

Bi-Partisan Support for Restoration of Federal Intellectual Property Infringement Remedies

By Mark S. Mulholland

On November 1, 2001, bills were introduced in the Senate and House to restore Federal remedies for infringement of intellectual property by States. Both the Senate version introduced by Senator Patrick Leahy (D-Vermont), and the House bill introduced by Representative Howard Coble (R-NC), address imbalances created by the triad of 1999 Supreme Court decisions, known as the *Florida Prepaid* cases.

The 1999 *Florida Prepaid* decisions altered the intellectual property landscape, with the Court holding that States cannot be held liable for patent, copyright or trademark infringement -- despite that the States themselves enjoy the protection of those same laws. The only arrow left against States in the intellectual property quiver is injunctive relief, which remains available against State employees under *Ex parte Young*. The doctrine holds that a state employee acting in violation of law is acting outside his authority, and thus is not cloaked in sovereign immunity. *Ex parte Young* doctrine provides only limited relief, however, because it does not allow damage awards to compensate for past infringement.

Speaking to Congress in support of his Senate bill on November 1st, Senator Leahy commented that "[t]he *Florida Prepaid* decisions have been the subject of bipartisan criticism." The Senator highlighted "the anti-democratic implications of the approach of the activist majority of the Supreme Court, who have left constitutional text behind, ripped up precedent, and treated Congress with less respect than that due to an administrative agency in their haste to impose their natural law notions of sovereignty as a barrier to democratic regulation."

Senator Arlen Specter (R-Penn.) expressed similar concerns in an earlier floor statement on August 5, 1999, noting that the Court decisions "leave us with an absurd and untenable state of affairs," where "states will enjoy an enormous advantage over their private sector competitors." On both sides of the aisle, concern thus exists that States may be willing to pirate software, violate patents and appropriate trademarked slogans and names. The States are heavy users of proprietary intellectual properties, typically under commercial terms similar to those found in the private sector. Federal officials, including the Register of Copyrights, have expressed concern that state infringement will increase, absent legislation reinstating damage remedies.

Background

The rights secured by the federal system of intellectual property laws are enforceable against the federal government, with Congress having expressly waived the federal government's immunity in suits alleging infringement of patent, copyright and trademark interests. On the State level, legislation expressly permitting suits against state entities and bureaucrats has been viewed historically as unnecessary -- with the States and their representatives presumptively subject to the panoply of federal intellectual property laws. Until the 1980's, States were understood to enjoy the benefits of intellectual property laws on an equal footing with private parties, sharing both the benefits and the burdens of patent, trademark and copyright legislation.

A sea change happened in 1985, following the Supreme Court's decision in *Atascadero State Hospital v. Scanlan*. The Court held there that Congress must have expressly set forth its intention to abrogate the State's Eleventh Amendment immunity "in unmistakable language in the statute itself," failing which State immunity would remain in tact. Following *Atascadero*, States and State entities began to escape liability for patent, copyright and trademark infringement, with district courts concluding that the patent, copyright and trademark laws lack the clear statement of congressional intent necessary under *Atascadero* for abrogation of State sovereign immunity.

In 1990 Congress temporarily closed the *Atascadero* loophole with legislation that expressly declared state immunity to be abrogated for purposes of patent, copyright and trademark infringement. Congress passed a trio of remedial acts -- the Patent and Plant Variety Protection Remedy Clarification Act, the Copyright Remedy Clarification Act and the Trademark Remedy Clarification Acts. Each Act clarified that Congress intended the underlying law to apply to the individual States. The Florida Prepaid Decision

Following passage of the Trademark and Patent Remedy Clarification Acts, College Savings Bank in Florida filed both Lanham Act claims and a patent infringement suit against an agency of Florida, the Florida Prepaid Postsecondary Education Expense Board. College Savings claimed infringement of its business method patent for administration of "CollegeSure Savings Certificates." College Savings also claimed that Florida had falsely misrepresented a state tuition savings plan in state-sponsored brochures. Florida moved to dismiss both cases, claiming that the Trademark and Patent Clarification Acts were an unconstitutional abrogation of Florida's sovereign immunity. College Savings countered that Congress had properly exercised its power under the Fourteenth Amendment, in order to enforce Due Process Guarantees. That set the stage for the Supreme Court's review, and resulted in the invalidation of both Clarification Acts.

The controversy has roots as old as the nation itself. In *Chisholm v. Georgia*, 2 Dall. 419 (1793), the Supreme Court asserted jurisdiction over an action in assumpsit brought by a South Carolina citizen against the State of Georgia. In so doing, the Court reasoned that Georgia's sovereign immunity was qualified by the general jurisdictional provisions of Article III, and, most specifically, by the provision extending the federal judicial power to controversies "between a State and Citizens of another State." The "shock of surprise" created by this decision prompted the immediate adoption of the Eleventh Amendment, which provides:

"The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." Though its precise terms bar only federal jurisdiction over suits brought against one State by citizens of another State or foreign state, the Supreme Court has "long recognized that the Eleventh Amendment accomplished much more: It repudiated the central premise of *Chisholm* that the jurisdictional heads of Article III superseded the sovereign immunity that the States possessed before entering the Union. This has been [the Court's] understanding of the Amendment since the landmark case of *Hans v. Louisiana* in 1980."

State immunity is not absolute. There are two circumstances in which an individual may sue a State. First, Congress may authorize such a suit in the exercise of its power to enforce the Fourteenth Amendment -- an Amendment enacted after the Eleventh Amendment and specifically designed to alter the federal-state balance. Second, a State may waive the sovereign immunity by consenting to suit. The *Florida Prepaid* case turned on whether either of these two circumstances were present. The Supreme Court's conclusion was that the Trademark and Patent Clarification Acts' respective abrogations of State sovereign immunity were invalid invocations of Congress' power under the Fourteenth Amendment's Due Process Clause. In *Chavez v. Arte* the Fifth Circuit applied the *Florida Prepaid* analysis to hold the Copyright Remedy Clarification Act invalid as well.

Senate and House Bills 1611 and H.R. 3204.

Senator Leahy's proposed legislation (S. 1611) is designed to "eliminate the unfair commercial advantage that States and their instrumentalities now hold in the federal intellectual property system because of their ability to obtain protection under the United States Patent, Copyright and Trademark laws while remaining exempt from liability for infringing the rights of others." The act operates by affording States two years, until January 1, 2004, to waive their 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 for infringement of intellectual property protected under federal law. Absent a waiver within the time permitted, the state shall not be permitted to seek remedies under the patent, trademark or copyright laws.

Conclusion

Appearing before the House subcommittee on courts and intellectual property, the Register of Copyrights predicted earlier this year that, "without an alteration of the status quo, infringement by States are likely to increase." Congress alone can remedy the existing imbalance. Adoption of legislation along the lines proposed by Senator Leahy and Representative Coble is warranted and necessary. Until a sound legislative solution is implemented, the unjust and off-balance state of affairs will persist.

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The three cases were *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 119 S.Ct. 2219 (1999); *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank*, 119 S.Ct. 2199 (1999); and *Alden v. Maine*, 119 S.Ct. 2240 (1999). 09 U.S. 123 (1908)

Cong. Rec. §511364 (11/1/01).

As reported to 106th Congress by the Register of Copyrights on July 27, 2000, question exists whether “the States are taking advantage of their immunity to infringe copyrights. Given the legal structure that the Supreme Court has erected, one might very well expect the answer to be in the affirmative. And it may very well be so. Unfortunately, the extent of State infringements is largely known at this time, only a year after the decisions in *Florida Prepaid*, *College Savings* and *Alden*. Information on infringements by States has not traditionally been collected, nor is it conveniently available from a single or few sources.”

473 U.S. 234 (1985).

U.S. Const., Art. III, §2, cl. 1.

Principality of Monaco v. Mississippi, 292 U.S. 313, 325 (1934).

See 134 U.S. 1 (1890). See also *Ex parte New York*, 256 U.S. 490, 497-489 (1921); *principality of Monaco, supra* at 320-328, *Pennhurst State School and Hospital v. Halderman*, 465 U.S. 89, 97-98 (1984); *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 54, 66-68 (1996).

Fitzpatrick v. Bitzer, 427 U.S. 445 (1976).

Clark v. Barnard, 108 U.S. 436, 447-448 (1883).

The Court acknowledged patents as property within the meaning of the Fourteenth Amendment. Thus, the Fourteenth Amendment’s provision that “No State shall . . . deprive any person of . . . property, without due process of law” was potentially applicable to patent infringement. However, the Court held that the Patent Clarification Act did not fall within Congress’ Fourteenth Amendment power. The Court held that Congress had failed to identify conduct transgressing the Fourteenth Amendment’s substantive provisions, and must tailor its legislative scheme to remedying or preventing such conduct.” The Court found that Congress did not identify a pattern of patent infringement by states. The Court also stated that patent infringement by a state is not a violation of the Fourteenth Amendment if the state provides due process. Because the statute was drafted to apply to all states, without regard to individual state-provided remedies, the Court held that the Act went too far. Finally, the Court noted that “a state actor’s negligent act that causes unintended injury to a person’s property does not ‘deprive’ that person of property within the meaning of the Due Process Clause.” 119 S.Ct. at 2209. The Court held that the legislative enactment at issue in this case was again overbroad, because a claim for patent infringement requires no showing of intent in order for the plaintiff to prevail. *Id* at 2210.

204 F. 3d 601 (5th Cir. 2000).

S. 1611, § 2(1) states that the purposes of the Act are to:

- (1) help eliminate the unfair commercial advantage that States and their instrumentalities now hold in the Federal intellectual property system because of their ability to obtain protection under the United States patent, copyright, and trademark laws while remaining exempt from liability for infringing the rights of others;
- (2) promote technological innovation and artistic creation in furtherance of the policies underlying Federal laws and

international treaties relating to intellectual property;

(3) reaffirm the availability of prospective relief against State officials who are violating or who threaten to violate the United States Constitution by infringing Federal intellectual property.

Senate Bill 1611. The key operative language in Senate Bill 1611 states that: "No [patent infringement damages] shall be awarded in any civil action brought under this title for infringement of a patent issued on or after January 1, 2002, 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, 2004, 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; and

(B) such waiver was made in accordance with the constitution and laws of the State, and remains effective."

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