
INTELLECTUAL PROPERTY

STATE SOVEREIGN IMMUNITY FOR PATENT INFRINGEMENT CLAIMS, FIVE YEARS AFTER *FLORIDA PREPAID*

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In *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*,¹ the Supreme Court held that the states are immune under the Eleventh Amendment from patent infringement lawsuits in federal court. The Supreme Court reached this decision despite the fact that Congress passed legislation expressly abrogating the states' immunity, despite the fact that the states (mostly through their universities) regularly obtain and enforce patents, and despite the fact that, unable to sue in federal court, patent owners would have no choice but to seek damages through unknown, uncertain, and potentially inconsistent procedures established by the states themselves.

While the Supreme Court acknowledged these equitable and practical concerns, the Court focused on a central and undisputed factual circumstance: the states are rarely accused of infringing patents. In the absence of a pattern of violation by the states, the Court found that abrogation of sovereign immunity was unjustified.

There was no shortage of critics. The Supreme Court's decision was called, among other things, bizarre,² unfair, and intolerable,³ and would lead to the erosion of intellectual property rights.⁴ In the time since, legislators have introduced bills to deprive the states of the immunity confirmed in *Florida Prepaid*. The bills have not advanced, and the states still obtain their patents, still enforce them, and still enjoy sovereign immunity.

Five years after *Florida Prepaid*, the decision does not seem all that bizarre, unfair, or intolerable. Patent rights do not appear to have eroded. The states still may be enjoined from committing acts of infringement pursuant to *Ex parte Young*.⁵ And proposed remedial legislation, although drafted to avoid the Eleventh Amendment, does not appear to be needed.

From the Eleventh Amendment to *Florida Prepaid*

For approximately two centuries, the federal patent laws and the Eleventh Amendment⁶ coexisted peacefully. Although it is difficult to determine conclusively how many suits were brought against the states for patent infringement, the Federal Circuit in its opinion in *Florida Prepaid* could identify only eight such cases from 1880 and 1990.⁷

In light of the infrequency of allegations of patent infringement against the states, it is not surprising that the issue did not first arrive at the Federal Circuit until 1990. There, in *Chew v. State of California*,⁸ the Federal Circuit held that the Eleventh Amendment granted the states immunity from suit for patent infringement. The Federal Circuit rejected arguments that in enacting successive patent acts,

Congress had abrogated the states' immunity from suits for patent infringement. For a statute to abrogate the states' Eleventh Amendment immunity, "Congress must express its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself."⁹ Because Congress had not included in any patent statute a statement expressing its intent to abrogate sovereign immunity from patent infringement suits, the states continued to enjoy immunity from them.

The Patent and Plant Variety Protection Remedy Act

Congress responded to *Chew* by enacting the Patent and Plant Variety Protection Remedy Clarification Act (the "Patent Remedy Act").¹⁰ In the Patent Remedy Act, Congress explicitly articulated its intent to abrogate the states' Eleventh Amendment immunity. The Patent Remedy Act stated:

Any state, any instrumentality of a State, and any officer or employee of a State or instrumentality of State acting in his official capacity, shall not be immune under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person . . . for infringement of a patent. . . .¹¹

The Patent Remedy Act reached the Supreme Court in *Florida Prepaid*, and the Supreme Court found that the act was invalid.

In accordance with the Federal Circuit's opinion in *Chew*, Congress expressed unambiguously its intent to abrogate the states' Eleventh Amendment immunity. In addition, Congress attempted to justify the Patent Remedy Act under three sources of constitutional authority: the Patent Clause, the Interstate Commerce Clause, and the Fourteenth Amendment's protection against deprivation of property without due process of law.¹²

Prior to its decision in *Florida Prepaid*, the Supreme Court had made it clear that Congress did not have authority to abrogate the states' sovereign immunity pursuant to its powers under Article I.¹³ Because Congress' powers under both the Patent Clause and the Interstate Commerce Clause arise under Article I, neither could provide Congress with authority to enact the Patent Remedy Act. Thus, the Patent Remedy Act could only be justified, if at all, as an exercise of Congress' powers under the Fourteenth Amendment.¹⁴

The argument in favor of abrogation was straightforward. Section 5 of the Fourteenth Amendment grants Congress power to abrogate the states' sovereign immunity where

necessary to enforce constitutional rights guaranteed by the Fourteenth Amendment.¹⁵ The Fourteenth Amendment protects property rights. Patents are property rights. Therefore, Congress has the power to abrogate the states' Eleventh Amendment immunity to patent infringement claims.

Florida Prepaid

The Supreme Court rejected this argument. Congress' Fourteenth Amendment power to abrogate Eleventh Amendment immunity, the Court held, is limited. Although Congress has the power to abrogate, Congress can only exercise that power where a constitutional violation is sufficiently widespread that abrogation is necessary. As the Supreme Court stated, "[t]here must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end."¹⁶

The Supreme Court did not find such congruence and proportionality between the threat of patent infringement by the states and Patent Remedy Act.

[W]e must first identify the Fourteenth Amendment "evil" or "wrong" that Congress intended to remedy, guided by the principle that the propriety of any § 5 legislation "must be judged with reference to the historical experience . . . it reflects." The underlying conduct at issue here is state infringement of patents and the use of sovereign immunity to deny patent owners compensation for the invasion of their patent rights. . . . It is this conduct then—unremedied patent infringement by the States—that must give rise to the Fourteenth Amendment violation that Congress sought to redress in the Patent Remedy Act.

In enacting the Patent Remedy Act, however, Congress identified no pattern of patent infringement by the States, let alone a pattern of constitutional violations.¹⁷

Instead, the Supreme Court noted, Congress heard testimony focusing more on the unfairness of sovereign immunity. The Supreme Court noted that testimony of one Congressional witness stating that, "the rights of a patent owner should not be dependent upon the identity of the entity who is infringing, whether it be a private individual, or corporation, or State."¹⁸ Accordingly, "as a general philosophical matter," Congress should abrogate sovereign immunity.¹⁹

The Supreme Court also suggested that even widespread patent infringement might not necessarily justify abrogation, because unintentional infringement by a state would not constitute a Constitutional violation. To violate the Constitution, a state would have to infringe a patent intentionally or recklessly,²⁰ and provide no remedy or only an inadequate remedy.

[A] State's infringement of a patent, though interfering with a patent owner's right to exclude others, does not by itself violate the Constitution. Instead only where the State provides no remedy, or only inadequate remedies, to injured patent owners for its infringement of their patent could a deprivation of property without due process result.²¹

The states could provide their own remedies based on tort and other state law causes of action. As the Supreme Court observed, proponents of the Patent Remedy Act did not contend that the states provided no remedies or only inadequate remedies. Instead, the proponents really argued only that the states provided inconvenient or inconsistent remedies.

The primary point made by [the witnesses who testified before Congress] . . . was 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.²²

In light of this record, the Supreme Court concluded that "the provisions of the Patent Remedy Act are so out of proportion to a supposed remedial or preventive object that they cannot be understood as responsive to or designed to prevent, unconstitutional behavior."²³

Foreclosing another avenue of argument, the Supreme Court in *College Savings v. Florida Prepaid* stated that the states do not "constructively" waive their sovereign immunity by accepting the benefits of the federal intellectual property system.²⁴ Accordingly, in *Xechem International v. University of Texas*, the Federal Circuit declined to find a waiver of sovereign immunity based on a state applying for a patent, accepting a grant of a patent, entering into a collaborative research agreement, or contracting to license a patent.²⁵ Thus, perhaps the only means by which a state can constructively waive sovereign immunity is by asserting its own patents in a lawsuit. Even then, the constructive waiver is limited to counterclaims arising from the same transactions or occurrences giving rise to the state's claims.²⁶

A General Philosophical Problem

Although patent rights have not eroded, the "general philosophical" arguments against sovereign immunity still have some intellectual appeal. Five years later, it still appears at least incongruous, if not completely unjust, that the states, entities that take great advantage of the patent system, would receive any immunity at all from liability under that system. In 2001, the General Accounting Office prepared a comprehensive study on sovereign immunity and patent infringement by the states.²⁷ The GAO found that the states and their instrumentalities owned 11,826 unexpired patents as of the end of 1999.²⁸

In addition, it is still entirely unclear that any state has provided an effective procedure for addressing its own acts of patent infringement. Among other things, the GAO surveyed state attorneys general and bar associations to determine whether the states offered a procedure (such as state law cause of action) that could provide a remedy for infringement of patents. Of the 36 attorneys general who responded, 13 believed that claims for patent infringement might be viable. These attorneys general stated that patent infringement claims might be brought before state courts or claims boards under such varied theories as taking, reverse eminent domain, tort, contract, unfair competition, or trespass to chattel.²⁹ Of the 21 bar associations that responded, 17 believed that their states might provide remedies for patent infringement.³⁰ The bar associations identified the same causes of action as the attorneys general. In addition, the bar associations identified trade secret misappropriation and criminal law as bases for state liability.³¹ Manifestly, even if each state did provide its own procedure for compensating patent owners (which is far from clear), the multitude of procedures would undermine the national uniformity of patent laws, a primary purpose of Article I, section 8 of the Constitution.³²

In light of these arguments, it is tempting to devise a legislative solution to overrule *Florida Prepaid*. Although *Florida Prepaid* held that Congress failed to abrogate the states' Eleventh Amendment immunity through the Patent Remedy Act, the Supreme Court's standard articulated in *Florida Prepaid* hardly creates an insurmountable barrier to abrogation. Indeed, one bill, the Intellectual Property Restoration Act of 2003 (the "IP Restoration Act"),³³ appears to provide a means to abrogate the states' Eleventh Amendment immunity. Whereas in the Patent Remedy Act, Congress sought to strip the states of their immunity, the IP Restoration Act would require the states to expressly waive their immunity voluntarily, as a condition for enforcing their patents in federal court. The bill states:

No remedies under [the Patent Act] shall be awarded in any civil action brought under this title for infringement of a patent issued on or after January 1, 2004, 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, 2006, 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. . . .³⁴

An Unnecessary Solution

Although the IP Restoration Act appears to avoid the pitfalls that doomed the Patent Remedy Act, and the objections to sovereign immunity retain their intellectual appeal,

there remains the question of whether there is any need to overrule *Florida Prepaid*.

Proponents of the IP Restoration Act argue that *Florida Prepaid* is unfair; if states want to enforce patents, they should not be immune from patent infringement lawsuits. As one senator put it,

[i]f we truly believe in fairness, we cannot tolerate a situation in which some participants in the intellectual property system get legal protection but need not adhere to the law themselves. If we truly believe in the free market, we cannot tolerate a situation where one class of market participants have to play by the rules and others do not.³⁵

As previously mentioned, however, the Federal Circuit was able to identify only eight instances in which patent infringement cases were brought against the states and their instrumentalities from 1880 and 1990. In its report, the GAO found that states were named as defendants in eight federal and four state patent infringement lawsuits from 1985 to 2000.³⁶ Although the GAO's analysis suggests a higher rate of accusations of patent infringement against the states than the Federal Circuit's analysis, the total of 12 such suits is still an exceedingly low 0.04 percent of the total 25,521 patent cases filed in federal court in the same time period.³⁷ Thus, it does not appear that "one class of market participants have to play by the rules" while the states "do not."

This should be unsurprising because of the fact that the states are not really "market participants" at all. Corporations that prolifically create intellectual property are also frequently accused of infringing the intellectual property rights of others. This is because corporations that devote extensive resources to research and development also ordinarily engage in extensive commercialization of technology—they make, use, sell, offer for sale, or import devices that incorporate patented technology. The states, however, are typically one-dimensional participants in the intellectual property market. Through their universities, the states create intellectual property. They enforce and license the patent rights they receive, but they rarely, if ever, manufacture or sell anything other than vehicle license plates and lottery tickets.

Any concern that the states will be emboldened by *Florida Prepaid* to take commercial advantage of their immunity is disproved by the five years of experience since the Supreme Court's decision and is contrary to logic. There has been no rush by states to infringe others' patent rights. This is no doubt due in part because there is no political interest on the part of the states to become commercial enterprises, and in part because, even if the states were inclined to exploit their immunity, they realize that their immunity is limited by *Ex parte Young*. Although *Ex parte Young* does not permit recovery of damages, it still allows a patent owner to obtain an effective injunction, which is surely enough to discourage a state from making an investment to produce infringing devices or even to import infringing prescription drugs.

Under these circumstances, it is difficult to understand the hostility to the Supreme Court's decision in *Florida Prepaid* or the necessity for legislation overruling it. At most, *Florida Prepaid* created a "general philosophical" problem. Such a problem does not require a legislative solution.

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Footnotes

¹ 527 U.S. 627, 119 S. Ct. 2199, 144 L. Ed. 2d 575 (1999).

² Charles Fried, *Supreme Court Folly*, N.Y. TIMES, July 6, 1999.

³ Senator Patrick Leahy, *Hearing on the Intellectual Property Restoration Act of 2003* (June 17, 2003).

⁴ R. Bruce Josten, Executive Vice President, U.S. Chamber of Commerce, *Subcommittee on Courts, the Internet and Intellectual Property of the Committee on the Judiciary on H.R. 2344, the Intellectual Property Restoration Act of 2003*.

⁵ 209 U.S. 123 (1908).

⁶ "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." U.S. Const., 11th Amend.

⁷ *Florida Prepaid*, 527 U.S. at 640.

⁸ *Chew v. State of California*, 893 F.2d 331 (Fed. Cir. 1990).

⁹ *Id.*

¹⁰ 35 U.S.C. §§ 271(h), 296(a).

¹¹ 35 U.S.C. § 296(a).

¹² *Id.*

¹³ *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 116 S.Ct. 1114 (1996).

¹⁴ Because Congress did not invoke the Fifth Amendment, the Supreme Court believed it was "precluded" from considering other possible bases, such as the Just Compensation Clause, as grounds for the Patent Remedy Act. *Florida Prepaid*, 527 U.S. at 642.

¹⁵ The Fourteenth Amendment provides,

Section 1 No state shall . . . deprive any person of life, liberty, or property, without due process of law. . . .

Section 5. The Congress shall have to power to enforce, by appropriate legislation, the provisions of this article.

U.S. Const. Fourteenth Amend.

¹⁶ *Florida Prepaid*, 527 U.S. at 639.

¹⁷ *Id.* at 640 (citations omitted).

¹⁸ *Id.* at 641, n.6 (quoting Jeffrey M. Samuels, Acting Commissioner of Patents and Trademarks).

¹⁹ *Id.*

²⁰ 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." *Id.* at 644.

²¹ *Id.* at 643.

²² *Id.* at 644.

²³ *Id.*

²⁴ *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666, 684, 144 L. Ed. 2d 605, 119 S. Ct. 2219 (1999). *College Savings* was the companion case to *Florida Prepaid* and related to a Lanham Act claim against the state.

²⁵ *Xechem Int'l, Inc. v. Univ. of Texas M.D. Anderson Cancer Center*, 382 F.3d 1324, 1331 (Fed. Cir. 2004).

²⁶ *Regents of the University of New Mexico v. Knight*, 321 F.3d 1111, 1126 (Fed. Cir. 2003).

²⁷ U.S. General Accounting Office, *Report to Hon. Orrin Hatch, Senate Committee on the Judiciary, Intellectual Property: State Immunity in Infringement Actions* (September 2001).

²⁸ *Id.* at 43.

²⁹ *Id.* at 20.

³⁰ *Id.*

³¹ *Id.*

³² Of course, inherent in the doctrine of sovereign immunity is that each sovereign will determine for itself the manner in which it compensates its citizens for loss. See Alexander Hamilton, Federalist No. 81 (the states enjoy "the privilege of paying their own debts in their own way, free from every constraint but that which flows from the obligations of good faith.")

³³ S. 1991, 108th Congress (2003).

³⁴ *Id.*, § 3.

³⁵ Senator Patrick Leahy, *Hearing on the Intellectual Property Restoration Act of 2003* (June 17, 2003).

³⁶ *Report to Hon. Orrin Hatch*, at 66.

³⁷ *Id.* at 68.