COMMENTS

A REVIEW OF THE STATE SOVEREIGNTY LOOPHOLE IN INTELLECTUAL PROPERTY RIGHTS FOLLOWING FLORIDA PREPAID AND COLLEGE SAVINGS

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CONTENTS

I. HISTORICAL REVIEW OF STATE SOVEREIGN IMMUNITY AND THE INTELLECTUAL PROPERTY LOOPHOLE ................................................................. 1235
   A. Evolution of the Eleventh Amendment and Sovereign Immunity ................................................................. 1236
   B. Limits on Sovereign Immunity ............................................ 1238
      1. Ex parte Young .......................................................... 1238
      2. Congressional Legislation ........................................... 1240
         a. Commerce Clause ................................................ 1240
         b. 14th Amendment, Section 5 .................................. 1242
      3. State Waiver of Immunity ............................................ 1243
   C. Congress's Passage of Acts Abrogating State Immunity from Intellectual Property Lawsuits ...................... 1244
   D. The Florida Prepaid and College Savings Decisions ....... 1245

II. EXAMINATION OF THE CASES FOLLOWING FLORIDA PREPAID ................................................................................... 1248
   A. The Federal Court Cases .................................................... 1248
      1. The Immediate Aftermath of Florida Prepaid and College Savings ................................................................. 1248
      2. The Expansion of Florida Prepaid to Copyright ................................................................. 1250
      3. The Number of Infringement Cases ............................................. 1252
      4. The State Actors Infringing .............................................. ................. 1255
         a. State Universities ................................................ 1255
         b. State Agencies and Who Is the Sovereign .................. 1258
      5. Declaratory Suits and Counterclaims .................... 1259
   B. The State Court Cases ......................................................... 1261

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III. ATTEMPTS AND STRATEGIES TO CLOSE THE LOOHOLE ......1262
   A. Past Attempts to Limit Sovereign Immunity for Intellectual
      Property.................................................................1262
      1. IPPRA of 1999.......................................................1262
      2. IPPRA of 2001 and 2003...........................................1263
   B. Overview of the Strategies to Close the Loophole ................1264
      1. Using Section 5 Power, or Reproposing the CRCA,
         PRCA, and TRCA.....................................................1264
      2. Ex parte Young Precedent........................................1265
      3. Spending Power...................................................1265
      4. Overruling Hans ..................................................1265
   C. Argument for Not Closing the Loophole...........................1266
      1. A Lack of Pressing Need to Close the Loophole.............1266
      2. Economic and Social Factors Reducing the Ability of
         States to Use the Loophole......................................1268
         a. Economic Factors .............................................1268
         b. Sociopolitical Factors .......................................1270
         c. Preconditions for Effective Economic and Social
            Controls............................................................1271
      3. Justifications for Leaving Current Sovereign Immunity ....1271
         a. Economic Justifications.......................................1271
         b. Policy Justifications..........................................1274
   CONCLUSION .....................................................................1276

INTRODUCTION

In 1999, the Supreme Court’s decisions in Florida Prepaid Postsecondary Education Expense Board\(^1\) and College Savings Bank\(^2\) vastly changed the scope of intellectual property protection by effectively immunizing states and state actors from infringement suits by individuals. The Court ruled that states could only be sued by private plaintiffs in federal courts if Congress validly abrogated immunity under the Fourteenth Amendment, or the State had waived its immunity. The Court went on to hold that neither the Trademark Remedy Clarification Act (TRCA),\(^3\) nor the Patent and Plant Variety Protection Remedy Clarification Act (PRCA),\(^4\) were valid congressional acts to abrogate state immunity.

\(^1\) 527 U.S. 627 (1999).
These decisions had immediate impacts on litigants who suddenly found that their infringement claims against state actors had evaporated. Following these decisions, lower federal courts broadly applied the Supreme Court's holding to bar intellectual property suits against the states. This resulted in the dismissal of a number of infringement suits against states, public universities, and state officials. Currently, as states and state universities delve increasingly into the commercial domain, conflicts seem to be arising more often. In response, intellectual property rights advocates have urged congressional action to close this loophole and strengthen the protection for intellectual property holders. The congressional lobbying efforts came to fruition with the proposed Intellectual Property Protection Restoration Act of 2003.

This Comment examines the trends that have developed in the intellectual property sovereign immunity cases, outlines the proposed and possible solutions to the loophole, and posits that perhaps the loophole should be left alone. Part I lays the historical groundwork regarding intellectual property protection and sovereign immunity. Although covered thoroughly in other papers, it sets the context for the ensuing discussion. Part II critically examines the trends that have evolved in the state infringement cases following Florida Prepaid and College Savings. Among other factors, it examines the infringing parties, the types of property infringed, the expansion of the doctrine, and waiver of immunity. Part III outlines some of the possible remedies to the current sovereign immunity loophole. The final section discusses the possibility that constitutional, economic, and practical considerations may militate against closing the loophole.

I. HISTORICAL REVIEW OF STATE SOVEREIGN IMMUNITY AND THE INTELLECTUAL PROPERTY LOOPHOLE

The Constitution authorizes Congress to provide a limited monopoly for intellectual property creators to "promote the Progress of Science and useful Arts." This simple mechanism is intended to encourage the generation of new work by holding out protection for a period of time to allow the author to profit from the work. Federal law protects this monopoly by granting intellectual property owners a private right of action for infringement, dilution, or improper use of

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6 U.S. CONST. art. I, § 8, cl. 8.
7 See, e.g., Sergio Baches Opi, The Application of the Essential Facilities Doctrine to Intellectual Property Licensing in the European Union and the United States: Are Intellectual Property Rights Still Sacrosanct?, 11 FORDHAM INTLL. PROP., MEDIA & ENT. L.J. 409, 446-47 (2001) ("Intellectual property law grants monopolies in order to provide an incentive for the creation of inventions. These monopolies are limited, because the goal of the law is to create the incentive while imposing no higher a monopoly cost than is necessary.").
their patents and copyrights. Conversely, the Eleventh Amendment provides states a degree of immunity from suits in federal and state courts.

Thus the central issue is whether and to what degree federal constitutional protection for state sovereign immunity should bar lawsuits against states to settle intellectual property disputes in state and federal courts.

A. Evolution of the Eleventh Amendment and Sovereign Immunity

The Eleventh Amendment provides that "[t]he 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."9 "[The Amendment] was introduced in the Senate only two days after the Supreme Court decided Chisholm v. Georgia,"10 where the Supreme Court ruled that a diversity plaintiff could bring suit against a non-consenting state.11 Although the Chisholm decision was applied narrowly,12 the decision "created such a shock of surprise throughout the country that, at the first meeting of Congress thereafter, the Eleventh Amendment to the Constitution was almost unanimously proposed, and . . . adopted by the legislatures of the States."13 Although there is some scholarly debate, at least part of the purpose of the Eleventh Amendment seems to have been to provide states with sovereign immunity from federal jurisdiction of lawsuits.14

Although the language of the Eleventh Amendment appears to only prohibit suits against states under federal diversity jurisdiction,15

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8 See, e.g., 15 U.S.C. § 1125(a)(1) (2000) (protecting against the "false designation of origin, false or misleading description of fact, or false or misleading representation of fact" for trademarks). Similar private rights of action also exist for patents and copyrights. Trademark protection is not derived from Article I, Section 8 authority, but stems instead from Congress's power under the Commerce Clause.
9 U.S. CONST. amend. XI.
11 Chisholm v. Georgia, 2 U.S. (2 Dall.) 419, 479 (1793).
12 See id. (approving diversity suits against states on very case-specific grounds).
13 Hans v. Louisiana, 134 U.S. 1, 11 (1890).
15 U.S. CONST. amend. XI ("[B]y Citizens of another State, or by Citizens or Subjects of any Foreign State . . . .")
the question of whether a citizen of a state could bring a suit against his state of residence was addressed in *Hans v. Louisiana*.

In *Hans*, the plaintiff, a citizen of Louisiana, claimed that the Eleventh Amendment should not apply to his claim because the Amendment's language was expressly aimed at diversity suits. The Court ultimately rejected the plaintiff's claim and ruled that the Eleventh Amendment barred all diversity and non-diversity suits against the states by private parties. To support its reasoning, the Court referred to Hamilton's writings in the Federalist, the proceedings of the Virginia convention, and Justice Iredell's dissent in *Chisholm*.

Recently, some judges, prominent academics, and Supreme Court Justices have questioned the soundness and validity of the *Hans* decision.

In *Edelman v. Jordan*, the Supreme Court also ruled that the Eleventh Amendment bars monetary damages against the states. In *Edelman*, the respondent sought retroactive payment of financial assistance that he and the plaintiff class did not receive due to the State's mismanagement of its federally funded aged-and-disability-assistance program. The respondent argued that this was merely an equitable repayment of funds, and the Seventh Circuit ruled in his favor using the *Ex parte Young* framework, in which the Supreme Court allowed prospective injunctions against state officials. The Supreme Court reversed the decision, in relevant part, holding that, "the Eleventh Amendment... constitute[d] a bar to... retroactive payment of [damages]." The Court, however, did recognize and implicitly real-

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16 134 U.S. 1 (1890).
17 Id. at 10 ("In the present case the plaintiff... contends that he, being a citizen of Louisiana, is not embarrassed by the obstacle of the Eleventh Amendment, inasmuch as that amendment only prohibits suits against a State which are brought by the citizens of another State, or by citizens or subjects of a foreign State.").
18 Id. at 15.
19 Id. at 12-13.
20 Id. at 14.
21 Id. at 12, 16.
22 See supra note 14.
25 See id. at 659 ("[W]e reverse... the Court of Appeals decision which affirmed the District Court's order that retroactive benefits be paid by the Illinois state officials.").
26 Id. at 656.
27 Id. at 663-64. For a more complete discussion of *Ex parte Young*, see infra part I.B.1.
28 Id. at 678.
firmed a private party's right to prospective, injunctive relief against state officials under *Ex parte Young*.\(^{29}\)

B. Limits on Sovereign Immunity

Although the states enjoy wide protection under the Eleventh Amendment and the Court cases interpreting the Amendment, there are several notable constraints on the scope of the limits on federal judicial power under the Eleventh Amendment protection. The three most important of these exceptions for present purposes are the *Ex parte Young* doctrine, which allows for prospective injunctions against state officials acting in their official capacity in violation of federal law, state consent to federal suits, and Congress's power to abrogate sovereign immunity under the Fourteenth Amendment.\(^{30}\)

1. *Ex parte Young*

The development of the first of these limits on sovereign immunity, the ability to seek prospective injunctions against state officials, developed from the Supreme Court's decision in *Ex parte Young*.\(^{31}\) In *Young*, the State of Minnesota passed a series of laws aimed at restricting the amount railroads could charge for transporting freight.\(^{32}\) A group of shareholders in a large railroad company filed suit in federal court to enjoin the State Attorney General from enforcing the law.\(^{33}\) When the circuit court issued an injunction, the Attorney General challenged the injunction as a violation of Eleventh Amendment immunity.\(^{34}\) The case involved two issues—first, whether the laws the Attorney General was seeking to enforce were a violation of the Fourteenth Amendment,\(^{35}\) and second, whether a federal court could val-

\(^{29}\) See id. at 664 (“Petitioner concedes that *Ex parte Young* . . . is no bar to that part of the District Court's judgment that prospectively enjoined petitioner's predecessors . . . .”).


\(^{31}\) 209 U.S. 123 (1908).

\(^{32}\) Id. at 144.

\(^{33}\) Id. at 143.

\(^{34}\) Id. at 149.

\(^{35}\) Id. at 143 (“It is primarily asserted . . . that jurisdiction did not exist . . . because there was not the requisite diversity of citizenship . . . [or a] question arising under the Constitution . . . .”). It should also be observed that there was a contention that Minnesota's law interfered with interstate commerce.
idly order an injunction against a state official. The Court quickly ruled that the state railroad regulations were a violation of the Fourteenth Amendment. Turning to the second issue, the Court faced the problem that the Eleventh Amendment prohibited suits against the states, while the Fourteenth Amendment only allowed suits for deprivations by the states. Although it seemed that the Eleventh Amendment would shield a state official acting in his official capacity, the Court held that the injunction was valid. In deciding that the federal courts could provide injunctions against state officials, the Court adopted two seemingly disparate views. First, for the purposes of the Eleventh Amendment, a state official who is operating under the guise of an unconstitutional law, or is engaged in "a proceeding without the authority of [the State] and one which does not affect the State" will not be deemed a state actor. In effect, because the law was unconstitutional, the state official would be deemed to be a non-state actor. Second, for the purposes of the Fourteenth Amendment, the state official enforcing the law would be deemed a state actor and thus subject to the Fourteenth Amendment. The Court also rejected the Attorney General's argument that no suit in equity could be brought until it was shown that there were not adequate remedies at law.

More recently, in Seminole Tribe v. Florida the Supreme Court reaffirmed the continuing vitality of the Ex parte Young doctrine to seek prospective injunctive relief. But the decision emphasized that federal courts should use prospective injunctive relief cautiously, and only when it seemed that other adequate remedies would not serve the purpose. In essence, Seminole Tribe limited the use of prospective injunctions to those instances where a federal statute does not

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36 Id. at 149 ("The question that arises is whether there is a remedy that the parties interested may resort to . . . .").
37 Id. at 148.
38 See id. at 149 ("The question that arises is whether there is a remedy [by a temporary injunction] that the parties interested may resort to, by going into a Federal court of equity, in a case involving a violation of the Federal Constitution . . . .").
39 Id. at 168.
40 Id. at 159.
41 See id. at 149 ("We have, therefore, upon this record the case of an unconstitutional act of the state legislature and an intention by the Attorney General of the State to endeavor to enforce its provisions . . . .").
42 See id. at 165 ("To await proceedings against the company in a state court grounded upon a disobedience of the act [would be a] . . . . risk the company ought not to be required to take.").
44 See id. at 73 ("The situation presented here, however, is sufficiently different from that giving rise to the traditional Ex parte Young action so as to preclude the availability of that doctrine.").
45 See id. at 75 ("If § 2710(d)(3) could be enforced in a suit under Ex parte Young, § 2710(d)(7) would have been superfluous . . . .").
have a detailed remedial scheme. Unfortunately, there currently is relatively little guidance in the opinion as to what constitutes a detailed enforcement scheme.

2. Congressional Legislation

The second limit on sovereign immunity is Congress's power to affirmatively limit sovereign immunity by legislative action. While Congress enjoyed considerable leeway at one time to limit sovereignty using its Commerce Clause power and its enforcement power under the Fourteenth Amendment, this ability has waned considerably in recent decades. Currently, Congress is primarily limited to relying on the Fourteenth Amendment.

a. Commerce Clause

An early avenue for Congress to impact state immunity was through its Commerce Clause power. Although the Court effectively eliminated this as an avenue for limiting sovereign immunity, the rise and fall of this branch of Eleventh Amendment jurisprudence is enlightening because it illustrates the flux that has typified this area. The first case to squarely address Congress's ability to limit sovereign immunity with its Commerce Clause power was *Parden v. Terminal Railway of the Alabama State Docks Department.* This case was also unique because it was the first time the Supreme Court had considered Eleventh Amendment immunity to a federal statutory claim.

In *Parden,* the Court considered whether the State of Alabama could

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46 See id. at 74 ("[W]here Congress has prescribed a detailed remedial scheme for enforcement against a State of a statutorily created right, a court should hesitate before casting aside those limitations and permitting an action against a state officer based upon Ex parte Young.").

47 377 U.S. 184 (1964). It could also be argued that *Parden* was decided on the alternative grounds that the State consented to suit by operating an interstate railroad. The Court noted that:

[b]y adopting and ratifying the Commerce Clause, the States empowered Congress to create such a right of action against interstate railroads; by enacting the FELA in the exercise of this power, Congress conditioned the right to operate a railroad in interstate commerce upon amenability to suit in federal court as provided by the Act; by thereafter operating a railroad in interstate commerce, Alabama must be taken to have accepted that condition and thus to have consented to suit.

*Id.* at 192.

48 See id. at 187 ("Here, for the first time in this Court, a State's claim of immunity against suit by an individual meets a suit brought upon a cause of action expressly created by Congress."); Brandon White, *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, 538 (2001-2002) ("*Parden* . . . was the first case claiming Eleventh Amendment immunity where the cause of action was brought under a federal statute."). *Hans* was also a federal question case, but there "the action was a contractual one based on state bond coupons, and the plaintiff sought to invoke the federal-question jurisdiction by alleging an impairment of the obligation of contract." *Parden,* 377 U.S. at 186-87.
be sued by its citizens under the Federal Employers' Liability Act (FELA). The Court outlined two primary questions: "(1) Did Congress in enacting the FELA intend to subject a State to suit in these circumstances? (2) Did it have the power to do so, as against the State's claim of immunity?" The Court answered both of these questions in the affirmative, first by finding the statute's broad language included state railroads, and second, by construing Congress's Commerce Clause power as cutting into State immunity. The Court stated, "[w]hile a State's immunity from suit by a citizen without its consent has been said to be rooted in ... sovereignty ... the States surrendered a portion of their sovereignty when they granted Congress the power to regulate commerce.

After Parden, the Court began to slowly back away from the notion that Commerce Clause power could trump sovereign immunity. This exhibited itself in Atascadero State Hospital v. Scanlon, where the Burger Court began to expand the sovereign immunity privilege by requiring Congress to explicitly demarcate when it wished to impinge upon sovereign immunity. Writing for the majority, Justice Powell stated that, "Congress may abrogate States' constitutionally secured immunity from suit in federal court only by making its intention unmistakably clear in the language of the statute." The dissents in this case were notable for attacking not only the majority holding, but also the validity of the Hans Court's interpretation of the Eleventh Amendment. Atascadero drastically changed the dynamics in the intellectual property arena. Prior to Atascadero, states were subject to suit for infringing intellectual property rights, but under the Atascadero framework, they were protected because the statutes governing intellectual property suits did not expressly subject the states to federal jurisdiction. In 1989, the Commerce Clause power was upheld

49 Parden, 377 U.S. at 184-85.
50 Id. at 187.
51 Id. at 187-88.
52 Id. at 191.
53 Id.
55 See id. at 243 ("[W]e hold ... that Congress must express its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself.").
56 Id. at 242.
57 See id. at 247 (Brennan, J., dissenting); id. at 302 (Blackmun, J., dissenting); id. at 304 (Stevens, J., dissenting). The most extensive of these was Justice Brennan's "scholarly, 55-page elaboration" of the invalidity of Hans. Id. at 243-44 n.3 (majority opinion).
58 See Jacobs Wind Elec. Co. v. Fla. Dep't of Transp., 919 F.2d 726, 728-29 (Fed. Cir. 1990) (affirming dismissal of patent infringement suit against the State of Florida on a sovereign immunity basis); Chew v. California, 893 F.2d 331, 333-34 (Fed. Cir. 1990) (affirming dismissal of patent infringement suit against State of California, which had claimed immunity).
by the narrowest of margins in the plurality *Pennsylvania v. Union Gas Company* decision.\(^{59}\)

The Court finally closed the doors on Congress, using the Commerce Clause in *Seminole Tribe v. Florida*.\(^{60}\) In *Seminole Tribe*, the Court considered whether Congress, under the Indian Commerce Clause in Article I of the Constitution, could authorize an Indian tribe to sue a state to compel negotiations.\(^{61}\) The Court ultimately overruled its recent *Union Gas* plurality decision and held that Congress could not use its Article I Commerce Clause power to abrogate Eleventh Amendment immunity.\(^{62}\) The opinion did, however, recognize the continuing viability of the *Ex parte Young* doctrine to seek prospective injunctive relief\(^{63}\) and the ability under the Fourteenth Amendment to abrogate sovereign immunity.\(^{64}\)

b. 14th Amendment, Section 5

After the demise of the Commerce Clause to limit sovereign immunity, Congress's main avenue for regulating the states is under its Fourteenth Amendment power to enact remedial legislation. In 1997, the Supreme Court addressed Congress's power under Section 5 of the Fourteenth Amendment\(^{65}\) in *City of Boerne v. Flores*.\(^{66}\) Although the decision did not directly address sovereign immunity, its limitation on Congress's Section 5 power narrowed the primary avenues for Congress to impinge on state sovereign immunity. In *Boerne*, the petitioner challenged whether the Religious Freedom Restoration

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\(^{59}\) 491 U.S. 1 (1989) (plurality opinion). The case considered a lawsuit against a state for toxic waste cleanup. At issue was the Comprehensive Environmental Response, Compensation and Liability Act, which Congress passed pursuant to its Commerce Clause power. *Id.* at 10. In a plurality decision, the Court ruled that Congress could validly abrogate state immunity under the Commerce Clause, and that Congress needed to clearly express its intent to abrogate in order to exercise this ability. *Id.* at 19, 23. The plurality was a fairly tenuous one, with Justice White stating cryptically in his concurrence, "I agree with the conclusion reached by Justice Brennan in Part III of his opinion, that Congress has the authority under Article I to abrogate the Eleventh Amendment immunity of the States, although I do not agree with much of his reasoning." *Id.* at 57.

\(^{60}\) 517 U.S. 44 (1996).

\(^{61}\) *Id.* at 47.

\(^{62}\) See *id.* 72-73 ("The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction.").

\(^{63}\) See *id.* at 73 ("The situation presented here, however, is sufficiently different from that giving rise to the traditional *Ex parte Young* action so as to preclude the availability of that doctrine.").

\(^{64}\) See *id.* at 65 ("Never before the decision in *Union Gas* had we suggested that the bounds of Article III could be expanded by Congress operating pursuant to any constitutional provision other than the Fourteenth Amendment.")

\(^{65}\) U.S. CONST. amend. XIV, § 5 ("The Congress shall have power to enforce, by appropriate legislation, the provisions of this article.").

The RFRA was a valid use of Congress's Section 5 enforcement authority. The RFRA sought to prohibit government actors from "substantially burden[ing]" a person's exercise of religion even if the burden results from a rule of general applicability unless the government can demonstrate the burden '1 is in furtherance of a compelling governmental interest; and (2) is the least restrictive means of furthering that compelling governmental interest.' The Court ruled in a 6-3 decision that Congress's Section 5 power is "remedial" and formulated a test requiring "congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." Thus, the Boerne decision established constraints upon Section 5 power, which diminished Congress's ability to address state intellectual property infringement. For this reason, if Congress wishes to impinge upon state immunity using the Fourteenth Amendment, it generally must support the legislation with a record documenting both a pattern of inequitable conduct and evidence that the legislation is tailored to eliminating this injury.

3. State Waiver of Immunity

The third relevant limit on state sovereign immunity is that states may voluntarily (or sometimes constructively) waive their immunity to suit. For a period, the Court held that states might be deemed to constructively waive their immunity by partaking in activities that would subject an ordinary person to federal jurisdiction. In Parden, the Court ruled that "Alabama, when it began operation of an interstate railroad approximately 20 years after the enactment of FELA, necessarily consented to such suit as was authorized by that Act." This created an idea of implied waiver where the states were viewed as having waived their immunity by meeting the conditions of a valid congressional regulation. Additionally, Congress had never explicitly provided for abrogation of immunity in FELA. The doctrine of implied waiver began to crumble in Edelman v. Jordan, where the majority stated, "Constructive consent is not a doctrine commonly associated with the surrender of constitutional rights . . . ." The Court went on to broadly state: "The mere fact that a State participates in a program through which the Federal Government provides assistance

67 Id. at 511 (explaining the background of the case, in which a local zoning board denied a building permit to a church).
68 Id. at 515–16 (quoting 42 U.S.C. § 2000bb-1).
69 Justice Kennedy wrote the opinion for the majority, which was joined by Justices Rehnquist, Stevens, Thomas, and Ginsburg. Id. at 511. Justice Scalia joined much of the majority opinion. Id. Justices O'Connor, Breyer, and Souter dissented. Id. at 544, 565–66.
70 Id. at 519–520.
for the operation by the State of a system of public aid is not sufficient to establish consent on the part of the State to be sued in the federal courts."\textsuperscript{73} Parden's waiver theory suffered its ultimate demise in \textit{Welch v. Texas Department of Highways and Public Transportation}, where the Court explicitly overturned Parden's holding for congressional intent and state waiver.\textsuperscript{74} Thus, the current state of sovereign immunity waiver is strict in its requirements and narrow in its scope. First, for Congress to create State waiver, the act must clearly state intent to abrogate sovereign immunity and describe what conditions triggers such a waiver. Additionally, this waiver must be a valid exercise of Congress's power, as discussed below. Second, states may no longer blunder into waiving their immunity, but instead must affirmatively waive their immunity. A caveat to this, however, is that the Court has ruled that a State's removal of a case to a federal court may constitute waiver of Eleventh Amendment immunity.\textsuperscript{75} Congress may also incentivize a State to waive its immunity or to take action by exercising its power under the Spending Clause, making funding to the states contingent on meeting certain conditions or on waiving their immunity.\textsuperscript{76}

\textit{C. Congress's Passage of Acts Abrogating State Immunity from Intellectual Property Lawsuits}

Guided by the \textit{Atascadero} and \textit{Union Gas} decisions,\textsuperscript{77} Congress in the early 1990's felt that it had wide leeway to enact legislation that restricted sovereign immunity under its Commerce Clause power, as long as the legislation was explicit in making that limitation. On this assumption, Congress passed a series of three laws aimed at explicitly providing the ability to sue states in federal court for intellectual property infringement. In 1990, Congress passed the Copyright Remedy Clarification Act (CRCA), which was created "[t]o amend [federal copyright law], to clarify that States... are subject to suit in Federal court by any person for infringement of copyright... and that all the remedies can be obtained in such suit that can be obtained in a suit against a private person or against other public entities."\textsuperscript{78} In 1992, Congress passed the Trademark Remedy Clarifica-
tion Act (TRCA)\textsuperscript{79} and the Patent and Plant Variety Protection Remedy Clarification Act (PRCA)\textsuperscript{80}. The PRCA and the TRCA used similar language stating "that States . . . are subject to suit in Federal court by any person for infringement of [patents or trademarks], and that all the remedies can be obtained in such suit that can be obtained in a suit against a private entity."\textsuperscript{81}

\textbf{D. The Florida Prepaid and College Savings Decisions}

The Supreme Court directly addressed intellectual property and state sovereign immunity in 1999 with the companion cases \textit{Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank}\textsuperscript{82} and \textit{College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board}.\textsuperscript{83} These cases, along with \textit{Alden v. Maine},\textsuperscript{84} created a new high-water mark for the states' protection from federal intellectual property lawsuits.

The first of these cases, \textit{Florida Prepaid}, involved a claim by the respondent that the petitioner, a Florida tuition finance entity, had infringed the patent for its financing methodology.\textsuperscript{85} The respondent brought its patent infringement claim against the State and pointed to the PRCA as limiting sovereign immunity for Florida.\textsuperscript{86} Florida argued that the \textit{Seminole Tribe} decision rendered the PRCA "an unconstitutional attempt by Congress to use its Article I powers to abrogate state sovereign immunity."\textsuperscript{87} The bank countered that "Congress had the power under § 5 of the Fourteenth Amendment to do so."\textsuperscript{88} The Court ultimately ruled that sovereign immunity would protect the State from federal jurisdiction.\textsuperscript{89} In so ruling, the Court divided its analysis into two parts: "first, whether Congress has 'unequivocally express[e]d its intent to abrogate the immunity,]' . . . and second, whether Congress has acted 'pursuant to a valid exercise of power.'"\textsuperscript{90} The Court quickly concluded that Congress had expressed a clear in-

\textsuperscript{81} 106 Stat. at 3567; 106 Stat. at 4230.
\textsuperscript{82} 527 U.S. 627 (1999).
\textsuperscript{83} 527 U.S. 666 (1999).
\textsuperscript{84} 527 U.S. 706 (1999). In \textit{Alden}, the Court ruled that Article I does not allow Congress to abrogate non-consenting states' immunity for suits by citizens in \textit{state courts}. The opinion was also a reaffirmation of \textit{Seminole Tribe}.
\textsuperscript{85} \textit{Fla. Prepaid}, 527 U.S. at 630.
\textsuperscript{86} \textit{Id.} at 632–33.
\textsuperscript{87} \textit{Id.} at 633.
\textsuperscript{88} \textit{Id.}
\textsuperscript{89} \textit{See id.} at 647–48 (holding that the states had sovereign immunity and striking down the PRCA).
\textsuperscript{90} \textit{Id.} at 635 (quoting \textit{Seminole Tribe of Florida v. Florida}, 517 U.S. 44, 55 (1996)).
tent to abrogate state immunity\textsuperscript{91} and focused on the second and more crucial prong of its analysis. Congress had justified the PRCA under its Article I powers in the Patent Clause and Interstate Commerce Clause, and under Section 5 of the Fourteenth Amendment.\textsuperscript{92} The Court ruled that the Article I clauses were not valid to abrogate state immunity after the \textit{Seminole Tribe} decision. Thus, the Court focused on the merit of the Section 5 justification. In determining whether this was a valid exercise of Section 5 power, the Court referred to its newly articulated "congruence and proportionality" test and the remedial nature of Section 5 it had articulated in \textit{Boerne}.\textsuperscript{93}

In ultimately determining that the PRCA failed the \textit{Boerne} criteria, the Court used several justifications. First, the Court found that Congress had not identified a pattern of wrongs that were being violated and that the PRCA was aimed at correcting. In seeking a pattern of wrongs, the Court defined the underlying conduct as "state infringement of patents and the use of sovereign immunity to deny patent owners compensation for the invasion of their patent rights."\textsuperscript{94} The Court noted that Congress only cited two cases of patent infringement against the states, and the Federal Circuit had only cited eight in its opinion. Second, the Court noted that there had not been a showing that patent owners were deprived of due process of the law under the Fourteenth Amendment. The Court stated, "[i]n procedural due process claims, the deprivation by state action of a constitutionally protected interest... is not in itself unconstitutional; what is unconstitutional is the deprivation of such an interest without due process of the law."\textsuperscript{95} The Court found that Congress had not shown that state remedies were unavailable or ineffective, and thus had not shown a procedural due process violation. Although noting portions of the congressional record that showed the difficulty, cost, and lack of uniformity of possible state actions, the Court did not seem to believe that this rose to the level of a due process violation.\textsuperscript{96} Third, the Court found that there had been no showing of intentional or flagrant infringement by the states that was depriving intellectual property owners of their property as outlined in the Fourteenth Amendment. The Court noted that mere negligent or unintentional infringement did not rise to the level of a constitutional violation.\textsuperscript{97} Finally, given its finding of a limited showing of due process violations, the Court found the PRCA far too broad to meet the congru-

\textsuperscript{91} Id.
\textsuperscript{92} See id. at 635–36 (enumerating the three separate constitutional justifications for Congress’s actions).
\textsuperscript{93} Id. at 637–38; see supra Part I.B.2.b. (discussing the City of \textit{Boerne} decision and its impact).
\textsuperscript{94} \textit{Fla. Prepaid}, 527 U.S. at 640.
\textsuperscript{95} Id. at 642–43 (quoting \textit{Zinermon v. Burch}, 494 U.S. 113, 125 (1990)).
\textsuperscript{96} Id. at 643–45.
\textsuperscript{97} Id. at 645.
ence and proportionality test laid out in *Boerne*. Specifically, the Court objected to the unlimited range of State conduct that could subject the states to liability and the absence of any attempt to limit liability to only the most egregious cases, or those that most implicated deprivation of due process rights.

In a strongly worded dissent, Justice Stevens argued that the majority was weakening the intellectual property system by encouraging non-uniform treatment of intellectual property and creating uncertainty in the law. Justice Stevens also attacked the Court's underlying reasoning as failing to properly address the merits of the case. He argued that the majority's opinion "has nothing to do with the facts of this case. Instead, it relies entirely on perceived deficiencies in the evidence reviewed by Congress before it enacted the [acts]." He also argued that the states were entering into the intellectual property domain more heavily than ever before, as evidenced by the number of patents and royalties they had received, and that this further pointed to the need for congressional legislation in this area. Justice Stevens also astutely pointed out that part of the reason for Congress's light examination of the remedies available at the state level was the huge disparity in state law. The simple fact that state jurisdiction in patent actions had been long preempted minimized the chances that any state would have a cogent patent litigation system. Finally, Justice Stevens attacked as inherently illogical the majority's claim that the PRCA lacked congruence and proportionality to the harm. Instead, Justice Stevens claimed that the PRCA's abrogation of state immunity in infringement suits was precisely congruent to the harm of intellectual property owners having inadequate or no remedies in state courts.

In the companion case, *College Savings*, the Supreme Court examined the petitioners' claim that Florida had violated the Lanham Act and infringed their trademark rights. The bank brought its claim pursuant to the TRCA, and again, the State claimed that it was shielded by sovereign immunity. The bank claimed that the State

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98 Id. at 646–47.
99 Id.
100 Id. at 649 (Stevens, J., dissenting).
101 Id. at 654.
102 Id. at 656–57. In part, Justice Stevens' comments have proven to be almost prophetic, as many of the cases following *Florida Prepaid* and *College Savings* appear to be the almost inevitable result of state universities and other state entities becoming intellectual property powerhouses.
103 Id. at 657–59. Additionally, Justice Stevens pointed out that it would have been illogical for Congress to provide as extensive a record as the Court wanted, because the applicable judicial standard when the PRCA was passed in 1992 was far lower than it was in the post-*Boerne* era. Id. at 660.
104 Id. at 661.
had deprived it of two property rights under the Fourteenth Amendment: "(1) a right to be free from a business competitor's false advertising about its own product, and (2) a more generalized right to be secure in one's business interests."\(^\text{106}\) As an initial holding, the Court ruled that neither of these were property rights that rose to the level of a protected property right for Fourteenth Amendment purposes.\(^\text{107}\) The Court then addressed what remained of the Parden constructive waiver theory and expressly overruled both Parden and the doctrine.\(^\text{108}\) Finally, the Court carried over its reasoning in Florida Prepaid and ruled that "the sovereign immunity of the State of Florida was neither validly abrogated by the [PRCA], nor voluntarily waived by the State's activities in interstate commerce . . . ."\(^\text{109}\)

II. EXAMINATION OF THE CASES FOLLOWING FLORIDA PREPAID

Overall, Florida Prepaid and College Savings marked a large and rapid diminishment of intellectual property ownership rights when rights were infringed by state entities. The decisions left intellectual property owners with scant recourse against states for infringement. However, the Supreme Court had given relatively little guidance on what recourse property owners would have, and whether their rulings should extend to the CRCA and copyright. Additionally, the decision brought to the forefront a somewhat subtle nuance of intellectual property law. The real question was whether states would arm themselves with their newfound immunity to aggressively use intellectual property.

A. The Federal Court Cases

Some of the most interesting cases following Florida Prepaid and College Savings have occurred in the federal courts as intellectual property owners attempt to navigate what narrow options they have for remedies. Specifically, this Section examines what defining characteristics have emerged from the Florida Prepaid and College Savings decisions.

1. The Immediate Aftermath of Florida Prepaid and College Savings

When the Court decided Florida Prepaid in 1999, a number of intellectual property infringement cases against state entities were

\(^{106}\) Id. at 672.

\(^{107}\) Id. at 672–73.

\(^{108}\) See id. at 680 ("We think that the constructive-waiver experiment of Parden was ill conceived, and see no merit in attempting to salvage any remnant of it. . . . Whatever may remain of our decision in Parden is expressly overruled.").

\(^{109}\) Id. at 691.
pending in the federal system. In the case of patent and trademark cases, as might be expected, the decision spelled an almost certain demise for the suits. In Progressive Games, Inc. v. Shuffle Master, Inc., the plaintiff was a gambling machine manufacturer who brought suit against several defendants, including the Nevada Gaming Commission and other state entities, for infringing its gambling machine patents. In a mere two page opinion, the district court dismissed the plaintiffs claim based on the still-warm Florida Prepaid decision.

Some courts after Florida Prepaid have been hesitant to apply the harsh new rule. In New Star Lasers, Inc. v. Regents of the University of California, the plaintiff sought a declaratory judgment that the respondent, a state university, had an invalid patent. The court claimed that these facts differed from those in Florida Prepaid and College Savings, because here the university was the holder of the intellectual property and not the infringer. The court noted that declaratory judgments were an important part of the patent process, because the Patent and Trademark Office (PTO) did not subject its patents to the "level of review and testing available in an adversary proceeding before an Article III court . . . ." The court thus seemed to be implying that the patent system relies on declaratory judgments for patent invalidity and to provide a defense to infringement claims, as a way of combating overly lax and broad patent grants from the PTO. The court concluded that "the Regents wish to take the good without the bad. The court can conceive of no other context in which a litigant may lawfully enjoy all the benefits of a federal property or right, while rejecting its limitations." At least one circuit has claimed that the New Star Lasers decision was merely overruled Parden-style constructive waiver in disguise.

At the appellate level, several plaintiffs saw their causes of action evaporate, while others had their rulings against state sovereigns vacated and remanded in light of Florida Prepaid. The first of these

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111 Id. at 1275.
112 Id.
113 63 F. Supp. 2d 1240 (E.D. Cal. 1999).
114 Id. at 1241.
115 Id. at 1244 ("This case, however, concerns the validity of a patent owned by the Regents themselves.").
116 Id.
117 Id.
118 See Xechem Int'l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr., 382 F.3d 1324, 1331 (Fed. Cir. 2004) ("The New Star Lasers court stated that although the Patent Remedy Act of 1992 may have failed as abrogating legislation, it succeeded as constructive waiver legislation. The Court explicitly rejected this distinction in College Savings, stating that ‘constructive waiver is little more than abrogation under another name.’") (citation omitted).
cases was *Genentech v. Regents of the University of California*,

120 a Federal Circuit declaratory judgment case where the plaintiff brought suit against a defendant state university. 121 In a broad patent dispute, the plaintiff, a biotechnology company, sought a declaration that the university’s patent was invalid and unenforceable, and, in addition, that its patent did not infringe the university’s patent. 122 In its appeal, the university claimed that it was shielded by sovereign immunity and thus not subject to the proceeding in federal court. 123 The Federal Circuit ultimately ruled that the University of California had waived its immunity, basing its holding on “the University’s voluntary and deliberate creation of a case or controversy that can be resolved only in federal courts,” and on “the University’s choice] to enter the federal arena . . . [which was] within its sole control and initiative.” 124 A mere year later, the Supreme Court vacated and remanded the case in light of *College Savings* and the demise of the implied waiver theory. 125

2. The Expansion of Florida Prepaid to Copyright

Following *Florida Prepaid*, one of the largest questions remaining was what effect the decision would have on the CRCA, the only one of the state sovereignty abrogation statutes that the Supreme Court had not struck down. Both the language and constitutional justification were almost identical, and it seemed that the CRCA could not possibly survive where its two brothers had failed. Additionally, several federal courts prior to the *Florida Prepaid* decision had already found the CRCA invalid because it was based on Congress’s Commerce Clause power, a justification the Supreme Court had invalidated in *Seminole Tribe*. 126 A series of cases almost immediately followed, which grappled with the ongoing validity of the CRCA.

The first of these cases was *Kennedy v. National Juvenile Detention Association*, 127 which involved a claim for copyright infringement against a state administrative agency. 128 The court ended up passing on the Eleventh Amendment issue and instead ruled that the plaintiff’s em-

120 143 F.3d 1446 (Fed. Cir. 1998), vacated and remanded, 527 U.S. 1031 (1999).
121 Id. at 1448.
122 Id. at 1449.
123 Id.
124 Id. at 1453.
125 Genentech, 527 U.S. at 1031.
127 187 F.3d 690 (7th Cir. 1999).
128 Id. at 692–93.
ployment contract precluded his claim.\textsuperscript{129} The partially concurring opinion, however, alluded to the recent \textit{Florida Prepaid} and \textit{College Savings} decisions when discussing how the district court should determine the issue on remand.\textsuperscript{130} Ultimately, the Fifth Circuit would address this issue squarely.

Two of the final cases that were dismissed in the immediate post-\textit{College Savings} period were a pair of Fifth Circuit cases, \textit{Rodriguez v. Texas Commission on the Arts}\textsuperscript{131} and \textit{Chavez v. Arte Publico Press}.\textsuperscript{132} Notably, both of these cases considered claims for copyright infringement against the State, and in both cases, the court addressed the issue squarely. In \textit{Rodriguez}, the first of the two opinions, the plaintiff brought a suit against a Texas arts commission for infringing on his design of Texas license plates.\textsuperscript{133} In applying the \textit{Seminole Tribe} two-prong test, the court looked for an unequivocal intent by Congress to abrogate immunity and a valid exercise of congressional power.\textsuperscript{134} The court, in a very brief opinion, found that the CRCA could not be supported under the reasoning used in \textit{College Savings}.\textsuperscript{135}

In the second case, \textit{Chavez}, the court considered an author's claim for copyright infringement against the University of Houston for publishing her book without consent and naming her as an editor in another book the university published.\textsuperscript{136} Although \textit{Rodriguez} had been decided in a summary decision just prior to this case, the court wished to further delineate its reasoning for finding the CRCA to be an unconstitutional abrogation of power.\textsuperscript{137} \textit{Chavez} and amici argued that the CRCA was a valid abrogation under Section 5 of the Fourteenth Amendment based on the Due Process Clause and the Privileges and Immunities Clause.\textsuperscript{138} The court considered the due process issue using the \textit{Florida Prepaid} rubric and examined: “1) the nature of the injury to be remedied; 2) Congress’s consideration of the adequacy of state remedies to redress the injury; and 3) the coverage of the legislation.”\textsuperscript{139} Turning to the first prong, the court looked to “the nature of the injury to be remedied and whether the state's conduct evinced a pattern of constitutional violations.”\textsuperscript{140} The court found that the congressional record supporting the CRCA did

\textsuperscript{129} Id. at 695 (“In accordance with general contract construction, however, we agree with the district court that this contract granted rights beyond those of reproduction and publication.”).

\textsuperscript{130} Id. at 698 (Manion, J., concurring in part and dissenting in part).

\textsuperscript{131} 199 F.3d 279 (5th Cir. 2000).

\textsuperscript{132} 204 F.3d 601 (5th Cir. 2000).

\textsuperscript{133} \textit{Rodriguez}, 199 F.3d at 280.

\textsuperscript{134} Id. at 280–81.

\textsuperscript{135} Id. at 281 (“It is appropriate for us to adopt this analysis in the copyright context.”).

\textsuperscript{136} \textit{Chavez}, 204 F.3d at 603.

\textsuperscript{137} Id. at 603 n.1.

\textsuperscript{138} See id. at 604.

\textsuperscript{139} Id. at 605.

\textsuperscript{140} Id.
not show a strong pattern of constitutional violations by the State.\footnote{Id. at 606.} Turning to the second prong, the court found the CRCA record failed to demonstrate a lack of available state remedies for copyright infringement.\footnote{Id.} Next, the court considered the congruence and proportionality of the CRCA and found that the CRCA was far too broad an abrogation of state immunity for the rights being protected.\footnote{Id. at 607-08.} Finally, the court considered the argument that the CRCA was supported by the Privileges and Immunities Clause. The court found this argument also lacking, for two reasons. First, it wrote that if privileges and immunities "actually supported Chavez's position, she could have claimed a deprivation...from the outset of this litigation."\footnote{Id. at 608 (discussing Saenz v. Roe, 526 U.S. 489 (1999)).} Second, the court felt that Chavez's attempt to use the recent \textit{Saenz v. Roe} decision, a Supreme Court decision that was a fairly unclear use of privileges and immunities, would ask too much of the court at this late stage of the litigation.\footnote{Id.}

It is interesting to note that both the \textit{Chavez} and \textit{Rodriguez} cases paid no attention to the ninth footnote in Justice Stevens' dissenting opinion in \textit{Florida Prepaid}. Justice Stevens stated:

\begin{quote}
To the extent that the majority of this Court finds [unavailability of state remedies and a pattern of infringement] dispositive, there is hope that the Copyright Remedy Clarification Act of 1990 may be considered "appropriate" §\ref{section} legislation. The legislative history of that Act includes many examples of copyright infringements by States—especially state universities... Perhaps most importantly, the House requested that the Register of Copyrights prepare a study... This report contains comments from industry groups, statistics, and legal analysis relating to copyright violations, actual and potential, by States.\footnote{Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 658 n.9 (1999) (Stevens, J., dissenting).}
\end{quote}

In addition to failing to address the \textit{Florida Prepaid} footnote, the \textit{Chavez} court focused heavily on congressional testimony during the Senate Judiciary Committee's consideration of the Intellectual Property Protection Restoration Act. Relatively little discussion was devoted to the congressional studies supporting the CRCA when it was passed.\footnote{Chavez, 204 F.3d at 606-07.}

\section*{3. The Number of Infringement Cases}

In the analysis of the cases following \textit{Florida Prepaid}, I attempted to gather as complete a sampling of federal intellectual property sover-
eign immunity cases as possible. In *Florida Prepaid*, the Supreme Court placed special emphasis on the number of previous patent infringement cases in its examination of the congruence and proportionality of the PRCA. Specifically, it noted that "[t]he Federal Circuit in its opinion identified only eight patent-infringement suits prosecuted against the States in the 110 years between 1880 and 1990."148 In the eight years following *Florida Prepaid* and *College Savings*, there have been at least twelve patent actions involving the states.49 It is notable, to say the least, that in an era when intellectual property rights reached their nadir vis-à-vis sovereign immunity, more patent lawsuits occurred in the eight years following *Florida Prepaid* than had occurred during the preceding 110 years. Additionally, in the last eight years, the federal courts have decided at least nine copyright suits150 and two trademark suits151 involving the states. Fur-

149 See generally *Tegic Comm. Corp. v. Bd. of Regents of the Univ. of Tex. Sys.*, 458 F.3d 1385 (Fed. Cir. 2006) (addressing whether the State's suit against cellular telephone companies for patent infringement waived its immunity to an intervenor's declaratory suit, which sought to invalidate the State's patent); *Xechem Int'l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324 (Fed. Cir. 2004) (same); *Regents of the Univ. of N.M. v. Knight*, 321 F.3d 1111 (Fed. Cir. 2003) (same); *State Contracting & Eng'g Corp. v. Florida*, 258 F.3d 1329 (Fed. Cir. 2001) (same); *Biomedical Patent Mgmt. v. Cal. Dep't of Health Servs.*, No. C 06-00737 MHP, 2006 WL 1530177, at *1 (N.D. Cal. June 5, 2006) (same); *Baum Research & Dev. Co. v. Univ. of Mass. at Lowell*, No. 1:02-CV-674, 2006 WL 461224, at *1 (W.D. Mich. Feb. 24, 2006), appeal denied 188 F. App'x 979 (Fed. Cir. 2006) (same); *Pennington Seed Inc. v. Produce Exch. No. 299, No. 04-1914-CV-CSOW*, 2005 WL 1312940, at *1 (W.D. Mo. June 1, 2005) (same); *Applera Corp. v. MJ Research Inc.*, 311 F. Supp. 2d 293 (D. Conn. 2004) (same); *Competitive Techs. v. Fujitsu Ltd.*, 286 F. Supp. 2d 1118 (N.D. Cal. 2003) (holding that, while Congress cannot abrogate sovereign immunity in patent infringement claims, the State of Illinois in this case did waive its sovereign immunity); *Syrrx, Inc. v. Oculus Pharmns.*, Inc., No. CIV.A. 02-321-JJF, 2002 WL 1840917, at *1 (D. Del. Aug. 9, 2002) (distinguishing instances where private parties induced a state entity to commit infringing acts); *Progressive Games, Inc. v. Shuffle Master, Inc.*, 69 F. Supp. 2d 1274 (D. Nev. 1999) (holding that since the Supreme Court had held certain provisions of the PRCA unconstitutional, states had to have waived sovereign immunity in order for the court to have jurisdiction in a patent infringement claim against the state agency); *New Star Lasers, Inc. v. Regents of the Univ. of Cal.*, 69 F. Supp. 2d 1240 (E.D. Cal. 1999) (granting a motion to dismiss patent infringement claims under state law for lack of jurisdiction under the Eleventh Amendment, but rejecting a motion to dismiss declaratory relief claims because California waived its sovereign immunity when it acquired its patent from the federal government).

150 See generally *IME Adm'rs, L.L.C. v. Colorado*, 146 F. App'x 281 (10th Cir. 2005) (discussing an unpublished 2000 district court case dismissing plaintiff's suit because of sovereign immunity); *Chavez v. Arte Publico Press*, 204 F.3d 601 (5th Cir. 2000) (holding that the CRCA was an improper exercise of congressional legislative power in violation of the Eleventh Amendment); *Rodriguez v. Tex. Comm'n on the Arts*, 199 F.3d 279 (5th Cir. 2000) (holding that the CRCA does not abrogate a state's Eleventh Amendment immunity pursuant to a valid exercise of congressional power, and that the CRCA's sovereign immunity abrogation provision may be constitutionally justified only under the Fourteenth Amendment); *Kennedy v. Nat'l Juvenile Det. Ass'n*, 187 F.3d 690 (7th Cir. 1999) (affirming the dismissal of the *pro se* plaintiff's claim, stating that the Lanham Act claim was misplaced); *De Romero v. Inst. of Puerto Rican Culture*, 466 F. Supp. 2d 410 (D. P.R. 2006) (holding that it was unconstitutional for Congress to abrogate the states' sovereign immunity through passage of the CRCA); *Hairston v. N.C. Agric. & Technical State Univ.*, No. 1:04 CV 1203, 2005 WL 2136923, at *1 (M.D.N.C. Aug. 5, 2005) (same);
ther, it should be noted that these figures are likely low because they are based only on searches of commercial databases.

In 2001, to evaluate the need for congressional action, the General Accounting Office (GAO) created a report examining state intellectual property cases between 1985 and 2001.\(^\text{152}\) The report found there had been fifty-eight such cases during this sixteen-year span and of those suits, forty-seven were brought in federal court.\(^\text{153}\) State respondents who returned surveys for the GAO report indicated that infringement issues were often handled through administrative channels.\(^\text{154}\) The report noted that the fifty-eight cases amounted to only 0.05% of the intellectual property suits brought during the same time.\(^\text{155}\) Nonetheless, this figure far exceeded those the Court stated in Florida Prepaid.\(^\text{156}\)

There may be several possible explanations for the increased number of suits in recent years. First, the greater activity of state universities in intellectual property dealings may simply result in more conflicts among parties. Indeed, state universities and other state research groups are developing and acquiring far more intellectual property than they have in the past.\(^\text{157}\) A second possibility might simply be that, in the age of modern digital law, parties are now more

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\(^{151}\) See generally Idaho Potato Comm’n v. M & M Produce Farms & Sales, 95 F. Supp. 2d 150 (S.D.N.Y. 2000) (holding that the Idaho Potato Commission is an arm of the State for the purposes of Eleventh Amendment sovereign immunity); McGuire v. Regents of the Univ. of Mich., No. 2:99-CV-1231, 2000 U.S. Dist. LEXIS 21615, at *1 (S.D. Ohio Sept. 21, 2000) (finding that the university waived its sovereign immunity when it accepted and retained a gift, gratuity, or federal beneficence from the federal government in the form of a trademark license).

\(^{152}\) U.S. GEN. ACCOUNTING OFFICE, INTELLECTUAL PROPERTY: STATE IMMUNITY IN INFRINGEMENT ACTIONS (2001). However, the GAO did note that due to settlements and limited reporting of certain matters by some courts, it was almost impossible to get a fully accurate assessment of how many suits occurred. Id. at 7.

\(^{153}\) Id. at 2.

\(^{154}\) Id.

\(^{155}\) Id. at 7.

\(^{156}\) See Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 640 (1999) (identifying the minimal number of cases found to support the congressional position).

\(^{157}\) See U.S. GEN. ACCOUNTING OFFICE, supra note 152, at 42–46 (surveying intellectual property held by the state universities); Quigley, supra note 119, at 2003–04 (outlining the degree of state university intellectual property involvement).
willing and more able to file lawsuits when they feel they have been wronged. A third possible cause may be that state entities, because they now have a clear delineation of the scope of their protection, have become less willing to seek or accept out-of-court solutions, and thus more cases are coming to trial. This possibility presents an interesting perverse incentive that encourages state entities to avoid out-of-court settlements in the belief that they are shielded by sovereign immunity. Additionally, this creates the possibility of inefficiencies in the bargaining and settlement process because state entities wield unequal power. Finally, the cause could simply be that intellectual property owners are more willing to bring infringement lawsuits of questionable merit.

Overall, it is not clear whether any of these theories actually account for the number of lawsuits since 1999. Still, this is an interesting area to monitor because under Boerne's congruence and proportionality test, an increased number of lawsuits in this area could legitimize a congressional act aimed at addressing Fourteenth Amendment concerns. Indeed, one of the principal concerns of the Florida Prepaid Court was the inadequate number of cases and intellectual property disputes supporting Congress's passage of the PRCA. Ironically, this creates a circular logic where the Supreme Court's visible rejection of the PRCA, based in part on too few constitutional violations, could actually have served as an impetus in generating enough lawsuits to legitimize congressional legislation based on the Fourteenth Amendment enforcement power. This raises the specter that the solution to the current loophole might simply be repassing the original legislation using the increased amount of sovereign infringement cases to pass the congruence and proportionality test.

4. The State Actors Infringing

Because sovereign immunity extends to not only the State, but also to state agencies, organizations, and officials, there is a wide spectrum of state actors who can potentially seek protection for intellectual property infringement. This Section attempts to outline a cross section of the state actors involved in state sovereignty infringement actions.

a. State Universities

By and large, the largest single group of infringers appears to be state universities and similar state academic groups. Approximately two-thirds of the post-Florida Prepaid federal cases this Comment ex-
examined involved a dispute with a state academic group.158 The GAO report found that during its sixteen-year period of examination there was an almost even distribution between universities and other state actors, but state universities still accounted for the majority of cases.159

In Regents of the University of New Mexico v. Knight,160 the University of New Mexico sued some of its employees for patent ownership, with the employees making counterclaims against the university.161 As an initial matter, the court decided to apply Federal Circuit law to the dispute to help promote uniformity in the administration of patent issues.162 The court ruled that the university partially waived its sovereign immunity by bringing its patent ownership claim into federal court.163 However, it found that this waiver extended only to compulsory counterclaims arising from the same action.164 In addition, even though the university had amended its complaint and was not seeking money damages, the employees could seek damages in their corresponding counterclaims.165

In another patent case, Xechem International, Inc. v. University of Texas M.D. Anderson Cancer Center,166 the Federal Circuit considered whether the University of Texas was subject to a suit to change and correct the inventorship of a patent. The dispute had arisen after Xechem and the university had collaborated to develop a cancer drug, and the university had later filed itself as the sole inventor with the PTO.167 Xechem attempted to circumvent sovereign immunity by relying on several arguments, most notably the quasi-constructive waiver that the court embraced in New Star Lasers.168 The court rejected this argument with little discussion as being merely constructive waiver, without discussing some of the justification the New Star Lasers court used.169 The court also pointed out that issues of patent ownership were not preempted by the federal courts, and that such a claim could be pursued in state court, but admitted that this did come at the cost of uniformity and certainty in the process.170 In an interesting additional opinion, Judge Newman highlighted the fact

158 See Quigley, supra note 119, at 2005-16 (discussing the evolution of the sovereign immunity doctrine).
159 See U.S. GEN. ACCOUNTING OFFICE, supra note 152, at 10 (analyzing lawsuits brought in federal court in which state entities were defendants).
160 821 F.3d 1111 (Fed. Cir. 2003).
161 Id. at 1114-16.
162 Id. at 1123-24.
163 Id. at 1124.
164 Id.
165 Id.
166 382 F.3d 1324 (Fed. Cir. 2004).
167 Id. at 1327.
168 Id. at 1327.
169 Id. at 1391.
170 Id. at 1332.
that unclear ownership of a patent could actually be corrected in state court, but that more than mere allegations of the inability to seek redress in state courts were necessary. She went on to state her continuing concern about state immunity in the IP arena saying:

Respect for the principles of federalism does not automatically immunize the state from due process considerations. The Court in Florida Prepaid kept this door ajar. I write to the same purpose, for there is an increasing urgency, as the states enter the private competitive arena governed by the laws of intellectual property, to establish fair relationships and just recourse.

One particularly flagrant case of infringement by a university happened in Hairston v. North Carolina Agricultural & Technical State University. The plaintiff, Hairston, had taken a photograph recreating the Greensboro lunch counter sit-in with the original students who had participated. North Carolina Agriculture & Technical University (North Carolina A&T) then took the photograph and used it in a variety of its promotional materials, and in its football program for the season. The plaintiff then sought prospective injunctive relief and monetary damages for the copyright infringement. The case was notable because it involved a copyright claim and the CRCA, and because it sought prospective relief under the Ex parte Young doctrine. With regard to the monetary damages, the court ultimately adopted the reasoning outlined by the Fifth Circuit in Chavez and Rodriguez, and held that the CRCA was an unconstitutional attempt to restrict sovereign immunity; thus, the plaintiff could not seek monetary damages. Turning to the prospective relief claim, the court ruled that the use of the photos was causing ongoing damages, and therefore, the plaintiff was eligible to seek prospective relief. As a final matter, the court dismissed a Fifth Amendment takings claim because it would constitute monetary relief and would thus not fall under the Ex parte Young doctrine.

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171 Id. at 1333–34 (Newman, J., additional views).
172 Id. at 1335.
175 Hairston, 2005 WL 2136923, at *2.
176 Id. at 8.
177 See supra Part I.B.1 (identifying the Ex parte Young doctrine).
178 Hairston, 2005 WL 2136923, at *8.
179 Id.
180 Id. at *9.
b. *State Agencies and Who Is the Sovereign*

Besides universities, semi-autonomous state agencies are usually the other main source of intellectual property disputes within the states. The best example of this is *State Contracting & Engineering Corporation v. Florida*,\(^{181}\) which involved the Florida Highway Commission and its contractors infringing the plaintiff's patent. In *Rodriguez*, the group involved was the Texas State Arts Commission.\(^{182}\) In *Idaho Potato Commission v. M & M Produce Farms & Sales*,\(^{183}\) the Idaho Potato Commission, an administrative agency that regulated the potato industry, entered into a trademark dispute with several potato growers. In general, it is hard to characterize the broad group of state administrative agencies involved. One thing that they do seem to have in common is a limited degree of public visibility and a wide degree of autonomy within a specific functional area, such as highways, agriculture, arts, or education.

An issue that appears more often in recent cases is the question of whether an entity can be considered part of the sovereign and thereby enjoy the protection of the Eleventh Amendment. Currently, this determination varies greatly from circuit to circuit.\(^{184}\) Generally, the resolution of the issue focuses upon how financially tied the institution is to the State, and whether state coffers would satisfy the judgment.\(^{185}\) It should also be noted that local governments and municipal corporations are not considered state actors.\(^{186}\) A problem with the current factors-based determinations used by various circuits is that they fail to provide a bright-line rule by which intellectual property holders may determine whether they are dealing with a state entity. As a result, property owners may be unsure of their rights both ex ante and ex post, which can lead to owners ineffectively protecting their intellectual property.

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181 258 F.3d 1329 (Fed. Cir. 2001).
183 95 F. Supp. 2d 150, 151 (S.D. N.Y. 2000).
185 *See, e.g.*, *De Romero*, 466 F. Supp. 2d at 419 ("[T]he court must ascertain: (1) . . . whether it is structured as a separate entity such that it may sue and be sued and has a budget that is independent from the Commonwealth, (2) whether the Commonwealth has explicitly claimed or disclaimed responsibility for the entity's debts . . . ."").
186 *See, e.g.*, *Mt. Healthy City Sch. Dist. Bd. of Educ. v. Doyle*, 429 U.S. 274, 280–81 (1977) ("[T]he record before us indicates that a local school board such as petitioner is more like a county or city than it is like an arm of the State. We therefore hold that it was not entitled to assert any Eleventh Amendment immunity from suit in the federal courts.").
5. Declaratory Suits and Counterclaims

A troubling problem in the post-Florida Savings/College Prepaid era is raised by the New Star Lasers decision, discussed above, where the plaintiff brought a declaratory judgment suit seeking to have a state university-owned patent invalidated. The description of the facts in the case makes clear that the plaintiff was undoubtedly bringing his declaratory suit to head off an imminent infringement suit by the university. The court itself noted the role that declaratory judgments seeking invalidation of a patent can serve, as both a check on sometimes overly broad grants by the PTO and as a defense to suit by the rights holder. The court ultimately ruled that the university could not "take the good without the bad... [The] litigant may [not] lawfully enjoy all the benefits of a federal property or right, while rejecting its limitations." Because the logic of the New Star decision includes some elements of constructive waiver, which was clearly forbidden by the College Savings decision, the Federal Circuit in Xechem International, Inc. v. University of Texas stated that the holding of New Star was clearly at odds with College Savings. Similar to the issue in New Star, the issue before the court in Xechem was the correction of title for a patent that the plaintiff claimed a state university had usurped.

Another example of the problem that barring declaratory suits can cause is illustrated in Keith Shraad's testimony before the Senate Committee on the Judiciary during its hearings regarding the IPPRA. Shraad is the Western Regional Director for National Information Consortium (NIC), a private company that focuses on developing software and database systems for state government. In 1996, NIC developed an eGovernment information system for the State of Georgia. Over a five-year period, NIC continued to provide support and development for the electronic system. The system apparently contributed a significant chunk of funding to the State as well. Toward the end of the five-year period, a new information officer was appointed and proceeded to terminate NIC's relationship with the State. When NIC attempted to negotiate a perpetual, royalty-free license for the software, the State responded that they owned

188 Id. at 1241-42.
189 Id. at 1244.
190 Id.
191 Xechem Int'l, Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr., 382 F.3d 1324, 1331 (Fed. Cir. 2004).
192 Id. at 1326.
the rights to the software under the work-for-hire doctrine. Because NIC planned to implement the same system in other states, this claim significantly jeopardized its future business plans. When NIC attempted to settle the issue with the State, officials claimed that they were shielded by the recent Florida Prepaid decision and thus could not be brought to court. NIC subsequently brought a declaratory suit to determine the ownership of the software. Georgia responded with a motion to dismiss based on sovereign immunity. Although the outcome of this case does not appear in judicial record, it clearly illustrates the danger that state immunity may pose in blocking declaratory suits to clarify or correct intellectual property ownership issues.

Intellectual property, especially patents, can be especially vulnerable if it appears they may overlap with another patent. For example, in Tegic Communications Corp. v. Board of Regents of the University of Texas System, the plaintiff, Tegic, licensed and distributed the T9 program, which is widely available on cell phones and permits users to easily type words using the numeric keypad. The university had previously filed suit against users and distributors of the T9 software in Texas (including Tegic's), claiming that the T9 system violated its patent for "a method of inputting text into a device keyboard, [where the software] recognizes the text and predicts the word the user intends to type." Tegic then responded by seeking a declaratory judgment in the Western District of Washington that the university's patent was invalid and that the T9 software did not infringe. The university moved to dismiss the declaratory suit because it was brought by a new party (Tegic, as opposed to Tegic's customers and distributors) and in a new venue (Washington, as opposed to Texas). The Federal Circuit affirmed the dismissal of Tegic's declaratory suit as barred by the Eleventh Amendment and noted that Tegic's best, and perhaps only, option would be to attempt to intervene in the Texas proceeding that the university had initiated. While Tegic may yet be able to raise its challenges in court, this case illustrates the perils and difficulties that are inherent in attempting to bring a declaratory suit against states.

A related issue is whether counterclaims in suits initiated by state actors are permissible or run afoul of the Eleventh Amendment. The Federal Circuit has ruled that when a State files suit, the State waives

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194 See id. at 28.
195 458 F.3d 1335 (Fed. Cir. 2006).
196 Id. at 1337.
197 Id.
198 Id.
199 Id. at 1343-44.
its immunity with regard to compulsory counterclaims. In Knight, the defendants attempted to file counterclaims for declaration of ownership and monetary claims, such as breach of contract. The Federal Circuit ruled that only those counterclaims which were compulsory, and thus arising from the same transaction the university was predicing its suit on, were permissible. These cases raise concerns about protecting the current intellectual property framework after Florida Prepaid and College Savings. Declaratory judgments serve an important role in the intellectual property system by allowing parties to correct ownership of intellectual property with the proper federal regulator and by getting court approval of planned intellectual property use before a party sinks capital into an intellectual property venture. The PTO may issue patents or trademarks that are overly broad, that may conflict somewhat with existing intellectual property, or perhaps that simply should not be given protection. The problem then becomes: How does one defend against a suit when a state entity uses such a patent or trademark as a sword rather than as a shield? In defending against an infringement claim, a valid defense is that the plaintiff's underlying intellectual property is invalid, and thus cannot serve as the basis for the infringement claim. The question, however, is whether, after the demise of constructive waiver, intellectual property owners may affirmatively use invalidity to stave off state entities. Further, must one wait until the State initiates an action before attempting to clarify title of intellectual property?

B. The State Court Cases

It is difficult to concisely characterize the state lawsuits involving intellectual property, except to note the disparity in treatments and remedies available among the states. The GAO report included an illustrative set of surveys from state officials regarding the intellectual property practices of their respective states. These surveys illustrated a wide variance in: the ability to sue a state for an intellectual property violation (most of the respondents were protected by sovereign immunity); the ability of state agencies to waive their immunity voluntarily (most respondents stated they were unable to do so); and what group handled infringement issues. The dissent in Florida Prepaid also highlighted the disparate remedies for intellectual property in-

200 See Regents of the Univ. of New Mexico v. Knight, 321 F.3d 1111, 1126 (Fed. Cir. 2003) ("[W]hen a state files suit in federal court to enforce its claims to certain patents, the state shall be considered to have consented to have litigated in the same forum all compulsory counterclaims . . . . ").
201 Id. at 1116.
202 Id. at 1126-27.
203 See U.S. GEN. ACCOUNTING OFFICE, supra note 152, at 47-65 app. 3.
fringement available among states, and the fact that most states barred suits in state courts because of sovereign immunity. A recent case illustrating the difficulty of succeeding in a state court claim is Smith v. Lutz, a Texas state court case where a programmer brought suit against the University of Texas and its officials for infringing his copyrighted software. The plaintiff brought a triad of claims, asserting intellectual property infringement, contract breach, and takings. In regard to the first two claims, the court found that sovereign immunity shielded the university on both counts. In regard to the takings claim, the court ruled that sovereign immunity did not bar the claim, because "the University was acting under color of its contractual rights [and] it did not have the requisite intent to take Smith’s property by eminent domain." While some state laws provide a general waiver for state court claims or specific waiver for state contract disputes, this case illustrates the difficulty facing litigants in many states.

III. ATTEMPTS AND STRATEGIES TO CLOSE THE LOOPTHOLE

A. Past Attempts to Limit Sovereign Immunity for Intellectual Property

Following the Florida Prepaid and College Savings decisions, Congress moved quickly to propose legislation to fix what it perceived as a new hole in the intellectual property system.

1. IPPRA of 1999

The first of these attempts was the Intellectual Property Protection Restoration Act (IPPRA) of 1999. One of the main problems with the first version of the IPPRA was that it was overly broad. The bill conditioned the states' ability to obtain federal intellectual property rights on their complete waiver of sovereign immunity with regard to intellectual property suits. If a state later breached and failed to waive its sovereign immunity, three consequences would occur. First, any pending intellectual property applications would be considered abandoned, and the state would not be able to regain them.

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205 149 S.W.3d 752 (Tex. App. 2004).
206 Id. at 755.
207 Id. at 756.
208 Id. at 759–60.
209 Id. at 760.
210 Id. at 761.
212 Id. § 113.
Second, no damages or monetary relief could be awarded in any action to enforce a federal intellectual property right that the state obtained in the last five years. Third, the state would be barred from obtaining any new intellectual property for one year.

The bill was an improvement over past legislation in that it did involve states waiving their immunity. However, it was problematic, in that it was overly broad and did not adhere to the congruence and proportionality that the Supreme Court had required in *Florida Prepaid* and *College Savings*. Ultimately this version of the bill proved to be too strongly worded to generate enough support at the congressional committee level.

2. IPPRA of 2001 and 2003

Congress's most recent incarnation of a bill to abrogate sovereign immunity is the IPPRA of 2003, which in many ways is a softer version of the 1999 bill. The two bills differed in that the 2003 bill was much more specific in how it would prevent infringement, while also limiting the aggressive tactics used in the 1999 version. The bill stated four main purposes: to “help eliminate the unfair commercial advantage” for the states, “promote technological innovation and artistic creation,” “reaffirm the availability of prospective relief against State officials,” and “abrogate State sovereign immunity in cases where States” infringe. The bill first seeks to address the loophole by precluding states from obtaining monetary damages in their infringement suits against individuals, unless they have waived their sovereign immunity. Second, it seeks to provide monetary damages to individuals in Fifth Amendment takings cases.

Similar to the 1999 bill, however, the 2003 version does little to limit abrogation to cases where the states have flagrantly violated intellectual property rights, such as in *Hairston*; cases where the State's property right is impinging on an individual's intellectual property right, such as in *New Star Lasers*; or cases where there is serious financial harm to an individual. The danger of such a broad approach is that it opens the floodgates for litigation, which may serve as a drain on limited state budgets and resources. Additionally, it fails to address the problem of states inadvertently infringing, either through contractors they oversee or by using intellectual property provided by a vendor that they believe to be non-infringing.

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214 Id. § 2.
215 Id. § 3(a).
216 Id. § 5(b).
B. Overview of the Strategies to Close the Loophole

In addition to the congressional attempts embodied in the IPPRA, there are several other tactics Congress or even the courts could take to limit the states' broad sovereign immunity in intellectual property.

1. Using Section 5 Power, or Reproposing the CRCA, PRCA, and TRCA

The Supreme Court in *Florida Prepaid* ultimately rejected the PRCA's justification on Fourteenth Amendment grounds. However, the decision served as a roadmap for redrafting legislation based on Section 5 power to address abuse of intellectual property by the states. First, the Court ruled that there was not a sufficient record of infringement actions by the states. Specifically, the Court noted that the Federal Circuit opinion only referenced eight actions involving the states in the previous 110 years.\(^{217}\) This problem has been partially solved by the growth in such cases following *Florida Prepaid*. Second, the Court noted the lack of tailoring in the PRCA to limit infringement to specific circumstances that constituted a Fourteenth Amendment violation.\(^{218}\) Third, the Court noted the lack of evidence that appropriate remedies are not available at the state level.\(^{219}\) Although not extensively studied in this Comment, there has been a growing body of intellectual property cases at the state level as well.\(^{220}\)

In sum, given the growing amount of conflict with states in the intellectual property realm and the clear roadmap laid out in *Florida Prepaid*, it seems quite reasonable that Congress could develop appropriate legislation to address only the truly problematic cases of state infringement.

As mentioned earlier, the amount of state infringement that has occurred following *Florida Prepaid* and *College Savings*, as judged by the number of federal cases that have arisen, appears to have increased substantially.\(^{221}\) In addition, many states provide infringement remedies that are far more tenuous than those available under federal law. In a few states, it appears that almost no remedy is available to intellectual property holders who see their property usurped by the State. Thus, it seems that by properly documenting the increase in the number of state infringement cases and the inequitable burden this places on intellectual property owners, Congress may be able to re-


\(^{218}\) See id. at 646–47.

\(^{219}\) See id. at 640.

\(^{220}\) See generally U.S. GEN. ACCOUNTING OFFICE, supra note 152 at 17–24 (analyzing state court claims).

\(^{221}\) See Section III, supra, for a discussion of the cases following *Florida Prepaid*. 
propose the CRCA, PRCA, and TRCA in substantially the same form as the original versions.

2. *Ex parte Young* Precedent

As discussed below, the availability of rapid prospective injunctions can curb much of the economic and practical advantage of appropriating intellectual property. By strengthening and speeding the injunction process under *Ex parte Young*, it would be possible to decrease the incentive to infringe, while also protecting state financial resources from expensive intellectual property lawsuits.

3. *Spending Power*

Similar to how Congress used federal highway funds to encourage states to raise their minimum drinking age in *South Dakota v. Dole*, Congress could "encourage" states to waive their immunity through the use of its spending power. In *Dole*, Congress conditioned five percent of South Dakota's federal highway funding on the State's adoption of a minimum drinking age of twenty-one. A similar scheme could be established to penalize states that commit flagrant violations of intellectual property rights. One problem with this approach is that it could easily be applied overbroadly by Congress, possibly to the detriment of state coffers. Additionally, Congress's spending power is not without its own limitations.

4. *Overruling Hans*

Perhaps the most remote option for limiting the sovereign immunity hole for intellectual property would be arguing for *Hans* to be overruled. Over the last several decades, there has been a growing

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222 See Section III.C.2.a., infra.
224 *Dole*, 483 U.S. at 205-06.
225 For example, the condition of funding must be in pursuit of the "general welfare." *See New York v. United States*, 505 U.S. 144, 167 (1992) (highlighting the requirements for use of the Spending Clause); *Dole*, 483 U.S. at 207-08 (requiring that the funding that is made conditional should in some way be related to the conditions); *Helvering v. Davis*, 301 U.S. 619, 640-41 (1937) (asserting that the conditional nature of the funding must be expressed unambiguously).
amount of skepticism of the Supreme Court's decision in *Hans*.\(^{226}\)

One possibility, therefore, would be for a future Court to limit the extent of the *Hans* ruling and possibly readdress it without completely upsetting the series of cases built upon it. Unfortunately, given the strong language in the recent jurisprudence of the Rehnquist and Roberts Courts, the chances of substantially reconsidering *Hans* seem unlikely at best. Additionally, a great deal of case law rests upon *Hans*, and a change at this point could unravel a long chain of cases. Nonetheless, it does seem possible that some small inroads could be made into the large umbrella of protection that *Hans* provides in Eleventh Amendment jurisprudence.

C. Argument for Not Closing the Loophole

One position that has not received a great deal of attention among academics is that perhaps the sovereign immunity loophole is not actually a loophole at all. Stated another way, it is not entirely clear that the state of affairs following *Florida Prepaid* and *College Savings* necessarily calls for intervention by Congress or the courts. There are a number of arguments for leaving the current state of sovereign immunity intact. Some proponents of congressional action have argued that the states may take intellectual property with few costs or repercussions. However, it is unlikely that states would, or even could, widely infringe or steal intellectual property. This is in part because of economic and social factors. Because the degree of state infringement will likely continue to be relatively minimal, it may be desirable to not enact legislation or expand judicial remedies that abrogate state immunity. Finally, judicial restraint may require more time to discern whether the recent increase in state infringement cases is part of a larger trend or merely a short-term discrepancy.

1. A Lack of Pressing Need to Close the Loophole

Numerous articles have focused on methods for closing the sovereign immunity loophole for intellectual property.\(^{227}\) Very few have


\(^{227}\) See Robert T. Neufeld, *Closing Federalism’s Loophole in Intellectual Property Rights*, 17 BERKELEY TECH. L.J. 1295, 1320–22 (2002) (proposing that sovereign immunity ultimately further the intellectual property sphere); Quigley, supra note 119, at 2024–25 (proposing that the IPPRA is constitutional because it attaches conditions to federal intellectual property protection under Congress’s Article I power); White, supra note 48, at 553–63 (articulating the view that the IPPRA effectively balances the remedial needs of private patentees and the public policies underlying patent law and sovereign immunity); Robert C. Wilmoth, *Toward a Congruent and Proportional Patent Law: Redressing State Patent Infringement After Florida Prepaid v. College Savings Bank*, 55 SMU L. REV. 519, 587 (2002) (urging that the IPPRA should be modified to in-
urged caution in closing or limiting the loophole, and even fewer have hinted that these sovereign immunity loopholes may not need to be closed. Relatively few pieces have analyzed why there is a pressing need to realign the intellectual property playing field. In the hearings over the proposed IPPRA in 2001, Marybeth Peters, the Register of Copyrights, openly admitted that “there are relatively few infringements of intellectual property rights by States . . . .” In support of this was a GAO report under the oversight of Senator Orin Hatch, which found only fifty-eight intellectual property infringement cases since 1985 that involved state actors. It is also worthwhile to note that the fifty-eight lawsuits included those at both the state and federal level and included many cases that were dismissed, settled, or decided in the states’ favor. To support the need for the IPPRA, Peters vaguely alluded to the fact that “recent experiences in the internet environment suggest that some segments of the public do not view copyright as sacrosanct.” Finally, she claimed that, logically speaking, state actors would be more inclined to infringe on intellectual property if they faced no sanctions. What these arguments failed to consider was that state actors’ actions are more constrained than those of the general population, and that intellectual property rights holders have the ability to take actions to protect themselves. Indeed, the GAO report on infringement stated that the intellectual property community was “divided on what, if anything, include a compulsory licensing scheme, which would allow a state to enforce patent rights while providing just compensation); Cotner, supra note 223, at 740–41 (arguing that participation in the federal intellectual property system should be conditioned on states’ waiver of sovereign immunity); Jason Karasik, Comment, Leveling the IP Playing Field: Conditional Waiver Theory and the Intellectual Property Protection Restoration Act, 27 HASTINGS COMM. & ENT. L.J. 475, 500–09 (2005) (viewing a combination of Dole, Nollan, Dolan, and other appellate court precedents as constituting a workable constitutionality test for conditional waiver).


229 See generally Jesse H. Choper & John C. Yoo, Who’s Afraid of the Eleventh Amendment? The Limited Impact of the Court’s Sovereign Immunity Rulings, 106 COLUM. L. REV. 215 (2006) (arguing that sovereign immunity’s impact is often exaggerated, given the other avenues available to the federal government to achieve its policy goals).


231 U.S. GEN. ACCOUNTING OFFICE, supra note 152, at 2.

232 Id. at 11.


234 Id.
states should and could do to protect the rights of intellectual property owners against state infringement.\(^{285}\)

2. \textit{Economic and Social Factors Reducing the Ability of States to Use the Loophole}

In addition to the relatively small number of infringement cases involving states, there are political, social, and economic considerations that limit the prospects of widespread intellectual property infringement becoming a normal practice for states. None of these factors serve as an absolute bar to state infringement of intellectual property, but they do indicate that there may be only limited instances where willful state infringement is viable.

a. \textit{Economic Factors}

From an economic perspective, there are a number of factors that mitigate the incentives for states to infringe. States incur financial and opportunity costs if they infringe on individuals' intellectual property rights. First, assuming that information on state infringement is uniformly available, a State that infringes incurs future opportunity costs from lost business and technology. States constantly use and develop technology that enjoys trademark, patent, and copyright protection. When a State infringes on intellectual property, it will have obtained a short-term benefit, but that benefit may be far outweighed by its long-term costs. In the most severe scenario, rights holders may, in the future, entirely eschew dealings with state entities that have usurped intellectual property in the past. This strategy seems as if it could be especially applicable to certain states, which have a strong track record of infringement. In the 2001 GAO report, one state accounted for almost ten percent of the infringement suits filed since 1985.\(^{236}\) Second, it is also possible that rights holders will seek to protect themselves by charging past infringing states higher initial costs, in an attempt to insure themselves against the chance of infringement. In essence, this would be a system where rights holders self-insure, with states needing to pay a premium to obtain initial access to technology. Other rights holders may seek to protect themselves through the use of contracts with the State.\(^{257}\) The State would

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\(^{285}\) U.S. GEN. ACCOUNTING OFFICE, supra note 152, at 3 (emphasis added).

\(^{236}\) Id. at 10–11. Although the report does not indicate which state this is, based upon the cases examined in the article, it seems most likely that Texas is the outlier state, based on its high intellectual property involvement and the Texas courts' zeal in protecting the sovereign.

\(^{257}\) Many states have an automatic sovereign immunity waiver for contractual agreements and some state courts have found an inferred waiver when states enter into contractual agreements. \textit{See generally} Menell, supra note 228, at 1413–28 (proposing a state's waiver of sovereign immu-
thus incur the initial labor costs of negotiating the contract, and be subject to liability for breach of contract.\footnote{See id. at 1425–28.} A final solution that rights holders might use is relationship structuring. A rights holder would thus seek to avoid providing the technology directly to the State; instead the rights holder would either first provide it to private state contractors, or, alternatively, seek to use an intermediary to provide technology to the State. Additionally, as discussed above, local governments do not fall under the auspices of state governments, and thus, arrangements may be made directly with local governments, which may be sued in federal court.\footnote{See supra Part II.A.4.b.} In either case, rights holders would seek to help protect their property by inserting a non-sovereign entity into the equation, which could be sued for infringement.\footnote{See State Contracting & Eng’g Corp. v. Florida, 258 F.3d 1329, 1337–40 (Fed. Cir. 2001) (declaring Florida immune from a takings claim, but holding that contractors who had misappropriated patented designs were still vulnerable).}

A second economic problem with infringing is that the rights associated with intellectual property do not carry over to the infringer when the property is usurped. Thus, a state that chooses to appropriate intellectual property does not enjoy the full economic benefit that accompanies the licensing or outright ownership of the property right. A state cannot seek to license the property, it cannot defend the property in court, it cannot claim an issued patent or trademark conflicts with the one it is using, and it cannot build upon the property to create derivative works. With such a large portion of the rights associated with intellectual property unavailable to infringers, state infringement of intellectual property does not seem nearly as economically beneficial as it does at first glance. Perhaps the single most important consideration is that the state entity does not have an assurance of how long it can continue to use the property. A state cannot plan to use misappropriated intellectual property for an indefinite period of time. While rights holders cannot seek monetary damages, they can seek a prospective injunction under \textit{Ex parte Young}. While this does not present a problem for intellectual property that the states need for only a brief period, or that has a one-time use, the vast majority of intellectual property does not fall into this category. In the realm of patents, biological or chemical compounds have comprised the majority of the disputed patents in suits against sovereign entities. These compounds oftentimes merely form the building blocks for future research or for possible future medical treatments, but they offer little benefit in the short term. In copyrights, a state can hardly expect to reproduce and use a textbook it has not licensed in its schools, not
when there is the imminent possibility that an injunction will require the State to discard the book. Perhaps the best example of a situation in which a state entity could take intellectual property for a short-term use was the photograph at issue in Hairston. In that case, it appears that the picture had been used only for short-term materials, such as the program for the football season. However, this case is the exception, not the norm. In the final calculus, only a small portion of the intellectual property spectrum lends itself to such short-term use, and Ex parte Young enables private parties to seek prospective injunctions that limit future use. Finally, the inability of states to extend their sovereign immunity to private and non-state actors limits the potential utility of infringed intellectual property. For example, while the State may appropriate intellectual property under the aegis of sovereign immunity, it may not collaborate or share the intellectual property with entities that do not enjoy sovereign immunity. A case that sharply illustrates this point is State Contracting, where the court ruled that, while the plaintiff could not sue the State of Florida for patent infringement, it could pursue a suit against subsequent private contractors that the State worked with in using the infringed patent. Because states often work with private entities in larger projects, the possibility of using infringing intellectual property in such endeavors may be effectively foreclosed. Thus, for these reasons, infringed intellectual property may provide only limited benefits to the states.

b. Sociopolitical Factors

From a social viewpoint, when states broadly steal intellectual property, they pay a definite cost in terms of loss of goodwill and tarnishment of public perception. States themselves vie for goodwill for a number of reasons. Goodwill can help encourage businesses and citizens to reside in the state, which in turn generates tax revenue. In the case of universities, goodwill helps the universities attract students and faculty, and enables them to partner with other institutions in education, grants, and research. Additionally, many state entities, especially universities, are entering into the commercial domain, where goodwill translates into business relationships and sales. As this process occurs, goodwill becomes even more crucial for those state entities seeking any measure of commercial success. A good example is universities that engage in the infringement of intellectual property. Such universities would likely encounter a great deal of difficulty in a number of key activities. It would be difficult for them to partner

241 See supra notes 175-179 and accompanying text.
242 See State Contracting, 258 F.3d at 1340.
with private industry groups to fund research, to attract new research faculty, or to form partnerships with private universities.

Another mechanism of self-regulation is the power to elect new officials. It seems that few state-elected officials would want to be connected with the widespread infringement of intellectual property without a justification. The election process serves as a natural system for the citizens of a state to express their disapproval of the State stealing intellectual property. This likely serves as a large reason why, in the wake of Florida Prepaid, there have been no actions directly involving publicly elected state officials.

c. Preconditions for Effective Economic and Social Controls

A final note on these economic and social self-regulation methods is that many of them depend on decision makers and economic players having information about the level of state infringement. Information asymmetries, where intellectual property rights owners, the public, and other interested parties lack information about the scope or nature of state infringement, tend to vitiate some of the self-policing mechanisms described above. Intellectual property rights groups can assist in this by publishing information on states that offend and creating methodologies for gauging the suitability of states for intellectual property transactions. A second condition for effectiveness of these incentives is the ability of intellectual property rights owners to discriminate against a state or state entity that infringes. If a state is the only customer of a product, or other markets are not viable, this limits the ability of the rights holder to punish the State in subsequent dealings for past intellectual property violations. A third precondition is some degree of mobility in the intellectual property market that allows rights owners to move from state to state and entity to entity without high transition costs. This is less of a problem for intellectual property owners who are considering whether to enter a state's market. Despite these limitations, economic and public perceptions appear to be excellent tools to control or increase the financial consequences of intellectual property infringement by state actors.

3. Justifications for Leaving Current Sovereign Immunity

In addition to the control methods outlined above, there are several justifications for refraining from closing the sovereign immunity loophole.

a. Economic Justifications

First, from an economic perspective, it is unclear that the state sovereignty loophole in intellectual property rights retards the "Pro-
gress of Science and useful Arts."\textsuperscript{243} Put another way, the primary purpose of protecting patents, copyrights, and, to a lesser extent, trademarks, is to provide incentive to intellectual property creators by enabling them to recover the costs of creating the intellectual property,\textsuperscript{244} and it is unclear whether current state infringement has an appreciable effect on reducing the creation of intellectual property. It is helpful to illustrate this point with a simple equation recently stated by Professor Landes and Judge Posner. They stated that to promote economic efficiency, intellectual property law should seek to "maximize the benefits from creating additional works minus both the losses from limiting access and the costs of administering [intellectual property] protection."\textsuperscript{245} Benefits in this equation are not the benefits to the intellectual property creator alone, but rather to society, including the intellectual property creator. Economically, the purpose of intellectual property law is not to encourage every possible piece of intellectual property to be created, but rather, to maximize the benefits of intellectual property (which are a factor of both the amount of intellectual property and the social benefit of each piece of intellectual property) above the costs associated with protecting or overprotecting the property. As a corollary, because longer and broader production of intellectual property results in increasing marginal costs and decreasing marginal incentives to create intellectual property, the optimal protection is not a complete and infinite protection of intellectual property. Instead, optimal protection is limited in scope and duration to some degree.

Focusing on the benefits, it seems that state infringement will generally have relatively little limiting effect on the benefits to intellectual property creators. First, few types of intellectual property are sold in a market comprised exclusively of state actors. Thus, while infringement by states may lessen the benefits that accrue to an intellectual property creator somewhat, this effect would be limited by all the private consumers of the intellectual property who do not infringe. To use a simple example from \textit{Hairston},\textsuperscript{246} although the market for the photographer's photo of the lunch counter sit-in could be

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{243} U.S. CONST. art. I, § 8, cl. 8.
\item \textsuperscript{244} See, e.g., William M. Landes & Richard A. Posner, \textit{An Economic Analysis of Copyright Law}, 18 J. LEGAL STUD. 325, 326 (1989) (noting that the copyright law provides incentives for people to create by allowing them to recover the high cost of creating the work); Mark A. Lemley, \textit{Property, Intellectual Property, and Free Riding}, 85 TEX. L. REV. 1031, 1031 (2005) ("On this view, the proper goal of intellectual property law is to give as little protection as possible consistent with encouraging innovation.").
\item \textsuperscript{245} Landes & Posner, supra note 244, at 326; see also Stanley M. Besen & Leo J. Raskind, \textit{An Introduction to the Law and Economics of Intellectual Property}, 5 J. OF ECON. PERSP. 3, 5 (1991) (stating that intellectual property protection should "maximize the difference between the value of the intellectual property that is created and used and the social cost of its creation . . . ").
\item \textsuperscript{246} Hairston v. N.C. Agric. & Technical State Univ., No. 1:04 CV 1209, 2005 WL 2136923, at *1 (M.D.N.C. Aug. 5, 2005).
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sold or licensed to many individuals, it is likely that only a miniscule portion of that market is composed of state actors, such as North Carolina A&T. Thus, it seems that few, if any, intellectual property owners should expect their profits to be reduced to the point where it would not be profitable or reasonable to create the intellectual property. Additionally, intellectual property owners' decisions to create intellectual property are based on their *ex ante* view of the market and of the legal protection afforded their intellectual property. It is difficult to argue, given the limited amount of state infringement as compared to the aggregate amounts of infringement by the public, that intellectual property owners should or would anticipate a reduction in their profit because of state infringement. A second way intellectual property infringement can reduce the creator's profits is if copies of the intellectual property are created and sold. State infringers do not present a significant problem in this respect, for several reasons. First, as discussed earlier, the possibility of *Ex parte Young* injunctions limits the ability of state actors to widely distribute copies of intellectual property. Second, it seems unlikely, if not impossible, that states would even begin to, or could effectively, copy and distribute intellectual property. Thus, state infringement, while perhaps morally troublesome, will not likely have a negative impact on the underlying goal of intellectual property law—encouraging the creation of intellectual property works. Indeed, it has been suggested that some degree of "free riding" may even increase social welfare when it does not reduce the incentive to create, by helping to increase the positive externalities of the intellectual property through broader public use and access.

A second, related reason for allowing state sovereignty to remain is that it serves as a method to combat bargaining inequalities that may arise when intellectual property has a broad public benefit or strong positive externalities. To put it another way, bargaining may break down when a technology has broad benefits for the public, but for which states have trouble charging taxpayers, and the property owner charges a price far higher than what states can afford but less than the aggregate benefit provided to taxpayers. In such a case, negotiations will often break down, and the economically efficient sale of the property does not occur. Another example of breakdown occurs when the State deals with a monopolistic intellectual property

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247 This *ex ante* argument also helps mitigate possible consequences where a large portion of the market is comprised of state actors, for example in *State Contractors*, where the intellectual property at stake was a paving technology that was used primarily in contracts with state actors.

248 Landes & Posner, *supra* note 244, at 333–34. This is assuming, among other things, that the copies are identical and serve as market substitutes for the creator's work.

249 See Lemley, *supra* note 244 (arguing that intellectual property should not be treated as ordinary property, in which free-riding is forbidden by law).

250 Classical examples of this might be cleaner air, more efficient waste disposal, etc.
owner who attempts to charge the states more than the normal market-clearing price. In these cases, economic efficiency dictates that the transaction should occur but, for extraneous reasons, it does not. State sovereignty could serve as a valuable tool for increasing state bargaining power in such situations or for allowing the economically efficient outcome to occur. While this smacks of potential abusive behavior by the states, the greater good may be achieved in situations where the intellectual property owner is acting in an especially anti-competitive, deceptive, or monopolistic manner. Thus the theory could be used in moderation to improve the aggregate social welfare. While such actions would have to be limited properly, broad, sweeping abrogation remedies entirely foreclose this beneficial possibility.

b. Policy Justifications

From a policy view, wide-sweeping programs aimed at limiting intellectual property infringement by the states tend to be over inclusive, as the CRCA, PRCA, TRCA, and IPPRA illustrate. The main problem with these overly broad programs is that they fail to consider the impact they may have on limited state funds when a flood of intellectual property litigation hits the states. While some might argue that states can simply avoid infringing if they wish to avoid lawsuits, this oversimplifies the structure of state governance. States use intellectual property from a variety of sources, and the branches of state government, particularly universities and certain commissions, operate with a large degree of leeway. As many of the cases since 1999 illustrate, it is difficult, if not impossible, for a state to ensure that no branches are infringing intellectual property, and even so, conflicts

\[\text{Vol. 9:5}\]
over licensing and ownership will naturally occur when states are actively using and developing intellectual property. It is questionable whether we should shift the costs of these sometimes-unavoidable suits onto the states, and it seems almost certain that to swing the proverbial barn doors all the way open is to invite very costly litigation on the states. Another problem with over-inclusive legislation is that it discourages some intellectual property uses that economic efficiency would otherwise encourage.

A second danger in broad, sweeping abrogation with intellectual property is that it weakens state rights not only with respect to intellectual property, but may also tend to usher broad abrogation of states' rights in other areas. If such a simple solution as carte blanche abrogation were to be used, it seems likely that the same tactic could be used in other areas that have rights created by federal law. This includes many of the federal discrimination and disability laws. While these federally created remedies are undoubtedly good policies, state coffers could be drained quickly by such litigation. For similar reasons, the federal government enjoys immunity in several areas as well.

A third policy reason for not abrogating is that immunity may serve as a counterbalance for states against the continued extension of intellectual property protection periods, especially in the realm of copyright. While the Constitution provides that Congress may protect intellectual property for a limited time, there has been a steady increase in the length of terms of protection for copyrights, culminating in the current lifetime-plus-seventy-years regime for individuals. Regardless of the debate over whether this overreaches what the Constitution intended, the current terms protect the vast number of copyrights and patents far beyond their period of economic usefulness. While there are certain exceptions to copyright protection under the fair use doctrine and for archival purposes, state immunity could

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23 See generally State Contracting & Eng'g Corp. v. Florida, 258 F.3d 1329 (Fed. Cir. 2001) (holding that private contractors who misappropriated patented designs at direction of the State were vulnerable to suit); Genentech v. Regents of the Univ. of Cal., 143 F.3d 1446 (Fed. Cir. 1998) (addressing a claim by a biotechnology company against state university and university's licensee).

24 See Eugene Volokh, Sovereign Immunity and Intellectual Property, 73 S. Cal. L. Rev. 1161, 1165 (2000) (arguing that because the federal government enjoys immunity in intellectual property suits, state governments should have a similar privilege).

25 See, e.g., STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF S. COMM. ON THE JUDICIARY, 85TH CONG., AN ECONOMIC REVIEW OF THE PATENT SYSTEM 72 (Comm. Print 1958) (stating that patented inventions are often not useful for the entire patent term); Shawn W. Potter, Opening Up to Open Source, 6 Rich. J.L. & Tech. 24 (2000) ("In comparison to the copyright term, the useful economic life of a software product is much shorter.").
serve as a useful tool for increasing the use of intellectual property. This would both enable the continued use of intellectual property of waning economic value and, especially in the case of copyrighted materials, could ensure that material is not lost over time. The possible benefit of this is limited by the ability to seek prospective injunctions under *Ex parte Young*, but in cases where property owners were no longer using the property, and thus would not seek an injunction, it could serve as a way to preserve writings and other artistic works. Thus in a sense, sovereign immunity could serve, at least for copyrights, as a valuable pressure release for the problems of information loss and public knowledge that necessarily arise from ever-lengthening copyright terms.

CONCLUSION

In the eight years following *Florida Prepaid* and *College Savings*, the federal cases have further delineated the boundaries of broader state sovereign immunity in the intellectual property area. Despite the growing number of intellectual property actions involving states, there are still many questions that remain to be answered, including the use of preemptive declaratory suits to defend against impending state lawsuits, the protection states will be afforded when they flagrantly infringe on intellectual property, and the extent to which intellectual property owners can protect themselves from state infringement. At this stage, it is still too early to determine whether extensive congressional legislation is needed in this area. A strong argument exists, based on economic, self-help, and policy considerations, that the loophole should not be closed. At the very least, broad congressional legislation, such as the IPPRA or blanket waivers of sovereign immunity, most likely will cause a great deal of financial harm to the states, while perhaps providing only a small or negligible increase in social benefit and protection to intellectual property owners and creators. Thus, the best course moving forward would be for Congress to refrain from broadly legislating to close the loophole.