action on sovereign immunity grounds). Nonetheless, state entities can operate free of exposure to liability for damages in federal court for intellectual property infringement.

22. *See Florida Prepaid*, 527 U.S. at 634 (quoting *Seminole Tribe v. Florida*, 517 U.S. 44, 54 (1996)).

23. *See id.* at 637.

24. *Id.* at 643.

25. *See, e.g., Jacobs Wind Elec. Co. v. Dep't of Transp.*, 626 So. 2d 1333, 1338 (Fla. 1993) (Harding, J., dissenting) (identifying the procedure for filing a claims bill with the Florida legislature under FLA. STAT. ANN. § 11.065 (West 1998)). In *Florida Prepaid*, the Supreme Court found that Congress did not adequately consider the existence of remedies at the state level. *See* 527 U.S. at 643-44.

26. *See id.* at 640-41, 645-46.

27. *See* U.S.G.A.O. Report, *supra* note 16, at 5; *see generally Florida Prepaid*, 527 U.S. at 648 (Stevens, J., dissenting).

28. *See* 527 U.S. at 655-56 (Stevens, J., dissenting) (discussing *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990)).

at the state level.²⁹ The *Florida Prepaid* dissent argued that states are ill-equipped to handle intellectual property matters because intellectual property rights are a unique creature of federal law, derived from Article I of the U.S. Constitution.³⁰ Advocates of a federal solution claim that allowing the various state courts to interpret federal intellectual property law will foster confusion and conflicting rulings.³¹ In support of this assertion, proponents of a uniform federal solution cite the impetus for creating the Federal Circuit as a single court that can interpret and apply a uniform and consistent body of law.³²

Assuming that some federal action is required to protect intellectual property rights from state infringement, the second question is what action the federal government should take. The Intellectual Property Protection Restoration Act of 2002 (2002 Draft IPPRA) proposes the following actions: 1) abrogating state sovereign immunity to infringement suits, but under narrower circumstances than those included in previous legislation;³³ 2) expressly allowing suits against state officials under the *Ex Parte Young* doctrine;³⁴ and 3) modifying the intellectual property rights available to states.³⁵ A fourth provision, included in a substitute draft of the bill that was never formally introduced in Congress, proposes prohibiting a state from obtaining a patent, copyright registration, or trademark registration without waiving its immunity.³⁶

This article first reviews the case law and statutes that have produced the current state of the law. Next, it describes the provisions of the proposed legislation currently before Congress. Finally, it considers whether the various portions of the proposed legislation are necessary, to what ex-

29. *Id.* at 658-59 (Stevens, J., dissenting).

30. *Id.* at 659 (Stevens, J., dissenting).

31. *Id.* at 650-51 (Stevens, J., dissenting).

32. *Id.* at 651 (Stevens, J., dissenting).

33. Congress previously attempted to abrogate state sovereign immunity with respect to intellectual property claims in enacting the Patent and Plant Variety Protection Remedy Clarification Act, the Trademark Remedy Clarification Act, and the Copyright Remedy Clarification Act. *See infra* note 50. However, to the extent these three Acts abrogated state sovereign immunity, they were invalidated by the Supreme Court in *Florida Prepaid* and *College Savings Bank*, and by the Fifth Circuit Court of Appeals in *Chavez*.

34. In *Ex Parte Young*, 209 U.S. 123 (1908), the Supreme Court held that, the Eleventh Amendment notwithstanding, a state officer can be sued by a private party in federal court.

35. S. 2031, 107th Cong. (2002).

36. S. 2031, 107th Cong. (2002) (proposed substitute version, not yet introduced), in 64 BUREAU OF NAT'L AFFAIRS PAT., TRADEMARK & COPYRIGHT J. 39 (2002) [hereinafter Substitute 2002 Draft IPPRA].

tent they are likely to survive judicial scrutiny, and whether they achieve the stated goals of the 2002 Draft IPPRA.³⁷

II. BACKGROUND

A. Prior to Florida Prepaid

Until 1985 it was generally assumed that states were subject to federal intellectual property laws.³⁸ Although not explicitly stated, the federal government presumably had power to enforce these laws over the states based on the Commerce Clause of Article I, the Patent Clause of Article I, and the enforcement powers of the Fourteenth Amendment.³⁹ In comparison, the U.S. Constitution and federal statutes both explicitly restrain the federal government from encroaching on the rights of intellectual property owners. The Fifth Amendment requires the federal government to pay compensation when it takes private property, including intellectual property.⁴⁰ When the federal government does infringe an owner's patent or copyright, the owner may file suit in the United States Claims Court.⁴¹ Similarly, the Lanham Act allows a trademark owner to sue the federal government under 15 U.S.C. § 1122(a) (West 2001).

37. Section 2 of the 2002 Draft IPPRA states:

The purposes of this Act are to (1) help eliminate the unfair commercial advantage that States and their instrumentalities now hold . . . ; (2) promote technological innovation and artistic creation in furtherance of the policies . . . relating to intellectual property; (3) reaffirm the availability of prospective relief against State officials who are violating or who threaten to violate Federal intellectual property laws; and (4) provide compensation for harm resulting from infringements of Federal intellectual property by States or their instrumentalities, officers, or employees

S. 2031 § 2.

38. See Bohannon & Cotter, *supra* note 12, at 1454; U.S.G.A.O. Report, *supra* note 16, at 4; *Mills Music v. Arizona*, 591 F.2d 1278, 1284-85 (9th Cir. 1979). This decision was implicitly overruled by *Atascadero State Hospital v. Scanlon*, 473 U.S. 234 (1985), as recognized in *Lane v. First National Bank*, 687 F. Supp. 11, 14 (D. Mass 1988), *aff'd* 871 F.2d 166 (1st Cir. 1989).

39. See *Mills Music*, 591 F.2d at 1284-85; Bohannon & Cotter, *supra* note 12, at 1455-56.

40. The Fifth Amendment states, in pertinent part, "nor shall private property be taken for public use, without just compensation." U.S. CONST. amend. V, § 1, cl. 4; see generally *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003-04 (1984) (holding that trade secrets are property rights protected by the Fifth Amendment).

41. 28 U.S.C. § 1498 (2000). Injunctive relief is not an available remedy against the United States in such an action. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 663-64 n.15 (1999) (Stevens, J., dissenting).

In 1985, the Supreme Court held in *Atascadero State Hospital v. Scanlon*⁴² that only a clear and unmistakable abrogation by Congress can vitiate a state's Eleventh Amendment immunity from suit in federal court.⁴³ In *Atascadero*, an individual sued a California state hospital in federal court under Section 504 of the Rehabilitation Act of 1973.⁴⁴ The Supreme Court held that the Rehabilitation Act's general language concerning suit in federal court was not an explicit abrogation of the Eleventh Amendment.⁴⁵ Specifically, the language in the statute providing for remedies against "any recipient of Federal assistance" was not a sufficiently unequivocal abrogation, despite the unique role of states as recipients of federal aid.⁴⁶ Furthermore, the state hospital did not implicitly consent to suit in federal court by receiving funds under the Rehabilitation Act.⁴⁷ Appellate courts applying *Atascadero* subsequently found Congress had not clearly abrogated state Eleventh Amendment immunity from suits for infringement of intellectual property.⁴⁸ As a result, states could no longer be sued for damages in federal court for infringing patents, trademarks, or copyrights.⁴⁹ In response to this development in intellectual property law, Congress passed legislation in 1990 and 1992 to explicitly abrogate, in the intellectual property domain, the Eleventh Amendment's grant of immunity to the states.⁵⁰

42. 473 U.S. 234 (1985).

43. *Id.* at 243.

44. *Id.* at 236.

45. *Id.* at 245-46.

46. *Id.*

47. *Id.* at 246-47.

48. *See, e.g., Chew v. California*, 893 F.2d 331, 334 (Fed. Cir. 1989) (holding that Congress had not expressly abrogated state sovereign immunity with the reference "whoever" in 35 U.S.C. § 271(a) of the patent statute); *BV Eng'g v. UCLA*, 858 F.2d 1394, 1396-97 (9th Cir. 1988) (finding that the Copyright Act of 1976 did not abrogate the states' Eleventh Amendment immunity).

49. While the potential availability of avenues to pursue infringement claims against states at the state level was noted in *Chew*, 893 F.2d at 336 n.5, the subsequent discussion herein casts considerable doubt on the existence of forums to pursue such claims at the state level. *See infra* Part IV.A.

50. Copyright Remedy Clarification Act, Pub. L. No. 101-553 (1990) (codified as 17 U.S.C. § 511 (2000)); Trademark Remedy Clarification Act, Pub. L. No. 102-542 (1992) (codified as 15 U.S.C. § 1122 (2000)); Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560 (1992) (codified as 35 U.S.C. § 296 (2000)). Each Act contained similar abrogation and remedial provisions. For example, 17 U.S.C. § 511(a) provided that "[a]ny State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment . . . from suit in Federal court . . . for a violation of any of the exclusive rights of a copyright owner."

B. The *Florida Prepaid* Decision

Despite Congress's efforts to resolve the matter, a pair of related cases concerning alleged state infringement of intellectual property came before the Supreme Court in 1999. The two cases, *Florida Prepaid* and *College Savings*, raised the issue of whether Congress had properly abrogated the Eleventh Amendment's grant of immunity to suits for infringement.⁵¹ The Supreme Court held that Congress did not have the power to abrogate state immunity under Article I, and had not properly done so using the enforcement powers of the Fourteenth Amendment.

In *Florida Prepaid*, a patent infringement suit, plaintiff College Savings Bank sued the Florida Prepaid Postsecondary Education Expense Board (Board), a state-created entity that administered tuition prepayment contracts.⁵² College Savings Bank claimed that the Board was infringing College Savings Bank's patent on a financing method for college expenses.⁵³ While the suit was pending in 1996 in district court in New Jersey, the Supreme Court handed down its decision in *Seminole Tribe v. Florida*, holding that Congress may not use Article I to abrogate state sovereign immunity.⁵⁴ The Board moved to dismiss the action on immunity grounds, arguing that the Patent and Plant Variety Remedy Clarification Act's abrogation provisions were unconstitutional.⁵⁵ College Savings Bank argued in response that the enforcement powers in Section 5 of the Fourteenth Amendment gave Congress the power to abrogate state sovereign immunity, and the district court agreed.⁵⁶ Finding that patents are

51. See Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 635 (1999) (considering the Patent and Plant Variety Protection Remedy Clarification Act); Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666, 672 (1999) (considering the Trademark Remedy Clarification Act).

52. *Florida Prepaid*, 527 U.S. at 631.

53. *Id.*

54. 517 U.S. 44 (1996) (holding that, in determining whether a Congressional action abrogating state sovereign immunity is valid, a court must answer two queries in the affirmative: (1) whether there is an unequivocal expression of intent to abrogate; and, (2) whether Congress's action is based on a valid exercise of power).

55. See 527 U.S. at 633. The Patent and Plant Variety Protection Remedy Clarification Act expressly provided that states, state instrumentalities, and state officers acting in their official capacities were subject to suit in federal court for infringement of patents. Pub. L. No. 102-560 (1992) (codified as 35 U.S.C. § 296 (2000)).

56. See Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 948 F. Supp. 400, 425-26 (D.N.J. 1996). In contrast, the district court found the Trademark Remedy Clarification Act's abolition of Eleventh Amendment immunity to be an inappropriate exercise of power by Congress. *Id.* at 427-28. On appeal, the Third Circuit affirmed the district court's ruling on the Lanham Act claims. Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd., 131 F.3d 353 (3d Cir. 1997).

property subject to the protections of the Due Process Clause, the Federal Circuit affirmed the denial of the motion to dismiss.⁵⁷ The Supreme Court granted certiorari.⁵⁸

1. *The majority opinion*

Using the framework set forth in *Seminole Tribe*, the Supreme Court examined whether the Patent Remedy Act's abrogation of Eleventh Amendment immunity was constitutional. The Supreme Court answered the first query in *Seminole Tribe*, whether Congress has "unequivocally expresse[d] its intent to abrogate," in the affirmative based on the explicit language of the statute.⁵⁹ As for the second query, whether Congress had the power to abrogate the states' immunity, the Court examined the professed bases for the abrogation. The legislative history showed Congress relied on the Patent Clause and Commerce Clause of Article I and the enforcement powers of the Fourteenth Amendment to overcome the Eleventh Amendment.⁶⁰ The Court quickly dispensed with the first two grounds based on the *Seminole Tribe* holding that Article I cannot be used to abrogate state sovereign immunity.⁶¹

Turning to the Fourteenth Amendment, Chief Justice Rehnquist acknowledged the Court's recognition in *Seminole Tribe* that the Fourteenth Amendment "fundamentally altered the balance of state and federal power struck by the Constitution."⁶² However, Section 5 of the Fourteenth Amendment empowers Congress to create only legislation that is "appropriate."⁶³ In *City of Boerne v. Flores*,⁶⁴ the Court interpreted the "appropriate" modifier as limiting Congress's enforcement power to remedial legislation.⁶⁵ That is, appropriate legislation "deters or remedies constitutional violations," but does not define or create constitutional rights.⁶⁶

57. See *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1352 (Fed. Cir. 1998).

58. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 525 U.S. 1064 (1999) (mem.).

59. 527 U.S. at 635.

60. See S. REP. NO. 102-280, at 7-8 (1992); H.R. REP. NO. 101-960, at 39-40 (1990); see also *Florida Prepaid*, 527 U.S. at 642 n.7.

61. 527 U.S. at 636.

62. *Id.* at 637 (quoting *Seminole Tribe v. Florida*, 517 U.S. 44 (1996) (holding that the Fourteenth Amendment extends federal power "to intrude upon the province of the Eleventh Amendment . . . allow[ing] Congress to abrogate [sovereign] immunity")).

63. *Id.*

64. 521 U.S. 507 (1997).

65. *Id.* at 519.

66. *Id.* at 518.

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Focusing on the alleged underlying conduct that the Patent Remedy Act was intended to address, the majority found scant evidence in the legislative record to indicate a pattern of patent infringement by the states.⁶⁷ The Court's opinion cited the House Report, which identified only two examples of patent infringement suits against states, and the Federal Circuit's opinion, which identified only eight such suits between 1880 and 1990.⁶⁸ Furthermore, the Court explained that infringement of intellectual property only rises to the level of a constitutional violation where the state provides no remedy or inadequate remedies.⁶⁹ As to this issue, the majority found that Congress "barely considered the availability of state remedies" and that the limited testimony on the matter indicated the remedies available in some states were "uncertain."⁷⁰ The Court concluded that the legislative record indicated "not that state remedies were constitutionally inadequate, but rather that they were less convenient than federal remedies, and might undermine the uniformity of patent law."⁷¹

The Court also observed that only intentional infringement would be a deprivation within the ambit of the Fourteenth Amendment.⁷² The Court found that in passing the Patent Remedy Act "Congress did not focus on instances of intentional or reckless infringement on the part of states. Indeed, the evidence before Congress suggested that most state infringement was innocent or at worst negligent," and thus not a due process violation under the Fourteenth Amendment.⁷³ The opinion acknowledged that the intent of the alleged infringer is irrelevant in an action for direct patent infringement.⁷⁴ Although one could argue it is incongruous to make intent a prerequisite for a due process violation when it is not a requirement for a claim of infringement,⁷⁵ the Court was primarily concerned with evidence of intentional, ongoing state conduct to justify abrogation of immunity.⁷⁶

The majority's opinion devoted little discussion to the issue of whether state courts could in fact hear patent or copyright infringement claims in

67. *See Florida Prepaid*, 527 U.S. at 640-41.

68. *Id.* at 640.

69. *Id.* at 643.

70. *Id.*

71. *Id.* at 644.

72. *Id.* at 645.

73. *Id.*

74. *Id.*; *see also* 35 U.S.C. § 271(a) (2000).

75. *See id.* at 653 (Stevens, J., dissenting) ("I disagree with the Court's assumption that [the constitutional distinction between negligent and intentional misconduct] necessarily applies to deprivations of patent rights").

76. *See id.* at 645.

view of the exclusivity of federal jurisdiction in these areas.⁷⁷ Instead, the Court focused on Article I arguments that, under *Seminole Tribe*, could not serve as a justification for abrogating the Eleventh Amendment's grant of immunity. For example, the Court reasoned that the "need for uniformity in the construction of patent law . . . is a factor which belongs to the Article I patent-power calculus,"⁷⁸ and thus is not a valid basis for vitiating state sovereign immunity.

Ultimately, the majority did not see sufficient evidence that states were regularly depriving intellectual property owners of property without due process of law, and was unable to find that the scope of the Patent Remedy Act was in proportion to the harm it sought to address. The Court suggested that Congress should have limited the scope of the states' liability under the Act.⁷⁹

2. *The dissent*

The principal thrust of Justice Stevens's dissent was that the constitutionality of the Patent Remedy Act should not hinge on the frequency with which states infringe intellectual property.⁸⁰ Rather, he urged that the statutory preemption of patent infringement actions coupled with the "absence of effective state remedies" made the Patent Remedy Act appropriate legislation under the Fourteenth Amendment.⁸¹

Justice Stevens began by discussing the principle of national uniformity that pervades the patent system. He noted the "strong federal interest" in a uniform interpretation of the patent laws and argued that Congress's Article I power is directly relevant to the question of state immunity because it supports exclusive federal jurisdiction over patent law.⁸² He concluded that the abrogation of state sovereign immunity in this field of the law, which would allow states to be sued in federal court, was a logical

77. The Court did note that a legislative remedy exists in the State of Florida where aggrieved intellectual property owners can file a claims bill with the State. *Id.* at 644 n.9 (citing Fla. Stat. Ann. § 11.065 (West 1998)). *See also supra* note 15.

78. *Florida Prepaid*, 527 U.S. at 645.

79. *Id.* at 647. The Court contrasted state liability with the federal government's limited waiver with respect to infringement claims, which does not allow injunctive relief and treble damages, and awards attorney fees only in limited circumstances. *Id.* at 648 n.11. However, as Justice Stevens observed in his dissent, in private infringement actions, treble damages and attorney's fees are only available in limited circumstances. *Id.* at 663 n.15. (Stevens, J., dissenting).

80. *See id.* at 649 (Stevens, J., dissenting).

81. *Id.* at 649 (Stevens, J., dissenting).

82. *Id.* at 650 (Stevens, J., dissenting).

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extension of this strong federal interest.⁸³ Justice Stevens also discounted the majority's concern with the intent of the infringer because "infringement actions based on mere negligence rarely arise."⁸⁴

Turning to *City of Boerne v. Flores*,⁸⁵ Justice Stevens explained why the Patent Remedy Act was appropriate legislation to ensure due process under the Fourteenth Amendment. He first questioned the fairness of the majority faulting Congress for the lack of evidence of state infringement in violation of the Due Process Clause, given that the Supreme Court did not articulate the requirement for such evidence until almost five years after Congress passed the Patent Remedy Act.⁸⁶ As for the majority's focus on Congress's failure to examine the available state remedies in enacting the Act, Justice Stevens found sufficient evidence of inadequate state remedies for patent infringement claims.⁸⁷ He pointed out that many states have either waived their sovereign immunity to suit in their own courts only in limited circumstances, or not waived it at all.⁸⁸ Moreover, Congress reasonably presumed that there are few or no avenues to pursue remedies at the state level for patent infringement given federal preemption of patent law.⁸⁹

Lastly, Justice Stevens discussed the "proportionality" aspect of the legislation as defined in *Boerne*. He noted that the Patent Remedy Act did not seek to alter any state law, "but merely effectuates settled federal policy to confine patent infringement litigation to federal judges."⁹⁰ The dissent noted that the abrogation power of the Act was limited to the narrow category of patent infringement cases, and that the Act would impair states' rights only to the extent that states infringe patents.⁹¹

The holding of *Florida Prepaid* leaves private parties with little ability to enforce their intellectual property rights against states and state entities

83. *Id.* at 652 (Stevens, J., dissenting).

84. *Id.* at 654 n.5 (Stevens, J., dissenting). As Justice Stevens noted, infringers are generally put on notice of the existence of a patent and asked to cease and desist from infringing before they are served with a lawsuit. *Id.* (Stevens, J., dissenting). Moreover, he contended that the negligent infringer issue was not before the Court because the plaintiff's complaint alleged willful infringement. *See id.* at 653-54 (Stevens, J., dissenting).

85. 521 U.S. 507.

86. *Florida Prepaid*, 527 U.S. at 654 (Stevens, J., dissenting).

87. *Id.* at 655-56 (Stevens, J., dissenting).

88. *Id.* at 658-59 (Stevens, J., dissenting).

89. *Id.* at 658 (Stevens, J., dissenting).

90. *Id.* at 662 (Stevens, J., dissenting).

91. *See id.* (Stevens, J., dissenting).

that infringe those rights.⁹² As illustrated by *State Contracting*,⁹³ states are free to take the fruits of intellectual property without compensating the owners of that property.

III. LEGISLATIVE PROPOSALS

A. Previous Legislative Proposals

Congress's 1990 and 1992 straightforward attempts to abrogate state sovereign immunity with respect to intellectual property claims were its first efforts to address how states should participate in the intellectual property system.⁹⁴ Following the invalidation of these laws by the *Florida Prepaid* decisions, members of Congress have made several legislative proposals that would once again subject states to federal intellectual property laws. Senator Leahy introduced the first such proposal, entitled the "Intellectual Property Protection Restoration Act of 1999" (1999 Draft IPPRA).⁹⁵

The 1999 Draft IPPRA had three significant provisions. First, the 1999 Draft IPPRA set forth policy arguments in favor of subjecting states to the federal intellectual property laws.⁹⁶ The policy arguments emphasized that states are increasingly involved in securing intellectual property rights and lawsuits concerning those rights, but provided no factual findings or data to support their conclusions.⁹⁷

Second, the 1999 Draft IPPRA contained a participation provision requiring states to waive their sovereign immunity in order to receive the various forms of protection available under the federal intellectual prop-

92. The companion case to *Florida Prepaid*, *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, had an analogous impact on trademark rights. 527 U.S. 666 (1999). In *College Savings Bank* the plaintiff argued that the Florida Prepaid Board was subject to jurisdiction in federal court under both the abrogation provisions of the Trademark Remedy Clarification Act and under the constructive waiver doctrine. *Id.* at 671-72. The Court abstained from analyzing the Trademark Remedy Clarification Act because it concluded that the rights at issue were not property rights. *Id.* at 673-75. As to the constructive waiver argument, the Court expressly overturned this doctrine as a basis for overcoming sovereign immunity. *Id.* at 680-81.

93. See *supra* Part I.

94. See generally U.S.G.A.O. Report, *supra* note 16, at 5; Bohannon & Cotter, *supra* note 12, at 1454-55.

95. S. 1835, 106th Cong. (1999).

96. S. 1835 § 2.

97. S. 1835 § 2(a)(27)-(28).

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erty laws.⁹⁸ For example, in order for a state to receive a copyright registration from the U.S. Copyright Office, a state would have to expressly waive its sovereign immunity to copyright infringement claims from private entities brought against it in federal court. The participation provision also contained penalties for states that apply for federal intellectual property protection and subsequently invoke the sovereign immunity defense to an intellectual property claim.⁹⁹

Third, the 1999 Draft IPPRA made another attempt to abrogate state sovereign immunity. However, the 1999 Draft IPPRA narrowed the extent of abrogation by distinguishing between statutory and constitutional violations by the state.¹⁰⁰ For statutory violations, the 1999 Draft IPPRA reaffirmed the existence of prospective relief against state officers available under the *Ex Parte Young* doctrine.¹⁰¹ For those cases of infringement that rise to the level of violations of the Fifth or Fourteenth Amendment, the 1999 Draft IPPRA proposed reinstating abrogation of sovereign immunity by creating liability for states.¹⁰²

Senator Leahy introduced a modified version of the 1999 Draft IPPRA in 2001 (2001 Draft IPPRA).¹⁰³ The most noteworthy change in the 2001 Draft IPPRA was the replacement of the participation provision with a remedies equalization provision.¹⁰⁴ The remedies equalization terms attempted to place states and private entities on the same footing by limiting relief available to a state that has not waived its sovereign immunity.¹⁰⁵ Under this provision, a state that relied on the protection of sovereign immunity could only recover the same relief a private entity could recover against such a state, namely an injunction.¹⁰⁶ Instead of requiring a waiver to participate in the intellectual property system, if a state chose to limit its

98. S. 1835 tit. I (requiring a state to opt-in and waive its sovereign immunity in order for it to acquire any federal intellectual property right).

99. S. 1835 § 113 (including penalties for abandonment of pending applications on behalf of the state for federal intellectual property protection, forfeiture of the opportunity to collect damages for infringement of intellectual property owned by the state, and a one-year bar on acquiring new intellectual property rights).

100. S. 1835 tit. II (“Restoration of Protection for Federal Intellectual Property Rights”).

101. S. 1835 tit. II.

102. S. 1835 tit. II.

103. Intellectual Property Protection Restoration Act of 2001, S. 1611, 107th Cong. (2001).

104. S. 1611 §§ 3-4.

105. S. 1611 §§ 3-4.

106. S. 1611 § 4.

liability, it would also assume a restriction on the potential relief it could seek in actions to protect its own intellectual property.

B. The Proposed Intellectual Property Protection Restoration Act of 2002

The proposed Intellectual Property Protection Restoration Act of 2002 (2002 Draft IPPRA)¹⁰⁷ combines provisions from both the 1999 Draft IPPRA and the 2001 Draft IPPRA. The 2002 Draft IPPRA also contains factual support not available at the time Congress drafted the earlier legislation.¹⁰⁸ In response to the emphasis the Court in *Florida Prepaid* placed on the lack of support for the abrogation legislation of the early 1990s, the Senate Judiciary Committee commissioned the General Accounting Office to gather data on state infringement of intellectual property. The General Accounting Office report, published in September 2001, provides an exhaustive catalog of data concerning intellectual property infringement by states and the availability of remedies at the state level for intellectual property infringement.¹⁰⁹

The 2002 Draft IPPRA combines four approaches to expanding the available intellectual property remedies against states. First, the bill contains a limited abrogation of state sovereign immunity.¹¹⁰ Second, the

107. S. 2031, 107th Cong. (2002).

108. See U.S.G.A.O. Report, *supra* note 16.

109. See generally *id.*

110. Substitute 2002 Draft IPPRA, *supra* note 36, at § 6; see also S. 2031 § 5. The abrogation provision provides, in pertinent part:

§ 6(a) Due Process Violations - Any State or State instrumentality that violates any of the exclusive rights of a patent owner under title 35, United States Code, of a copyright owner, author, or owner of a mask work or original design under title 17, United States Code, of an owner or registrant of a mark used in commerce or registered in the Patent and Trademark Office under the Trademark Act of 1946, or of an owner of a protected plant variety under the Plant Variety Protection Act (7 U.S.C. 2321 et seq.), in a manner that deprives any person of property in violation of the fourteenth amendment of the United States Constitution, shall be liable to the party injured in a civil action in Federal court for compensation for the harm caused by such violation.

§ 6(b) Takings Violations - (1) In General - Any State or State instrumentality that violates any of the exclusive rights of a patent owner under title 35, United States Code, of a copyright owner, author, or owner of a mask work or original design under title 17, United States Code, of an owner or registrant of a mark used in commerce or registered in the Patent and Trademark Office under the Trademark Act of 1946, or of an owner of a protected plant variety under the Plant Variety Protection Act (7 U.S.C. 2321 et seq.), in a manner that takes property in violation

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2002 Draft IPPRA codifies the remedies that can be pursued against state officers and employees, including injunctive relief and monetary damages.¹¹¹ Third, the bill limits the availability of certain remedies to only those states that have waived their sovereign immunity with respect to intellectual property infringement actions.¹¹² Finally, the most recent proposed version of the 2002 Draft IPPRA contains a participation provision similar to the participation provision in the 1999 Draft IPPRA.¹¹³

IV. ANALYSIS OF THE 2002 DRAFT IPPRA

The obvious unfairness in a system where states are able to secure intellectual property rights and sue others for damages for infringing those rights, but are not subject to suits for damages themselves, is the motivating force behind recent attempts to correct the current gap in intellectual property rights.¹¹⁴ The constitutional basis for the gap is the Eleventh

of the fifth and fourteenth amendments of the United States Constitution, shall be liable to the party injured in a civil action in Federal court for compensation for the harm caused by such violation.

Substitute 2002 Draft IPPRA, *supra* note 36, at § 6; *see also* S. 2031 § 5.

111. Substitute 2002 Draft IPPRA, *supra* note 36, at § 5 (providing for remedies against a state officer or employee including “monetary damages assessed against the officer or employee, declaratory and injunctive relief, costs, attorney fees, and destruction of infringing articles); *see also* S. 2031 § 4.

112. Substitute 2002 Draft IPPRA, *supra* note 36, at § 4 (amending 35 U.S.C. § 287 to state that no remedies under 35 U.S.C. §§ 283, 284 and 289 (2000) will be awarded to a state that has not waived its sovereign immunity); *see also infra* note 198. Section 4(a) provides, in pertinent part:

No remedies under section 283, 284 or 289 shall be awarded in any civil action brought under this title for infringement of a patent issued on or after January 1, 2003, if a State or State instrumentality is or was at any time the legal or beneficial owner of such patent, except upon proof that — (A) on or before the date the infringement commenced or January 1, 2005, whichever is later, the State has waived its immunity, under the eleventh amendment of the United States Constitution and under any other doctrine of sovereign immunity, from suit in Federal court brought against the State or any of its instrumentalities, for any infringement of intellectual property protected under Federal law.

Substitute 2002 Draft IPPRA, *supra* note 36, at § 4(a).

113. Substitute 2002 Draft IPPRA, *supra* note 36, at § 3 (adding to 35 U.S.C. § 102 (2000), “that person is a State or any of its instrumentalities; and . . . that State has not waived its immunity, under the eleventh amendment of the United States Constitution . . . from suit in federal court.”); *see also* Intellectual Property Protection Restoration Act of 1999, S. 1835, 106th Cong. (1999).

114. The Senate Report on the Patent Remedy Act provides a useful example. “A public school such as UCLA can sue a private school such as USC for patent infringement, yet USC cannot sue UCLA for the same act.” S. REP. NO. 102-280, at 9 (1992).

Amendment, which affirms “that federal jurisdiction over suits against unconsenting States ‘was not contemplated’” when the Constitution established the federal courts.¹¹⁵ However, the Court also conceded that the Fourteenth Amendment “fundamentally altered the balance of state and federal power struck by the Constitution.”¹¹⁶ Given these competing principles, Congress faces a difficult task in crafting legislation that will satisfy the standards set forth by the Supreme Court and also achieve the goal of a national intellectual property system.

A. The Abrogation Provision

Section 6 of the 2002 Draft IPPRA contains a limited abrogation of state sovereign immunity. The proposed bill differs from the Copyright Remedy Clarification Act of 1990, Patent and Plant Variety Protection Remedy Clarification Act of 1992, and the Trademark Remedy Clarification Act of 1992 in that it distinguishes between statutory claims against a state employee and claims that rise to the level of constitutional violations.¹¹⁷ The 2002 Draft IPPRA abrogates state immunity only in the case of a due process or a takings violation.¹¹⁸ For example, although not explicitly stated in the bill, a constitutional violation would ostensibly exist where a state has no system, or an inadequate system, to hear private litigants’ infringement allegations against the state.¹¹⁹

Although the 2002 Draft IPPRA’s abrogation provision is more narrow than the legislation of the early 1990s, the Supreme Court has set a relatively high bar for legislation that attempts to abrogate immunity with respect to intellectual property claims. In particular, the Court in *Florida Prepaid* focused on the need for the legislative record to justify abrogating state immunity under the Eleventh Amendment. The GAO report commissioned by Congress provides some of the factual background required by the Court.¹²⁰ In preparing the report, the GAO assessed the extent to which

115. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 634-35 (1999) (quoting *Hans v. Louisiana*, 134 U.S. 1 (1890)).

116. *Id.* at 637 (quoting *Seminole Tribe v. Florida*, 517 U.S. 44, 59 (1996)).

117. Compare Substitute 2002 Draft IPPRA, *supra* note 36, § 5 with § 6. In response to the Supreme Court’s distinction in *Florida Prepaid* between unintentional and intentional infringement, the proposed legislation differentiates between statutory claims for infringement against state employees and constitutional claims against the state. Section 5 of the 2002 Draft IPPRA provides for injunctive relief and damages against the employee as an individual where the claims of infringement are statutory. In contrast, where the state’s infringement rises to the level of a constitutional violation, Section 6 overrides the Eleventh Amendment and authorizes an action against the state in federal court.

118. See *supra* note 110.

119. See *Florida Prepaid*, 527 U.S. at 643.

120. U.S.G.A.O. Report, *supra* note 16.

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states are involved in the acquisition of and litigation concerning intellectual property rights and whether states consistently encroach on private owners' rights.¹²¹ To that end, the report attempts to catalog all of the intellectual property lawsuits involving states and state entities since 1985.¹²² The GAO also sought the opinions of the intellectual property community as to whether state immunity is an issue that needs to be addressed through legislation.¹²³

The GAO found relatively few intellectual property lawsuits involving states.¹²⁴ Although the precise number of intellectual property lawsuits against states is difficult to determine, the report indicated that of all intellectual property lawsuits brought in federal court since 1985, fewer than 0.1 % involved a state or state entity as the plaintiff or defendant.¹²⁵ Significantly, 37 of the 100 lawsuits identified in the report concerned state institutions of higher education, while the remaining 63 named other state entities.¹²⁶ The report also emphasized the difficulty in collecting evidence of every intellectual property dispute that includes a state.¹²⁷ For example, surveys collected from state attorneys general identified at least 78 instances of infringement accusations against a state that were handled administratively without a lawsuit being filed.¹²⁸

If the abrogation provisions of the proposed legislation are subjected to a constitutional challenge, the relatively small number of suits identified in the GAO report may serve as a stumbling block in view of the majority opinion in *Florida Prepaid*. The Court's opinion rested heavily on the argument that abrogation is only appropriate where the states regularly violate the federal constitution, requiring federal remedial action.¹²⁹ Although

121. *See id.*

122. *Id.* at 2.

123. *Id.* at 4.

124. *Id.* at 7. However, the legislative history of the 1990 Copyright Remedy Act cites numerous instances of states infringing copyrights. *Florida Prepaid*, 527 U.S. at 658 n.9 (Stevens, J., dissenting).

125. U.S.G.A.O. Report, *supra* note 16, at 9-12. Of the 100 lawsuits the GAO reviewed, 58 named a state as a defendant and 42 named a state as a plaintiff. *Id.* The suits reviewed are less than 0.1% of the over 104,000 intellectual property lawsuits filed in federal district court over that same time period. *Id.* Although the GAO was not able to collect data on the total number of intellectual property suits filed in state courts, 17 of the 100 suits naming a state as a party were brought in a state court. *Id.* at 66-67.

126. *Id.*

127. *Id.* at 8-9.

128. *Id.* at 12.

129. The Court noted that Congress did not identify a pattern of state infringement, "[u]nlike the undisputed record of racial discrimination confronting Congress in the voting rights cases." *Florida Prepaid*, 527 U.S. at 640 (citing *City of Boerne v. Flores*, 521

there is not a specific threshold that justifies action under Section 5 of the Fourteenth Amendment, the Court in *Florida Prepaid* said “[t]here must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.”¹³⁰

For example, a recent decision from the Second Circuit considered the constitutionality of an abrogation of sovereign immunity pursuant to the 4-R Act, a law concerning state taxation of railways.¹³¹ In upholding the abrogation as a valid exercise of Congressional power under the Fourteenth Amendment, the court found that Congress identified a history and pattern of discriminatory taxation against railroads by the states in that the non-voting, often nonresident railroads were “easy prey” for state tax assessors.¹³² The Second Circuit pointed to the “fifteen years of deliberations and investigations [wherein] Congress concluded that railroads are over-taxed by at least \$50 million each year.”¹³³ Those opposed to federal abrogation of sovereign immunity for intellectual property claims would likely argue that the extent of state infringement does not rise to the same level of unconstitutional conduct as found in the voting rights cases cited by the Supreme Court or the evidence supporting the 4-R Act.

On the other hand, the small number of lawsuits may be attributable to a general belief that states were not subject to suit for infringement during much of the 15-year period surveyed in view of *Atascadero*, *Florida Prepaid*, and the federal courts’ exclusive jurisdiction under 28 U.S.C. § 1338(a) (2000). Furthermore, the United States Patent and Trademark Office opined that the data reported by the U.S.G.A.O. was inconclusive as to whether the number of lawsuits constituted a pattern of infringement.¹³⁴ Among other comments, it remarked “[g]iven that state entities constitute only a tiny fraction of the total number of parties using intellectual property, fifty-eight lawsuits implicating state entities as defendants seems like a substantial number.”¹³⁵

Aside from the quantitative data, additional evidence in the report addresses other questions raised by the Court and supports a limited abroga-

U.S. 507 (1997)). In *City of Boerne*, the Court reviewed a number of cases upholding various portions of the Voting Rights Act of 1965 where there was extensive evidence in the legislative history of literacy tests being applied unconstitutionally to prevent people from voting. *City of Boerne*, 521 U.S. at 525-27.

130. *Florida Prepaid*, 527 U.S. at 639 (quoting *City of Boerne*, 521 U.S. at 519-20).

131. *CSX Transp., Inc. v. N.Y. State Office of Real Prop. Svcs.*, 306 F.3d 87 (2d Cir. 2002).

132. *Id.* at 93 (quoting from the legislative history).

133. *See id.* (internal quotations omitted).

134. U.S.G.A.O. Report, *supra* note 16, at 69.

135. *Id.*

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tion of state immunity. The majority in *Florida Prepaid* found that Congress did not adequately examine the existence of remedies for intellectual property infringement at the state level.¹³⁶ To correct this deficiency, the GAO polled state representatives, intellectual property practitioners and legal scholars. Most authorities agreed that remedies for intellectual property claims are largely an untested avenue in the state courts.¹³⁷ In light of the general federal preemption in the litigation of patent and copyright claims, most of the people the GAO consulted did not view an action in state court as a viable option.¹³⁸

Some respondents to the GAO's poll suggested that a cause of action for a taking of property without compensation might be possible in state court, but acknowledged that the idea of "taking" intellectual property rights is untested.¹³⁹ Other respondents proposed state actions based on contract or tort law.¹⁴⁰ Both options pose additional problems. For instance, bringing a suit for infringement based on breach of contract requires that an agreement, express or implied, existed between the state and the owner of the intellectual property.¹⁴¹ Many cases of infringement involve parties that have not entered into an express agreement and do not have a relationship that might support an argument that an implied contract exists. Damages in a contract suit would also be limited to those provided for by the agreement.¹⁴² Both a contract and tort action attempting to recover for intellectual property infringement would have to overcome the federal exclusive jurisdiction of 28 U.S.C. § 1338. In other words, the intellectual property owner would have to convince a state court that its claim was not merely an infringement claim dressed in state law

136. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 643 (1999).

137. U.S.G.A.O. Report, *supra* note 16, at 17-19.

138. *Id.*

139. *See id.* at 19. "Takings" case law is generally grouped into either possessory takings or regulatory takings, and primarily concerns governmental action affecting real property or tangible property. *See* Paul J. Heald and Michael L. Wells, *Remedies for the Misappropriation of Intellectual Property by State and Municipal Governments Before and After Seminole Tribe: The Eleventh Amendment and Other Immunity Doctrines*, 55 WASH. & LEE L. REV. 849, 865-67 (1998). However, in considering whether government regulations affect a taking of property, courts have held that the interest in an intangible trade secret is a protected property right under the Fifth Amendment. *See* Ruckelshaus v. Monsanto, 467 U.S. 986, 1003-04 (1984); *see also supra* note 12.

140. U.S.G.A.O. Report, *supra* note 16, at 19.

141. *Id.*

142. *See id.*

clothes.¹⁴³ Finally, many states enjoy some form of governmental immunity in their own courts that would serve as an obstacle to pursuing a cause of action in state court.¹⁴⁴

Some state officials polled by the GAO argued that, because states are governmental entities, they can be trusted not to infringe intellectual property rights.¹⁴⁵ A similar argument suggests that state entities, such as research universities and hospitals, will police themselves because they are heavily involved in the development, acquisition, and use of intellectual property, based on their experience in acquiring and respecting intellectual property rights.¹⁴⁶ However, proficiency in acquiring intellectual property assets does not necessarily equate with noninfringement of others' intellectual property rights. As the *Florida Prepaid* decision acknowledges, intellectual property infringement can often occur innocently or negligently.¹⁴⁷

Admittedly, unlike private entities, states are subject to social and legal obligations that prevent them from pursuing overt policies of infringing intellectual property.¹⁴⁸ However, the "self-policing" position is troubling considering the growing role of universities in the development and use of

143. *See id.* at 18-19. A recent decision suggests another creative approach to bringing an infringement action in federal court where a private entity sponsors research at a state university. In *Syrrix, Inc. v. Oculus Pharmaceuticals, Inc.*, No. 02-321-JJF, 2002 WL 1840917 (D. Del. Aug. 9, 2002), an exclusive licensee brought suit against Oculus for inducing the University of Alabama at Birmingham to infringe its licensed patent. The Court denied the defendant's motion to dismiss finding that, although the state entity itself cannot be sued for direct infringement, a court can still find that the University infringed the patent in order to support a claim for inducing infringement. However, the utility of such vicarious lawsuits obviously rests on the existence of a private party that is contributing to or inducing infringement by a state entity.

144. *See* U.S.G.A.O. Report, *supra* note 16, at 23. Some have proposed that 28 U.S.C. § 1338 be amended to allow for concurrent jurisdiction in cases where states are accused of infringing intellectual property. *See Chavez v. Arte Publico Press*, 204 F.3d 601, 608 n.10 (5th Cir. 2000). However, the general co-existence of sovereign immunity at the state level undermines the merit of this suggestion.

145. U.S.G.A.O. Report, *supra* note 16, at 25; *see generally* Peter S. Menell, *Economic Implications of State Sovereign Immunity from Infringement of Federal Intellectual Property Rights*, 33 LOY. L.A. L. REV. 1399 (2000) (discussing the legal, social, political, and market constraints that prevent widespread infringement by states of federal intellectual property rights).

146. U.S.G.A.O. Report, *supra* note 16, at 25.

147. *See Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 645 (1999); *see also id.* at 658 n.9 (Stevens, J., dissenting) (noting numerous instances of copyright infringement by states and state entities).

148. *See* Menell, *supra* note 145 at 1428-32.

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technology.¹⁴⁹ Research universities, many of which are state entities,¹⁵⁰ have in the last twenty years significantly increased their acquisition and development of intellectual property assets.¹⁵¹ For example, the number of intellectual property licenses granted by universities in the early 1990s as compared with the early 1980s has increased 5,000%.¹⁵² Over the last ten years, state universities have also filed a larger number of patent applications and generated significantly more revenue from licenses, reflecting a concerted effort by universities to become significant players in the intellectual property field.¹⁵³ This growing dependence on intellectual property-based revenue is a reaction to decreased state and federal funding for universities.¹⁵⁴ In view of the inherent lag time in developing technology, securing patent protection, and bringing products to market, the litigation resulting from the recent emphasis on securing intellectual property assets is sure to grow in the coming years.¹⁵⁵ Although state governments and entities do not compete in the marketplace in the same way that private corporations do,¹⁵⁶ the argument that they can be trusted not to infringe the intellectual property of others appears to be largely self-serving.

149. See Margaret Cronin Fisk, *Ivory Towers Fire Back Over Patents*, NAT'L L.J., August 26, 2002, at A1.

150. State affiliated universities, such as the University of California, Michigan State University, and Florida State University, are typically among the top schools when comparing royalties earned from intellectual property licenses. See Kenneth S. Dueker, *Biobusiness on Campus: Commercialization of University-Developed Biomedical Technologies*, 52 FOOD & DRUG L. J. 453, 480 tbl.7 (1997).

151. See Steve L. Bertha, *Intellectual Property Activities in U.S. Research Universities*, 36 IDEA 513, 515 (1996) (referring to the passage of the Bayh-Dole Act of 1980 that allows universities to own and manage inventions obtained in the course of research funded by government sponsors).

152. Dueker, *supra* note 150, at 465. Specifically, “[f]rom 1974 through 1984, just over 1000 licenses were granted by universities; from 1989 through 1990, 10,510 licenses were granted.” *Id.* (citations omitted).

153. *Id.* at 479, 489, 496, 507; see also Letter from the National Association of State Universities and Land-Grant Colleges to Senator Leahy (April 17, 2002), available at <http://www.nasulgc.org/washington/watch/letters2002/s2031> (acknowledging that “public research universities are some of the greatest beneficiaries of intellectual property laws”). Although the majority of revenues are generated from licenses for patented inventions and copyrights on printed materials and software, royalties can also be extracted from valuable trademarks. A good example of a valuable trademark is the University of Florida’s development of “Gatorade.” See Bertha, *supra* note 151, at 517.

154. See Menell, *supra* note 145, at 1433-35 (noting that state universities are increasingly drawn into the commercial arena and that they have been “involved in numerous and substantial intellectual property disputes”).

155. See Dueker, *supra* note 150, at 490; Fisk, *supra* note 149.

156. Private entities pursue intellectual property rights for a number of reasons, including as defensive leverage to avoid being sued and as an offensive weapon to block

Despite the GAO report's factual support for reform, Section 6 of the 2002 Draft IPPRA may not have gone far enough in reigning in the abrogation provision. The proposed legislation provides states with the same protections currently afforded to the federal government¹⁵⁷ in that it explicitly precludes the treble or enhanced damages provided by 35 U.S.C. § 284.¹⁵⁸ Section 6 is also narrower than the abrogation legislation of the early 1990s in that it is limited to constitutional violations.¹⁵⁹

However, the proposed legislation does not clearly state which cases of infringement will meet the constitutional violation threshold. In view of the rigorous standard for review set forth in *Florida Prepaid*,¹⁶⁰ this section of the 2002 Draft IPPRA would have a better chance of surviving judicial scrutiny if it explicitly defined such cases of infringement. For example, the majority in *Florida Prepaid* also proposed limiting abrogation to situations where: 1) states intentionally infringe; or, 2) where a state provides no forum for a remedy.¹⁶¹ In the first case, the Court particularly emphasized that negligent or innocent infringement does not constitute a due process violation.¹⁶² As to the second situation, if a state provided a sufficient avenue for an intellectual property owner to pursue a remedy, an infringement by the state would not implicate due process concerns.¹⁶³ Applying this notion to the 2002 Draft IPPRA, if a state voluntarily established an administrative procedure to address intellectual property infringement claims, that state should be exempted from the abrogation provision. Inserting these limitations into the abrogation provision would more clearly define its scope and keep with the Court's requirement of proportionality.

The abrogation provision also does not enumerate the forums where a private party may sue a state. The Supreme Court recently held that state sovereign immunity also insulates states from having to appear before quasi-judicial bodies, such as the Federal Maritime Commission (FMC).¹⁶⁴

competitors out of a particular market segment. In contrast, state entities generally do not have the same agenda to control markets and primarily pursue intellectual property to generate licensing revenues.

157. *See supra* note 41.

158. Substitute 2002 Draft IPPRA, *supra* note 36, at § 6(c); *see also* S. 2031, 107th Cong. § 5(c).

159. Substitute 2002 Draft IPPRA, *supra* note 36, at § 6; *see also* S. 2031 § 5.

160. *See supra* Part II.B.1.

161. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 647 (1999).

162. *Id.* at 645.

163. *Id.* at 643.

164. Fed. Mar. Comm'n v. S.C. State Ports Auth., 122 S. Ct. 1864, 1874 (2002).

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The case involved a private party that filed an action with the FMC against the South Carolina State Ports Authority for alleged violations of the Shipping Act of 1984, seeking damages and injunctive relief.¹⁶⁵ The Court concluded that, given the similarities between an adversarial proceeding before the FMC and an action in an Article III court, South Carolina's sovereign immunity bars such an action.¹⁶⁶ In so holding, the majority pointed out that it would be inconsistent to prohibit Congress from using its Article I power to abrogate state sovereign immunity in Article III courts, but at the same time allow Congress to create Article I administrative tribunals where sovereign immunity does not apply.¹⁶⁷

Two such quasi-judicial bodies frequently hear intellectual property suits. The U.S. International Trade Commission (U.S.I.T.C.) has recently become a popular forum for resolving intellectual property disputes because of the expedited nature of its proceedings.¹⁶⁸ Adversarial proceedings over intellectual property rights can also take place before the Patent and Trademark Office in the form of an interference proceeding or under the recently established inter partes reexamination procedure.¹⁶⁹ A logical extension of the holding in *Federal Maritime Commission* may prevent a party from pursuing an action against a state before the Patent and Trademark Office or the U.S.I.T.C. Although the Patent and Trademark Office and the U.S.I.T.C. do not have the power to award money damages,¹⁷⁰ and will therefore not always be the preferred forum for intellectual property suits, the proposed legislation should seize the opportunity to address the power of quasi-judicial tribunals as they still could play an important role

165. *Id.* at 1868.

166. *Id.* at 1873-74.

167. *Id.* at 1875.

168. See Bryan A. Schwartz, *Where the Patent Trials Are: How the U.S. International Trade Commission Hit the Big Time as a Patent Litigation Forum*, A.B.A. INTELL. PROP. L. NEWSL., Winter 2002, at 1.

169. An interference is a proceeding before the Patent Office to determine who is the first party to invent when more than one applicant files an application for substantially the same invention. See DONALD S. CHISUM, CHISUM ON PATENTS § 10.09 (2002). Inter partes reexamination is a process whereby a third party can ask the Patent Office to reexamine an issued patent in view of prior art that arguably raises a substantial new question of patentability. See *id.* § 11.07[4][g].

170. The Court's opinion in *Federal Maritime Commission* explicitly rejects the notion that state sovereign immunity is premised on the goal of protecting states from money damages. Rather, "the doctrine's central purpose is to 'accord the States the respect owed them as' joint sovereigns." Fed. Mar. Comm'n v. S.C. State Ports Auth., 122 S. Ct. 1864, 1877 (quoting *P.R. Aqueduct & Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 146 (1993)).

in resolving intellectual property disputes that concern states and state entities.

B. Actions Against State Officers

As a fallback for those claims that do not rise to the level of a constitutional violation, Section 5 of the 2002 Draft IPPRA provides for an explicit cause of action against an “officer or employee of a state or state instrumentality” for statutory violations of intellectual property rights.¹⁷¹ This section of the proposed legislation codifies the doctrine set forth in *Ex Parte Young* while also providing for money damages against state employees in their individual capacity.¹⁷² *Ex Parte Young* created an exception to the immunity retained by the states under the Eleventh Amendment, allowing a private party to sue an officer or employee of the state challenging the legality of the state official’s actions in executing her duties.¹⁷³ The Supreme Court subsequently refined the *Ex Parte Young* doctrine by explicitly limiting the recovery available against state officers and employees sued in their official capacity to prospective (i.e. injunctive) relief.¹⁷⁴

In *Edelman v. Jordan*, the plaintiffs sought, among other remedies, an order that a state official release withheld welfare benefits.¹⁷⁵ In articulating the distinction between prospective and retroactive relief, the Court in *Edelman* noted that regardless of how the defendants are named in the suit, the primary issue in determining whether an action is barred by the Eleventh Amendment is whether the relief sought would “impose a liability which must be paid from public funds in the state treasury.”¹⁷⁶ Significantly, the Eleventh Amendment and the foregoing case law do not prohibit actions for damages against state employees in their *personal* capacity.¹⁷⁷ However, as the Fourth Circuit later enunciated, in determining whether an action for damages is barred by the Eleventh Amendment, a court must consider whether the relief sought implicates the employee’s personal liability or her official duties.¹⁷⁸

171. Substitute 2002 Draft IPPRA, *supra* note 36, at § 5; *see also* S. 2031, 107th Cong. § 4 (2002).

172. 209 U.S. 123 (1908).

173. *Id.* at 155-56.

174. *Edelman v. Jordan*, 415 U.S. 651, 663 (1974).

175. *See id.* at 656.

176. *See id.* at 663.

177. *See infra* note 185 and accompanying text.

178. *Richard Anderson Photography v. Brown*, 852 F.2d 114, 122 (4th Cir. 1988) (quoting *Larson v. Domestic & Foreign Commerce Corp.*, 337 U.S. 682 (1948) (Frankfurter, J., dissenting)).

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Injunctive relief against state officers or employees is generally considered one of the few remaining options available to intellectual property owners with claims against a state in the wake of *Florida Prepaid*.¹⁷⁹ A recent decision from the Southern District of New York relied on *Ex Parte Young* to allow a copyright action seeking injunctive relief to proceed against two university officials.¹⁸⁰ In denying a motion to dismiss as to the university officials, the Court found plaintiff's claims concerning the officials' involvement in the alleged infringement to be "limited," but sufficient to sustain the suit.¹⁸¹ Nonetheless, the Supreme Court has continually narrowed the contours of the *Ex Parte Young* doctrine. In *Idaho v. Coeur d'Alene Tribe of Idaho*, the Court cautioned that Eleventh Amendment immunity is a limitation on federal court jurisdiction and to allow every action for prospective relief against a state officer to proceed would undermine the holding of *Seminole Tribe*.¹⁸² Furthermore, from a practical standpoint, the costs of litigation generally do not justify pursuit of an equitable remedy without the potential for collecting damages.¹⁸³

Section 5 of the 2002 Draft IPPRA addresses the cost issue by allowing a private intellectual property owner to recover money damages, costs, and attorney's fees in a suit against a state officer or employee.¹⁸⁴ Section 5 essentially codifies the principle, made clear by the Fourth Circuit in *Richard Anderson Photography v. Brown*, that a state employee can be sued for damages in her individual capacity irrespective of the Eleventh Amendment.¹⁸⁵ In *Richard Anderson Photography*, a public relations director was sued for infringement based on alleged unauthorized use of copyrighted photographs.¹⁸⁶ The Fourth Circuit concluded that, although a claim for damages against the public relations director in her official capacity was barred by the Eleventh Amendment, the plaintiff could pursue

179. See U.S.G.A.O. Report, *supra* note 16, at 16.

180. *Salerno v. City Univ. of N.Y.*, 191 F. Supp. 2d 352, 357 (S.D.N.Y. 2001).

181. *Id.*

182. 521 U.S. 261, 269 (1997) (finding that an action to quiet title to land concerns the unique sovereignty interests of the State of Idaho and does not fall within the *Ex Parte Young* doctrine); see also *Earles v. State Bd. of Certified Pub. Accountants*, 139 F.3d 1033, 1036 (5th Cir. 1998) (noting that the Eleventh Amendment prohibits an action where the state, although not the nominal party, is the true party in interest).

183. See U.S.G.A.O. Report, *supra* note 16, at 16.

184. Substitute 2002 Draft IPPRA, *supra* note 36, at § 5; see also S. 2031, 107th Cong. § 4 (2002).

185. 852 F.2d 114, 122 (4th Cir. 1988); see also *Kersavage v. Univ. of Tenn.*, 731 F. Supp. 1327, 1330 (E.D. Tenn. 1989); *Lane v. First Nat'l Bank*, 687 F. Supp. 11, 15 (D. Mass. 1988), *aff'd*, 871 F.2d 166 (1st Cir. 1989).

186. *Richard Anderson Photography*, 852 F.2d at 122.

a claim against the university employee in her individual capacity.¹⁸⁷ The court in *Lane v. First National Bank* reached a similar conclusion where the plaintiff alleged certain state employees infringed her copyrighted databases.¹⁸⁸

However, collecting money damages against an individual employee of the state may prove difficult in practice. First, the individual may be protected nevertheless by substantive immunity. The Supreme Court has held that “government officials performing discretionary functions, generally are shielded from liability for civil damages insofar as their conduct does not violate clearly established statutory or constitutional rights of which a reasonable person would have known.”¹⁸⁹ Second, an individual government employee may not have the means to pay the often significant award in an infringement action.¹⁹⁰ It is the individual’s employer, the state, that has the deep pockets to pay a damages award. Although the provisions of Section 5 are consistent with Eleventh Amendment jurisprudence, they do not by themselves completely close the gap in an intellectual property owner’s rights created by state sovereign immunity.

C. The Equal Remedies Provision

The 2002 Draft IPPRA also conditions the availability of certain remedies to a state on the state’s voluntary waiver of sovereign immunity.¹⁹¹ In other words, if a state does not voluntarily submit to jurisdiction in federal court for all cases involving infringement of intellectual property under federal law, then the state, as a potential plaintiff, will not enjoy the full extent of the remedies provided for under those same laws. This section of the 2002 Draft IPPRA thus levels the playing field between private parties and states without abrogating state immunity altogether. In view of the severability clause in Section 7(c) of the 2002 Draft IPPRA, even if the other more aggressive provisions are overturned by the courts,

187. *Id.* at 116.

188. 687 F. Supp. at 11.

189. *Harlow v. Fitzgerald*, 457 U.S. 800, 818 (1982). *But see Richard Anderson Photography*, 852 F.2d at 122-23 (remanding qualified immunity issue and noting that the Supremacy Clause precludes application of a state immunity law); *Lane*, 687 F. Supp. at 15-17 (denying the individual defendants’ motion for summary judgment based on qualified immunity).

190. However, in certain situations a state employee may be indemnified by the state employer for such liability.

191. *See supra* note 112.

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the equal remedies provision will likely protect some private litigants from liability to states for damages.¹⁹²

Although states and state entities are increasingly active in the acquisition and enforcement of intellectual property, it is unlikely they would voluntarily waive the blanket protection of sovereign immunity for the opportunity to pursue damages for infringement of intellectual property.¹⁹³ For example, many state universities are empowered by their respective state legislatures to enforce intellectual property rights.¹⁹⁴ However, the universities primarily derive revenues from their intellectual property through licensing agreements, and not from judgments of infringement obtained in court.¹⁹⁵

Universities with sophisticated intellectual property licensing programs typically earn revenues in the millions or tens of millions of dollars each year.¹⁹⁶ In contrast, the ten largest patent damages awards between 1982 and 2000 all exceeded \$100,000,000.¹⁹⁷ Consequently, the exposure to the potentially substantial money judgments that often result from intellectual property litigation would in most cases far outweigh the potential benefits that a state or state entity could accrue from being able to sue for money damages. States, because of their financial resources, are attractive defendants in lawsuits. Furthermore, states and state entities engage in an expansive range of activities, increasing their potential liability. Assuming a state chooses not to waive its immunity, under Section 4 of the 2002 Draft IPPRA the state will still retain the same potential remedies a private litigant would have against the state, namely injunctive relief and attorney's fees.¹⁹⁸ Thus, in light of the potential for significant liability, states

192. See S. 2031, 107th Cong. § 7(c) (2002) (regarding severability of the provisions).

193. See U.S.G.A.O. Report, *supra* note 16, at 2.

194. See, e.g., FLA. STAT. ANN. § 240.229 (West 1998) (“[E]ach university is authorized, in its own name, to: (1) Perform all things necessary to secure letters of patent, copyrights, and trademarks on any work products and to enforce its rights therein. . . (3) Take any action necessary, including legal action, to protect the same against improper or unlawful use or infringement.”).

195. See generally Dueker, *supra* note 150.

196. See *id.* at 489, 496.

197. See Kathleen M. Kedrowski & Jennifer L. Knabb, *An In-Depth Look at Historical Patent and Trademark Damages Trends*, A.B.A. INTELL. PROP. L. NEWSL., Spring 2002, at 9.

198. For example, as to the patent laws, the equal remedies provision prohibits remedies under 35 U.S.C. § 284 (2000) (damages) and 35 U.S.C. § 289 (2000) (statutory damages for design patent), but does not bar relief under 35 U.S.C. § 283 (2000) (providing courts with the power to grant injunctions “to prevent the violation of any right secured by the patent”) or 35 U.S.C. § 285 (2000) (giving the power to “award reasonable attorney’s fees”).

will not likely waive the immunity provided by the Eleventh Amendment.¹⁹⁹

Although Section 4 of the proposed legislation is less likely than some of the other provisions to receive a direct constitutional challenge, in its current form it is also likely to be largely ineffectual for the reasons discussed above. States that decline to waive their immunity will still be able to pursue patents, federal copyright registrations, and federal trademark registrations. However, without the ability to enforce intellectual property rights through the threat of litigation, states will have less incentive to invest the resources to develop an intellectual property portfolio. In other words, undermining the ability to enforce intellectual property rights dilutes their worth because intellectual property derives value from its exclusive nature. The net effect of the equal remedies provision as currently drafted may be to dampen the incentive for states, and particularly state universities, to pursue and protect intellectual property.

With modification, the equal remedies provision could be more effective at encouraging states to respond to the intellectual property claims of private parties. One approach would be to allow states to set up an administrative procedure for parties to file claims of intellectual property infringement against the state as an alternative to waiving their immunity in federal court. Such administrative procedures already exist to some extent in Florida and California.²⁰⁰

ney fees to the prevailing party”). However, the substitute version of the 2002 Draft IPPRA, *see infra* note 205, includes the respective injunctive relief provisions of each of the patent, copyright, and trademark statutes as a prohibited remedy. If this substitute version of the 2002 Draft IPPRA were adopted, states and private entities would not have the same potential remedies in that private litigants could still pursue injunctive relief, but states could not. This more stringent version of the equal remedies provision is thus less likely to withstand the Supreme Court’s requirement of proportionality.

199. In the limited situation where a state or state entity is the owner of the intellectual property in dispute, some courts have found a constructive waiver of sovereign immunity. *See* T. Michael McGuire v. Regents of the Univ. of Mich., No. 2: 99CV1231, 2000 WL 1459435, at *4 (S.D. Ohio Sept. 21, 2000); *New Star Lasers, Inc. v. Regents of the Univ. of Cal.*, 63 F. Supp.2d 1240, 1244 (E.D.Cal. 1999) (holding that university regents are not immune from suit in a declaratory judgment action seeking invalidity of the university’s patent, notwithstanding the Supreme Court decisions in *Florida Prepaid* and *College Savings Bank*).

200. *See* *Chew v. California*, 893 F.2d 331, 332 (Fed. Cir. 1990) (referring to the plaintiff’s action in filing a claim with the State of California Board of Control before bringing suit in federal court); *Jacobs Wind Elec. Co. v. Dep’t of Transp.*, 626 So. 2d 1333, 1338 (Fla. 1993) (Harding, J., dissenting) (citing FLA. STAT. ANN. § 11.065 (West 1998), which ostensibly permits a citizen to file a claim for compensation with the state

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Even assuming that state courts could hear intellectual property claims without conflicting with exclusive federal jurisdiction over patent law, a state administrative procedure for hearing intellectual property claims would likely be preferable to having state courts hear intellectual property cases for several reasons. First, a general administrative procedure may not implicate the exclusivity provisions of 28 U.S.C. § 1338.²⁰¹ Second, an administrative procedure can be simplified, making it less likely to raise the uniformity issues that prompted the creation of the Federal Circuit. Creating an administrative procedure to hear claims would in this respect be better than having state courts become involved in interpreting patent and copyright law and creating potentially conflicting precedent.²⁰² Third, such an alternative is in accord with the Supreme Court's opinion in *Florida Prepaid*. The majority's focus on the existence of state remedies²⁰³ and the need for Congress to proceed judiciously in abrogating the Eleventh Amendment²⁰⁴ calls out for creative state solutions to the problem. Finally, there is a much greater probability that states would adopt an administrative claim procedure of their own design, as opposed to a wholesale waiver of their sovereign immunity. Although requiring states to establish administrative procedures may not effectively redress all intellectual property claims, it is likely to have a more constructive impact than the current version of Section 4.

D. The Participation Provision

At the time of this writing, an additional provision was set forth in an amended version of the proposed legislation, but the bill had not been formally introduced in Congress.²⁰⁵ The participation provision contained in Section 3 of the 2002 Draft IPPRA absolutely conditions a state's ownership of patents, trademarks, or copyrights on that state's waiver of its sovereign immunity.²⁰⁶ In other words, if the state does not formally agree

legislature). The California state code permits a citizen to file a claim for damages with the state legislature. *See* CAL. GOV'T CODE ANN. §§ 905.2(c), 905.4 (West 1995).

201. Section 1338 states, in pertinent part, "[s]uch jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases." 28 U.S.C. § 1338(a) (2000) (emphasis added).

202. A private party wanting to challenge the adequacy of such an administrative proceeding could potentially bring a due process claim in federal court as acknowledged in *Florida Prepaid*. Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 643 (1999).

203. *See id.*

204. *See id.* at 646-47.

205. *Draft Leahy/Hatch Amendment Stiffens IP Protection/Immunity Waiver Trade-Off*, 64 BUREAU OF NAT'L AFFAIRS PAT., TRADEMARK & COPYRIGHT J. 32 (2002).

206. Substitute 2002 Draft IPPRA, *supra* note 36, at § 3.

to open itself to suit in federal court for intellectual property claims, the state cannot apply for trademark registrations, copyright registrations, and patents with the respective federal agencies that issue them. This provision overlaps the equal remedies provision by excluding states from obtaining intellectual property altogether, and the 2002 Draft IPPRA does not indicate which section takes precedence. However, Section 3 logically applies to all future applications for federal intellectual property protection, while the equal remedies section logically applies to all existing intellectual property rights.²⁰⁷

Excluding states from obtaining certain intellectual property altogether is a drastic approach to leveling the playing field between states and private parties. The participation provision also raises a constitutional issue. On the one hand, as Justice Scalia noted in *College Savings Bank*, Congress can force the states to waive their sovereign immunity in order to receive a “gift or gratuity” from the federal government.²⁰⁸ When Congress disburses funds under its Spending Clause power, such a disbursement is a gift rather than an obligation.²⁰⁹ The Constitution, which gives Congress the power to create intellectual property rights, does not explicitly require that the states be entitled to receive those rights.²¹⁰ On the other hand, the participation provision of Section 3 may go too far in that federal intellectual property protection may not be a “gift or gratuity,” but instead, “lawful activity.”²¹¹ Put another way, a state may argue that coercing it to surrender the constitutionally protected right of immunity from suit in federal court in order to participate in the federal intellectual property scheme is itself unconstitutional.²¹² Whether participation in the federal system is a gratuity or a right is not clear under the current law.²¹³ Nonetheless, forcing the states to extract themselves from a system that is

207. Substitute 2002 Draft IPPRA, *supra* note 36, at §§ 3-4. The remedies equalization provision explicitly applies to all suits brought after January 1, 2003 regardless of when the underlying right was secured, whereas the participation provision applies to all new applications for patents, trademarks, or copyrights after January 1, 2003.

208. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 686-87 (1999).

209. *Id.*

210. U.S. CONST. art. I, § 8, cl. 8.

211. *See* Menell, *supra* note 145, at 1441 (discussing Justice Scalia’s analysis of financial inducements and coercive conditions); *see also* Gilbert L. Carey, *The Resurgence of States’ Rights Creates New Risk to Intellectual Property*, 11 ALB. L.J. SCI. & TECH. 123, 150-51 (2000).

212. *See* Daniel J. Meltzer, *The Seminole Decision and State Sovereign Immunity*, 1996 SUP. CT. REV. 1, 51.

213. *See id.* at 51-54 (providing an alternate, less coercive solution to the immunity issue based on conditioning federal tuition grants on a waiver of sovereign immunity).

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significantly linked to their own fiscal policies, particularly in the context of state universities, appears to be a straightforward example of coercive activity.

The participation provision presents some of the same practical concerns as the equalization of remedies provision. As discussed above, it is unlikely that states will willingly forfeit the protections of sovereign immunity to participate in the intellectual property system. The potential liability risks for states probably far outweigh any economic benefits that could be recovered from owning intellectual property. Admittedly, the participation provision requires a more involved analysis than the equal remedies provision discussed above, because foregoing participation would eliminate all potential revenue from intellectual property licensing. However, as the data from patent damages cases indicates, damage awards have the potential to far exceed the licensing revenues that can be collected by a university.²¹⁴ Furthermore, the various areas in which states and state entities operate expose a state to a far greater range of intellectual property infringement claims than a typical private entity, such as a company in the software field.²¹⁵ Consequently, the result of Section 3 will be to simply force the states out of the intellectual property arena. Although the implications of such a situation are not entirely clear, it is a result that is contrary to the incentive-oriented goals of the intellectual property laws. For example, precluding research universities from being able to collect licensing fees may cause a significant drain on the capital necessary to continue sophisticated research.²¹⁶ Since Section 3 does not further the goals of the patent system, it should be eliminated from the final legislation.

Finally, Congress may want to consider the international implications of state sovereign immunity to intellectual property infringement claims. As a signatory to several international agreements establishing certain minimum standards for respecting intellectual property rights, the federal government must enforce these basic protections in the United States.²¹⁷ The gap in intellectual property rights created by the *Florida Prepaid* decisions likely contravenes at least certain provisions of these international

214. See *supra* Part IV.C.

215. Examples of potential state infringing activity provided by Professors Heald and Wells include unauthorized use of a patented process for making a drug at a research university, unauthorized copying of a text, and misattribution of a product used by the state. See Heald and Wells, *supra* note 139, at 850.

216. See Menell, *supra* note 145, at 1434 (noting the decline in state and federal funding to universities and the resulting dependence on licensing proceeds).

217. See *id.* at 1448-49.

agreements.²¹⁸ Accordingly, Congress could look to other sources of its power in Article I of the Constitution, notwithstanding the limitations set by the Court in *Seminole Tribe*,²¹⁹ to support abrogation of state sovereign immunity as it relates to intellectual property rights.²²⁰ Specifically, the power to implement foreign treaties with enacting legislation, provided by the Necessary and Proper Clause,²²¹ may serve as an alternate basis for justifying the abrogation provision in Section 6 of the 2002 Draft IPPRA. The same argument also could be made to justify the participation provisions of Section 3. However, as already discussed, the approach proposed in the participation provision would likely have detrimental effects that would outweigh the goal of protecting private entities' intellectual property against state infringement.

Given the history of the statutes and case law addressing intellectual property claims against the states, implementing the foregoing suggestions would produce a more moderate piece of legislation with a greater likelihood of surviving judicial review. Furthermore, these suggested revisions are intended to further the policies underlying intellectual property rights.

V. CONCLUSION

The imbalance of intellectual property rights between the states and private entities is ripe for correction. Although the evidence of state infringement of intellectual property is limited, as the GAO's report explained, these types of claims are not easily monitored and tabulated.²²² In light of the increasing activity of states (and particularly state-affiliated universities) in the intellectual property field, the 2002 Draft IPPRA is a significant piece of legislation worthy of careful consideration.

Some intellectual property scholars and practitioners are of the view that any gap in ownership rights is the fault of the federal preemption statutes.²²³ However, removing the federal courts' exclusive jurisdiction would not bridge this gap because many states are immune from suit in their own courts. Furthermore, opening the state courts as entirely new venues to hear patent and copyright claims undermines Article I's implicit goal of national uniformity in intellectual property law. If state courts could hear intellectual property claims, their decisions would not be re-

218. *See id.* at 1449-55.

219. *See supra* note 61 and accompanying text.

220. *See Menell, supra* note 145, at 1460-61.

221. U.S. CONST. art. I, § 8, cl. 18.

222. *See* U.S.G.A.O. Report, *supra* note 16, at 7-8.

223. *See id.* at 24.

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viewable by the Federal Circuit.²²⁴ National uniformity was the motivation behind the creation of the Federal Circuit, and any proposed legislation should avoid compromising that goal.²²⁵

Assuming that the proposed legislation is codified, one or more of its provisions will likely face a constitutional challenge in the judicial system in the near future. Although the drafters of the proposed legislation have attempted to narrow the abrogation provision, Section 6 should be further revised to improve its chances of being sustained on judicial review. The participation provision, Section 3, is a drastic remedy that is unnecessary in view of the equal remedies section. Furthermore, the growing importance of state universities in developing intellectual assets suggests that Section 3 may do more harm than good. Finally, amending the equal remedies provision in Section 4 to encourage the creation of state administrative processes for protecting private rights will further the policies underlying our intellectual property laws.

224. *See* Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, , 527 U.S. 627, 659 (1999) (Stevens, J., dissenting).

225. *See id.* at 651 (Stevens, J., dissenting).