STATE SOVEREIGN IMMUNITY

A Royalty Free License To Infringe After Florida Prepaid

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1. INTRODUCTION

Until 1985 it was generally assumed that states were subject to federal intellectual property (IP) laws because the federal government had power to enforce these laws over states based on Congress' Constitutional powers defined in Article I (the Commerce clause and the Patent Clause) as well as Congress' enforcement powers under the Fourteenth Amendment.[1] However, in 1985 the U.S. Supreme Court in *Atascadero State Hospital v. Scanlon*[2] held that only a clear and unmistakable abrogation by Congress could trump a state's immunity from suit in federal court under the Eleventh Amendment of the Constitution.[3] Thus, in 1990 and 1992 Congress passed legislation that explicitly abrogated a state's immunity for infringement of intellectual property.[4]

Unfortunately, two companion cases, *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*,[5] (*Florida Prepaid)* and *College Savings Bank v. Florida Prepaid Post Secondary Education Expense Board,*[6] *(College Savings Bank)* found these laws to be unconstitutional. The result was that a state infringing on another's IP was now immune from suit in federal court and thus was able to escape liability. This created quite a controversy, especially since state universities as major developers of technology and participants in the IP system, obtain tremendous benefit from the patent and copyright laws but after *Florida Prepaid* and *College Savings* were not subject to the same constraints and liabilities that others, including private universities were under the IP laws.

This paper reviews these two important cases and examines the history of state sovereign immunity under the Eleventh Amendment, from its revolutionary war roots through its evolution over the last two hundred years to its present state of interpretation. While state immunity appears to be a gaping hole in the patent laws, there are ways of overcoming what appears to be an unlimited license to infringe. Thus, three solutions for overcoming state sovereign immunity are presented and a fourth, pending legislative solution is also examined.

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[1] Robert T. Neufeld, *Closing Federalism's Loophole in Intellectual Property Rights,* 17 Berkeley Tech. L.J. 1295, 1301 (Fall 2002).
[2] *Atascadero State Hosp. v. Scanlon,* 473 U.S. 234, 238 (1985).
[3] Neufeld, 17 Berkeley Tech. L.J at 1302.
[4] *Id.*
[5] *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999).
[6] *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999).

2. FLORIDA PREPAID AND COLLEGE SAVINGS BANK – THE CASES

2.1 *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*

Prior to 1992, a state could not be sued for patent infringement because of its sovereign immunity under the Eleventh Amendment of the Constitution. Thus, in 1992 Congress amended the patent laws with the Patent and Plant Variety Protection Remedy Clarification Act and expressly abrogated the States' sovereign immunity from claims of patent infringement.[7] This opened the door for College Savings Bank in 1994 to pursue a claim against Florida Prepaid Postsecondary Education Expense Board, a state agency, in federal court.

College Savings Bank was a New Jersey savings bank that marketed and sold certificates of deposit (CDs), which were annuity contracts for financing future college expenses.[8] College Savings obtained a patent for its financing methodology, which was designed to guarantee investors sufficient funds to cover the costs of tuition for colleges.[9] Florida Prepaid Postsecondary Education Expenses Board (Florida Prepaid) was an entity created by the State of Florida that administered similar tuition prepayment contracts available to Florida residents and their children.[10] College Savings claimed that in the course of administering its tuition prepayment program, Florida Prepaid directly and indirectly infringed College Savings' patent.[11] College Savings brought an infringement action under 35 U.S.C §271(a) against Florida Prepaid in the United States District Court for the District of New Jersey in 1994.[12]

The District Court and the Court of Appeals held in favor of College Savings Bank, but the Supreme Court ultimately reversed the decision.[13] The Supreme Court held that Congress did not have the power to abrogate a state's sovereign immunity using it's Article I powers.[14] The Court reaffirmed Congress' remedial powers pursuant to §5 of the Fourteenth Amendment to abrogate sovereign immunity, but in this case the remedy was neither proportional to the problem, nor was there enough data to even suggest a widespread pattern of state patent infringement that could justify remedial action by Congress.[15] Florida Prepaid was therefore

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[7] *Florida Prepaid,* 527 U.S. at 630, 632.
[8] *Florida Prepaid,* 527 U.S. at 627, 630.
[9] *Florida Prepaid,* 527 U.S. at 631.
[10] *Id.*
[11] *Id.*
[12] *Florida Prepaid,* 527 U.S. at 631.
[13] *Florida Prepaid,* 527 U.S. at 630.
[14] *Florida Prepaid,* 527 U.S. at 648.
[15] *Florida Prepaid,* 527 U.S. at 647-648.

immune from College Savings' infringement action and was unable to enforce its infringement claim against the state.

2.2 College Savings Bank v. Florida Prepaid Post Secondary Education Expense Board

In addition to the patent infringement suit, College Savings Bank also claimed that Florida Prepaid was responsible for false and misleading advertising under the Lanham Act.[16] The Supreme Court determined the outcome of this claim in *College Savings Bank v. Florida Prepaid Post Secondary Education Expense Board* and once again, the Court held that state sovereign immunity under the Eleventh Amendment prevented the federal court from hearing the case.[17] This time, the Court reasoned that a false advertising claim was not a property interest and therefore was not a violation of due process under the Fourteenth Amendment.[18] Thus Congress' attempt to abrogate sovereign immunity with the Trademark Remedy Clarification Act, which permitted individuals to sue a state, was not valid, and once again, state sovereign immunity protected it from liability.[19]

3. SOVEREIGN IMMUNITY UNDER THE ELVENTH AMENDMENT

The Eleventh Amendment states "the judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any foreign State."[20] As currently interpreted, this amendment prohibits suits in federal courts against state governments in law, equity or admiralty, by a state's own citizens,[21] by citizens of another state, by citizens of foreign countries,[22] or by Native American tribes.[23] The Supreme Court has also held that sovereign immunity also bars suits against state governments in state court without their consent.[24] Hence, the Eleventh Amendment effectively immunizes the actions of state governments from federal court review, even when a state violates the most fundamental of

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[16] *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666, 668-669 (1999).
[17] *College Savings Bank,* 527 U.S. at 691.
[18] *College Savings Bank,* 527 U.S. at 672.
[19] *College Savings Bank,* 527 U.S. at 691.
[20] U.S. Const. amend. XI.
[21] See, *e.g.*, *Hans v. Louisiana,* 134 U.S. 1 (1890); *Seminole Tribe of Florida v. Florida,* 517 U.S. 44 (1996).
[22] Erwin Chemerinsky*, Federal Jurisdiction*, 394 (4th ed., Aspen Publishers 2003).
[23] *Seminole Tribe of Florida v. Florida,* 517 U.S. 44 (1996).
[24] Chemerinsky, *Federal Jurisdiction* at 394.

constitutional rights.[25] Proponents of sovereign immunity argue that this allows a state to maintain the dignity that is consistent with the state's status as a sovereign entity.[26] The policy behind this appears to be safeguarding state government and more specifically, protecting state treasuries.[27] But, the Court has also devised a number of ways to circumvent the broad prohibition of the Eleventh Amendment and to ensure that federal courts can review alleged illegal state actions.[28] Three primary mechanisms for accomplishing this are by permitting suits against state officers, allowing states to waive their sovereign immunity and consent to the suit,[29] and finally litigation may occur by statute if the law was adopted under Congress' Fourteenth Amendment powers.[30]

The Eleventh Amendment has been a part of the Constitution for nearly 200 years[31] and it has been widely debated ever since. Critics claim that sovereign immunity wrongly favors government immunity over accountability and is inconsistent with the very notion of government under law.[32] State sovereign immunity potentially permits people to be deprived of life, liberty, or property without remedy and therefore represents a lack of due process.[33] On the other hand, defenders of sovereign immunity argue that the doctrine properly puts trust in government.[34]

The Supreme Court currently appears to be committed to protecting state sovereignty by limiting federal power.[35] Almost all recent rulings regarding this matter have employed federalism to increase protection for state governments and all of the sovereign immunity decisions have been decided by five-to-four margins.[36] The five most conservative Justices including Chief Justice Rehnquist and Justices O'Conner, Scalia, Kennedy, and Thomas are typically the majority while Justices Stevens, Souter, Ginsburg and Breyer are the dissenters.[37]

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[25] *Id*. at 394.
[26] *Id.* at 396.
[27] *Id.* at 395.
[28] *Id*. at 394.
[29] *Alden v. Maine,* 527 U.S. 706 (1999).
[30] Chemerinsky, *Federal Jurisdiction* at 395.
[31] *Id.* at 395.
[32] *Id.* at 396.
[33] *Id.* at 396.
[34] *Id.* at 396.
[35] *Id.* at 396.
[36] *Id.* at 397.
[37] *Id.* at 397.

3.1 History of the Eleventh Amendment

Two of the clauses in Article III, §2 of the Constitution specifically deal with suits against state governments.[38] These provisions permit suits "between a State and Citizens of another state" and "between a State … and foreign … Citizens.[39]" At the time of drafting of the Constitution, post-revolutionary states had incurred substantial debt and there was fear of suits being brought against the states in federal court to collect on these debts.[40] Thus at state ratifying conventions there was debate over whether states could be sued in federal court without consent.[41] The United States Supreme Court decided the dispute over whether sovereign immunity survived Article III soon after the Constitution was ratified.[42]

In 1794, the Court heard *Chisholm v. Georgia.*[43] In *Chisholm*, a South Carolina citizen sued the State of Georgia in Federal Court to recover money owed from a Revolutionary War debt.[44] Chisholm argued that Article III of the Constitution clearly permitted suits against states by citizens of other states, while the state of Georgia chose not to appear believing that federal courts had no jurisdiction over it.[45] The Supreme Court held in favor of Chisholm, concluding that the suit was permitted.[46] State legislators and governors were outraged at the decision and the intense reaction resulted in a constitutional amendment being drafted to overturn the Court's decision.[47] Less than three weeks after the *Chisholm* decision, Congress approved the Eleventh Amendment and within a year, the states ratified it.[48] The consensus among historians is that states ratified the Eleventh Amendment because they feared suits against them to collect unpaid Revolutionary War debts. The states also feared that British creditors and Americans whose property was seized during the war would sue the states to recover their assets.[49] The Eleventh Amendment eliminated this fear by giving states immunity from suit in federal courts.

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[38] *Id.* at 397.
[39] U.S. Const. Art. III, § 2.
[40] Chemerinsky, *Federal Jurisdiction* at 398.
[41] *Id.*
[42] *Id.* at 400.
[43] *Chisholm v. Georgia*, 2 U.S. 419 (1793).
[44] Chemerinsky, *Federal Jurisdiction* at 400.
[45] *Id.* at 401.
[46] *Id.*
[47] *Id.* at 402.
[48] *Id.* at 402.
[49] *Id.* at 402.

3.2 State Waiver of Immunity

As the doctrine of state sovereign immunity developed, the concept of waiver also matured. In *Alden v. Maine,*[50] probation officers sued the state of Maine, claiming that the state owed them overtime pay under federal law.[51] After removing the suit from federal court under Eleventh Amendment sovereign immunity, the case was heard in state court.[52] The U.S. Supreme Court held that because of sovereign immunity, state governments cannot be sued in state court without their consent, and also a state must waive its immunity to be sued in federal court.[53]

3.3 What Is Permitted Under the Eleventh Amendment

The Eleventh Amendment does not bar federal court suits by the U.S. government against a state.[54] Also, a state may sue another state if protecting its own interests, but not simply to collect debts.[55] Federal courts also can hear cases in admiralty[56] and the appellate jurisdiction of the Supreme Court has been maintained.[57] The Eleventh amendment does not bar suits against municipalities or political subdivisions of a state.[58] In some cases, federal courts have declined to grant state universities immunity from suits under the Eleventh Amendment[59] while most other courts have allowed universities to invoke immunity preventing litigation in federal court.[60] In *Regents of University California v. Doe*, an employee of the Lawrence Livermore National Laboratory under contract with the Department of Energy sued the University and the Ninth Circuit allowed the suit to proceed.[61] On appeal, the Supreme Court reversed the decision, holding that the University of California was a part of the state and therefore the suit was barred under the Eleventh Amendment.[62] In general, a state university is considered to be a part of the

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[50] *Alden,* 527 U.S. at 706.
[51] Chemerinsky, *Federal Jurisdiction* at 411.
[52] *Id.*
[53] *Id.*
[54] *Id.* at 412.
[55] *Id.*
[56] See, *e.g., Florida Department of State v. Treasure Salvors, Inc.,* 458 U.S. 670 (1980).
[57] See, *e.g., Monaco v. Mississippi,* 292 U.S. 313 (1934).
[58] Chemerinsky, *Federal Jurisdiction* at 413.
[59] See, *e.g., Hander v. San Jacinto Junior College,* 522 F.2d 204 (5th Cir. 1975).
[60] See, *e.g., Regents of University of California v. Doe,* 519 U.S. 425 (1997); Chemerinsky, *Federal Jurisdiction* at 415
[61] Chemerinsky, *Federal Jurisdiction* at 415.
[62] *Id.*

state because the state's treasury funds public universities and the state governor appoints members of the university's governing authority.[63]

4. HOW TO GET AROUND THE ELEVENTH AMENDMENT

A state's sovereign immunity appears to be a daunting bar to overcome. Nevertheless, there are currently three methods for obtaining redress against a state in federal court. Federal court is the preferred jurisdiction for IP cases due to the uniformity of law, but it is also important to remember that some claims may also be pursued (e.g. tort actions, breach of contract and unfair competition claims) against the state in state court.

4.1 Suits Against State Officers

In *Osborne v. Bank of the United States,*[64] the Supreme Court concluded that the Eleventh Amendment precluded suits against a state only when the state is actually named as the defendant in the litigation.[65] Therefore, one way of circumventing the Eleventh Amendment is by naming a state officer as the defendant instead of the state government itself.[66] This principle comes from English common law where the King had sovereign immunity, but other officials could be sued to remedy wrongs done by the government.[67]

Ex parte Young[68] is widely credited with establishing the principle that the Eleventh Amendment does not preclude suits against state officers for injunctive relief.[69] In *Ex parte Young,* shareholders in the Northern Pacific Railway filed suit against the state of Minnesota, claiming that a state law limiting railroad rates was unconstitutional.[70] The plaintiffs specifically sought an injunction against Minnesota Attorney General Young from enforcing the law against the railway.[71] A federal district court enjoined Young from enforcing the law and Young was later cited for contempt in disregarding this order.[72] The Supreme Court ultimately affirmed the injunction against Young, concluding that the Eleventh Amendment did not bar suits against

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[63] Chemerinsky, *Federal Jurisdiction* at 416-417.
[64] *Osborne v. Bank of the United States,* 22 U.S. 738 (1824).
[65] Chemerinsky, *Federal Jurisdiction* at 418.
[66] *Id.*
[67] *Id.*
[68] *Ex parte Young,* 209 U.S. 12 (1908).
[69] Chemerinsky, *Federal Jurisdiction* at 419.
[70] *Id.*
[71] Chemerinsky, *Federal Jurisdiction* at 419-420.
[72] Chemerinsky, *Federal Jurisdiction* at 420.

state officers to enjoin violations of federal law.[73] In reaching this decision, the Court reasoned that state officers have no authority to violate the Constitution or laws of the United States, hence their illegal acts are stripped of state authority and thus suits against them are not prevented under the Eleventh Amendment.[74] This represents the primary method of limiting the effect of the Eleventh Amendment in order to ensure state compliance. Without the *Ex parte Young* doctrine, federal courts would be powerless to prevent state violations of the Constitution and federal laws.[75] Injunction against state officers has been upheld as recently as 2002.[76]

A problem with this type of relief is that if the injunction involves awarding money damages payable from the state treasury, the state may still be protected under the Eleventh Amendment even when the named defendant is a state officer.[77] This is because the action is in essence one for recovery of money from the state; the state is the real party of interest and therefore is entitled to invoke its sovereign immunity.[78] Hence the Eleventh Amendment does not prevent suits against state officers in their individual capacity for money damages paid out of the officers' own pocket and state indemnification policies are irrelevant, but a suit against an officer in his official capacity where recovery would be from the state treasury is barred.[79] An officer however, may still claim common law immunities (absolute or qualified immunity) as a defense thereby protecting him from money damage awards.[80]

Additionally, federal courts may provide injunctive relief against a state officer even when compliance will cost the state treasury money prospectively because the money is considered ancillary to compliance with the law, and the costs are incidental to compliance. The Eleventh Amendment does prohibit a federal court from awarding retroactive relief where damages paid from the state treasury are to compensate for past injuries, again, to protect the state treasury.[81]

4.2 Exceptions to *Ex parte Young*

[73] *Id.*
[74] *Id.*
[75] Chemerinsky, *Federal Jurisdiction* at 420-422.
[76] See, *e.g. Verizon Maryland, Inc. v. Public Service Commission of Maryland,* 122 S. Ct. 1753 (2002); Chemerinsky, *Federal Jurisdiction* at 438.
[77] See *e.g., Ford Motor Co. v. Department of the Treasury,* 323 U.S. 459 (1945); Chemerinsky, *Federal Jurisdiction* at 422-423.
[78] *Ford Motor Co.,* 323 U.S. at 464.
[79] Chemerinsky, *Federal Jurisdiction* at 423, 428.
[80] Chemerinsky, *Federal Jurisdiction* at 424, 429.
[81] Chemerinsky, *Federal Jurisdiction* at 424, 426.

Like any rule, there are always exceptions. Under *Ex parte* Young, a state may be sued in federal court for injunctive relief. However, there are now three major exceptions to *Ex parte Young*. First, state officers may not be sued on pendant state law claims (supplemental jurisdiction).[82] Secondly, state officers may not be sued to enforce federal statutes that contain comprehensive enforcement mechanisms[83] and finally, state officers cannot be sued to quiet title to submerged lands.[84]

4.3 Waiver

A claim may be filed against a state when the state has waived its immunity and consents to be sued in federal court, even if the suit seeks retroactive relief to be paid out of the state treasury.[85] Waiver must be stated by express language, therefore the courts will only recognize an explicit waiver by a state to be sued in federal court[86] while constructive waivers are typically invalid.[87] In *College Savings Bank*[88] the Supreme Court ruled that there was no constructive waiver of the Eleventh Amendment. The Court rejected the argument that the state waived sovereign immunity by engaging in the impermissible conduct, concluding that constructive waiver does not exist.[89]

An interesting defense strategy therefore occurs when a university removes a case from a state court to a federal court and then moves to dismiss the case based on Eleventh Amendment immunity. This was seen in *Lapides v. Board of Regents of the University System of Georgia.*[90] Fortunately, the Court held that removal of a case by the state, from state court to federal court is an act that waives sovereign immunity.[91]

4.4 Suits Pursuant To Federal Laws

Under current law, Congress may abrogate a state's Eleventh Amendment immunity only when it is acting pursuant to §5 of the Fourteenth Amendment. The Fourteenth Amendment deals primarily with taking of property and due process and §5 states "the Congress shall have

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[82] See, *e.g., Pennhurst State School & Hospital v. Halderman,* 465 U.S. 89 (1984); Chemerinsky, *Federal Jurisdiction* at 430-431.
[83] See*, e.g. Seminole Tribe v. Florida,* 517 U.S. 44 (1996); Chemerinsky, *Federal Jurisdiction* at 430, 434-435.
[84] See, *e.g. Idaho v. Coeur d'Alene Tribe,* 521 U.S. 261 (1997); Chemerinsky, *Federal Jurisdiction* at 430, 436.
[85] *Atascadero State Hosp.,* 473 U.S. at 238; Chemerinsky, *Federal Jurisdiction* at 439.
[86] *Edelman v. Jordan,* 415 U.S. 651, 673 (1974).
[87] *Edelman,* 415 U.S. at 653.
[88] *College Savings Bank,* 527 U.S. at 786; Chemerinsky, *Federal Jurisdiction* at 443.
[89] *College Savings Bank,* 527 U.S at 786; Chemerinsky, *Federal Jurisdiction* at 443-444.
[90] *Lapides v. Board of Regents of the University System of Georgia,* 122 S. Ct. 1640 (2002).
[91] *Lapides,* 122 S. Ct. at 1643; Chemerinsky, *Federal Jurisdiction* at 445.

power to enforce, by appropriate legislation, the provisions of this article." The leading case holding that Congress may make states liable to suit in federal courts was *Fitzpatrick v. Bitzer,*[92] and this holding was refined in *Seminole Tribe of Florida v. Florida* so that now, abrogation can only occur when acting under its §5 powers and not under any other constitutional authority.[93] At one time, Congress' Article I Commerce Clause power was adequate to pass legislation abrogating state immunity but the Supreme Court eventually held this to be invalid in *Pennsylvania v. Union Gas*.[94] Congress' power to abrogate was then further limited in C*ity of Boerne v. Flores,*[95] to its present state. Congress cannot pass legislature that creates new rights or expand the scope of existing rights, and any law must be narrowly tailored to solving a specific constitutional violation and it must be congruent and proportionate to preventing and remedying constitutional violations.[96]

In response to *Chew v. California*,[97] and *Jacobs Wind Elec. Co., Inc. v. Florida Dept. of Transp*.,[98] where sovereign immunity prevented IP infringement suits against a state, Congress passed the Patent and Plant Variety Protection Remedy Clarification Act (PPRCA)[99] in 1992.[100] Similarly, a Copyright Remedy Clarification Act (1990)[101] and Trademark Remedy Clarification Act (1992)[102] were adopted. The PCRA made clear that provisions of the Patent Act applied to the states and was passed according to Congress' Article I, section 8, clause 8 power (Patent and Copyright Clause).[103] It was this legislative attempt to abrogate a state's sovereign immunity that was challenged in *Florida Prepaid*.

In *Florida Prepaid*[104] the Court held that the Patent and Plant Variety Protection Remedy Clarification Act exceeded Congress' §5 power under the Fourteenth Amendment and therefore

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[92] *Fitzpatrick v. Bitzer,* 427 U.S. 445 (1976).
[93] *Seminole Tribe of Florida,* 517 U.S. at 44; Chemerinsky, *Federal Jurisdiction* at 449.
[94] *Pennsylvania v. Union Gas Co*., 491 U.S. 1 (1989); Brandon White, *Comment: Protecting Patent Owners From Infringement By The States: Will The Intellectual Property Rights Restoration Act of 1999 Finally Satisfy The Court?,* 35 Akron L. Rev. 531, 549 (2002).
[95] C*ity of Boerne v. Flores,* 521 U.S. 507 (1997).
[96] Chemerinsky, *Federal Jurisdiction* at 453.
[97] *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990).
[98] *Jacobs Wind Elec. Co., Inc. v. Florida Dept. of Transp.,* 919 F.2d 726 (Fed. Cir. 1990).
[99] 35 U.S.C. § 296 (2000).
[100] White, 35 Akron L. Rev. at 541.
[101] 17 U.S.C. § 511 (2000).
[102] 15 U.S.C. § 1122 (2000).
[103] White, 35 Akron L. Rev. at 541.
[104] *Florida Prepaid,* 527 U.S. at 627.

was invalid as a means of permitting IP owners from suing state governments.[105] The Court held that a state could not be sued under the PPRCA[106] even though it expressly authorized suits against state governments for patent infringement.[107] The Court held that the revised law was not a valid exercise of Congressional power under §5 of the Fourteenth Amendment because there was no history of widespread and persisting deprivation of constitutional rights and therefore the revised law was not a congruent or proportionate remedy.[108] The Court's opinion only identified two examples of patent infringement suits against states and the case from below (Federal Circuit) only identified eight suits between 1880 and 1990.[109] The Court concluded that most state infringement was innocent or at worst negligent and did not rise to the level of a constitutional violation.[110]

This clearly struck a blow to intellectual property owners because federal courts have exclusive jurisdiction of patent and copyright law under 28 U.S.C. §1338 and baring suits against state governments in federal court effectively means that state governments can infringe patents without fear of liability.[111] This exclusive jurisdiction theory also applies to copyrights, and for trademarks federal court is generally the preferred forum for resolving disputes under the Lanham Act, even though state courts do have concurrent jurisdiction to hear cases using state law.[112]

5. IS STATE INFRINGEMENT A PROBLEM?

The remedies available to a party seeking damages against a state infringer appear to be somewhat limited. But is infringement of IP rights by states really a major problem? The answer appears to be "no." A recent GAO report found that of all IP lawsuits brought in federal court since 1985, less that 0.1% involved a state as the plaintiff or defendant, and of the 100 suits identified involving a state, 37 involved a state institution of higher education and the remaining 63 involved other state entities.[113]

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[105] Chemerinsky, *Federal Jurisdiction* at 456.
[106] 35 U.S.C. § 271 (2000).
[107] Chemerinsky, *Federal Jurisdiction* at 456.
[108] *Id.*
[109] Neufeld, 17 Berkeley Tech. L.J at 1305.
[110] Neufeld, 17 Berkeley Tech. L.J at 1305-1306.
[111] Chemerinsky, *Federal Jurisdiction* at 457.
[112] Neufeld, 17 Berkeley Tech. L.J at 1298.
[113] Neufeld, 17 Berkeley Tech. L.J at 1313.

Even though there have not been a significant number of IP infringement cases by the state,[114] the problem is real and can be illustrated with an example. In the early 1980's researchers at the University of California, San Francisco patented a method for producing human growth hormone (hGH) using recombinant DNA technology.[115] Pharmaceutical giant Eli Lilly obtained an exclusive license to use the patent thereby blocking its rival Genentech from using the technology.[116] After the University cautioned Genentech about possible infringement, Genentech responded by filing for a declaratory judgment that the University patent was invalid and not infringed.[117,118] The University filed a counter suit against Genentech[119] claiming patent infringement. Both cases mirrored one another with one difference; the university as a part of the state had immunity under the Eleventh Amendment. Thus under the *Florida Prepaid* holding Genentech's suit against the University was dismissed because of sovereign immunity, while the University's suit against Genentech was allowed to proceed.[120]

Other examples of state infringement include *Chew v. California*,[121] *Jacobs Wind Elec. Co., Inc. v. Florida Dept. of Transp*.,[122] and most recently *Xechem International v. The University of Texas M.D. Anderson Cancer Center.*[123] One example where injunctive relief was granted in a copyright infringement case against two university officials was in *Salerno v. City University of N.Y.*[124] Even though there does not appear to be widespread infringement of IP by states, the law as it currently stands has a gaping hole in it permitting states to infringe without fear of liability. In effect, a state has a royalty free license to infringe anyone's IP if they chose. Recognizing this loophole, Congress is currently working on legislature that would survive constitutional challenges and close the loophole making states responsible for their infringing action.

5.1 Pending Legislature

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[114] White, 35 Akron L. Rev. at 566.
[115] Jennifer Polse, *Holding the Sovereign's Universities Accountable for Patent Infringement and Florida Prepaid and College Savings Bank,* 89 Calif. L. Rev. 507 (March, 2001).
[116] Polse, 89 Calif. L. Rev. at 507.
[117] *Genentech, Inc. v. Eli Lilly & Co.,* 998 F.2d 931 (Fed. Cir. 1993).
[118] Polse, 89 Calif. L. Rev. at 507.
[119] *Genentech, Inc. v. Regents of the Univ. of Cal.,* 143 F.3d 1446 (Fed. Cir. 1998).
[120] Polse, 89 Calif. L. Rev. at 507.
[121] *Chew,* 893 F.2d at 331.
[122] *Jacobs Wind Elec. Co., Inc.,* 919 F.2d at 726.
[123] *Xechem International, Inc. v. The University of Texas M.D. Anderson Cancer Center,* 382 F.3d 1324 (Fed. Cir. 2004).
[124] *Salerno v. City Univ. of N.Y.,* 191 F. Supp. 2d 352, 357 (S.D.N.Y 2001).

Senate Bill 1835, the Intellectual Property Rights Restoration Act of 1999 (IPRRA) seeks to provide a remedy for patent infringement by the states.[125] Introduced in November of 1999, Senator Patrick Leahy of Vermont proposed that any state wishing to own federal intellectual property including patents must expressly waive its sovereign immunity and consent to suit in federal court as a condition of being eligible to receive additional federal intellectual property rights.[126] The idea behind this legislation was to have the state waive its sovereignty rather than having it abrogated by Congress, thus avoiding the constitutional hurdle that was seen in *City of Boerne*.[127]

The 1999 Draft of IPPRA also had two other significant provisions.[128] First, it set forth policy arguments for subjecting states to the federal IP laws and another provision attempted to abrogate state sovereign immunity but this time by narrowing the extent of abrogation by distinguishing between statutory and constitutional violations by a state.[129] For statutory violations the proposed legislation provided for prospective relief against state officers under the *Ex parte Young* doctrine and for violations rising to the level of a constitutional violation (e.g. violation of Fifth or Fourteenth Amendment), the law would abrogate a state's Eleventh Amendment sovereign immunity thereby making the state liable.[130]

The bill was modified in 2001 with the most significant change replacing the participation provision with a remedies equalization provision.[131] Under this provision, a state that relied on protection as a sovereign would only be able to obtain injunctive relief just like any other IP owner could recover against a state.[132] This was intended to equalize the position of the state and non-state parties.[133] Therefore, by not requiring a waiver for states to participate in the IP system, a state that limited its liability also limited its relief in protecting its own IP.[134]

In 2002, the bill was modified again, this time combining provisions from both the prior drafts.[135] The new draft also included factual support for remedial action based on the Supreme

[125] White, 35 Akron L. Rev. at 531, 532.
[126] White, 35 Akron L. Rev. at 531, 549.
[127] *Id.*
[128] Neufeld, 17 Berkeley Tech. L.J at 1309.
[129] Neufeld, 17 Berkeley Tech. L.J at 1309.
[130] *Id.*
[131] Neufeld, 17 Berkeley Tech. L.J at 1311.
[132] *Id.*
[133] *Id.*
[134] *Id.*
[135] *Id.*

Court's requirement for this data in support of abrogation under the *Florida* Prepaid holding.[136] The Senate Judiciary Committee commissioned the General Accounting Office to investigate state infringement of intellectual property and a report was published in September of 2001, although this report found relatively few violations.[137] Given the relatively minor amount of infringing activity by a state, it seems unlikely that this rises to the level of unconstitutional activity by a state and hence remedial action by abrogation would probably not survive a constitutional challenge.[138]

The 2002 draft bill combined four approaches for expanding remedies against state infringers including a limited abrogation of state immunity, codification of remedies against state officers including injunctive relief and monetary damages, a limitation on state remedies to only those states refusing to waive their sovereign immunity and finally, a participation provision similar to the original version proposed in 1999.

While the intent of the bill was good, there did not appear to be significant motivation for a state to waive its immunity. Given the potentially huge damage awards involved in patent infringement suits, a state entity such as a university would not likely chose to open itself up to such liability. Furthermore, without a waiver, the state's ability to enforce its own IP would be limited and therefore this might in fact having a chilling effect on a state to pursue and protect it's own IP, especially in the university setting.[139]

The latest version of the bill was modified again and introduced in June of 2003 by Leahy and Congressmen Howard Berman (California) and Lamar Smith (Texas). As it currently stands, the bill has three provisions including preclusion of monetary relief for a state or state entity for infringement of IP unless the state has waived its immunity. This limits a non-waving state to the same remedies given to individual plaintiffs whose IP is infringed by the state.[140, 141] The second provision clarifies the remedies available for statutory violations by a state officer or employee, providing the same remedies afforded in non-state cases and the final provision allows abrogation and actual damages from any state in the event of due process or takings violations

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[136] *Id.*
[137] Neufeld, 17 Berkeley Tech. L.J at 1311, 1313.
[138] Neufeld, 17 Berkeley Tech. L.J at 1314.
[139] Neufeld, 17 Berkeley Tech. L.J at 1324.
[140] Traci Dreher Quigley, *Comment: Commercialization Of The State University: Why The Intellectual Property Protection Restoration Act Of 2003 Is Necessary,* 152 U. Pa. L. Rev. 2001, 2025 (June 2004).
[141] Matthew D. Brozik*, Re-Stating IP Law: Congress Proposes Withholding Intellectual Property Protection From Sovereignties That Do Not Waive Immunity From Suit,* 44 IDEA 209, 215 (2004).

involving IP.[142] Politicians are still vetting the bill.[143] Since the focus of the bill is on remedies, and waiver is voluntary rather than abrogated, it has a better chance of withstanding constitutional challenges.[144]

The voluntary state waiver of immunity should work, since the proposed legislation provides an incentive for states to waive their immunity. A state entity such as a university would not want to forgo potentially large damage awards for infringement when protecting its own IP, and therefore should be motivated to waive its immunity to monetary damages. Furthermore, this is a voluntary waiver of rights and not a legislative abrogation therefore, should withstand a constitutional challenge. In fact, it is similar to states taking financial incentives from the federal government using the Spending Clause,[145] in exchange for adopting various federal laws. In this case, the incentive is not an actual monetary grant, but the right to obtain IP rights, enforce them and seek damages from infringers.

The second part of the bill attempts to provide plaintiffs a day in court even if states do not waive their immunity.[146] This provision abrogates state immunity when the state has violated the Fourteenth Amendment.[147] Finally, the third part of the bill codifies court-made law regarding injunctive relief under *Ex parte Young*.[148]

6. COPYRIGHTS

While the majority of this paper has addressed patent rights under *Florida Prepaid* and trademark rights in *College Savings Bank*, similar challenges exist for copyright holders. A copyright holder is also prevented from suing a state infringer in federal court because of Eleventh Amendment sovereign immunity. Like patents, federal courts have exclusive jurisdiction over copyright matters, therefore a copyright holder is without recourse against a state.[149] The 1976 copyright act had no clear statement of abrogation of state sovereign immunity and therefore would fail a constitutional challenge applying the Supreme Court's

[142] Quigley, 152 U. Pa. L. Rev. at 2025.
[143] *Id.*
[144] Quigley, 152 U. Pa. L. Rev. at 2027.
[145] See, *e.g., South Dakota v. Dole,* 483 U.S. 203 (1987).
[146] Brozik, 44 IDEA at 217.
[147] *Id.*
[148] Brozik, 44 IDEA at 219.
[149] John T. Cross, *Suing The States For Copyright Infringement,* 39 Brandeis L.J. 337, 339 (Winter 2000).

holding in *Seminole Tribe of Florida*.[150] The Copyright Remedy Clarification Act of 1990 (CRCA) included the necessary language to abrogate, but this act like the PPCRA would not likely survive a constitutional challenge in the Supreme Court after *Florida Prepaid.*[151] In fact, the Fifth Circuit has already held in *Rodriguez v. Texas Commission on the Arts*[152] and *Chavez v. Arte Publico Press*[153] that a state has sovereign immunity in copyright claims.[154] The Copyright Office has only noted seven cases of states invoking Eleventh Amendment immunity in copyright cases and therefore, just as in the patent case, there is limited data illustrating copyright infringement by states.[155] Additionally, the legislative history for the 1990 CRCA itself fails to cite the Fourteenth Amendment as the basis for the legislation.[156] Without these two key elements, it will be an uphill battle to satisfy the *City of Boerne* test for remedial action and states will likely retain their immunity in copyright infringement suits. The need for the Leahy proposed legislation exists not only in patents and trademarks, but copyrights as well.

7. CONCLUSION

Universities hold over 22,500 patents, of which over half are held by public universities and colleges. Universities have also registered over 32,000 monographs in the Copyright Office since 1978 and they hold approximately 2700 trademarks. Licensing income from this IP is over $1 billion per year.[157] There is no doubt therefore that Universities and in particular state run universities are huge players in the intellectual property field.[158] Given that state universities benefit significantly from federal IP laws, it seems hard to believe that a state is free from liability for IP infringement under these very same laws. Sovereign immunity under the Eleventh Amendment gives a state an almost royalty free license to infringe.

At the present time, plaintiffs are limited to suing a state for injunctive relief unless the state has specifically waived its immunity or Congress has abrogated state sovereign immunity, both of which are challenges. It is unlikely that a state will waive its immunity due to the

[150] Cross, 39 Brandeis L.J. at 342.
[151] Cross, 39 Brandeis L.J. at 339, 342.
[152] *Rodriguez v. Texas Commission on the Arts* , 199 F.3d 279 (5th Cir. 2000).
[153] *Chavez v. Arte Publico Press,* 204 F.3d 601 (5th Cir. 2000).
[154] Cross, 39 Brandeis L.J. at 355.
[155] Cross, 39 Brandeis L.J. at 357.
[156] Cross, 39 Brandeis L.J. at 356.
[157] Quigley, 152 U. Pa. L. Rev. at 2004.
[158] Quigley, 152 U. Pa. L. Rev. at 2003-2004.

potentially large liability for infringement and in order for Congress to successfully abrogate a state's immunity, federal legislation much pass a difficult constitutional challenge. Pending legislation may plug this loophole, but until that time, states appear to have all the benefits of IP rights and very little of the liabilities.