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Intellectual Property and Sovereign Immunity

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Summary

Under the Eleventh Amendment, states enjoy a broad governmental immunity from suits brought by private parties. This immunity includes suits brought by persons seeking to enforce their federal intellectual property rights. The Eleventh Amendment preserves a common law privilege known as sovereign immunity, the principle that a sovereign cannot be sued in its own courts or the courts of others without its consent.

Federal intellectual property laws extend full protection to state-owned intellectual property, but, under the Constitution, a state may not be sued for its infringement upon the intellectual property rights of others unless it consents. The "Intellectual Property Protection and Restoration Act of 2001" (S. 1611 and H.R. 3204) does three things that would affect this apparent asymmetry: (1) it would provide states with an incentive to waive their immunity; (2) it would abrogate that immunity if a state violation of federal intellectual property law runs afoul of Fourteenth Amendment rights; and (3) it would codify a judicially created exception to the sovereign immunity, which permits injunctions against state officials.

On February 27, the Senate Judiciary Committee held hearings on S. 1611. As of February 28, neither S. 1611 or H.R. 3204 has been reported out of committee. This report will be updated as circumstances warrant.

In 1996, the Court held that Congress may not abrogate a state's sovereign immunity pursuant to the Indian Commerce Clause.[1] In June of 1999, the Court extended this holding to include all of Congress' Article I powers, which effectively exempted non-consenting states from liability under federal intellectual property laws.[2]

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[1] See *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996).

[2] See *College Savings v. Florida Prepaid*, 527 U.S. 666 (1999) and *Florida Prepaid v. College Savings*, 527 U.S. 627 (1999). While these cases directly implicated federal patent and trademark laws, lower courts have extended these cases to cover copyright. See e.g., *Rodriguez v. Texas Comm'n on the Arts*, 199 F.3d 279 (5th Cir. 2000)(holding that the "Copyright Remedy Clarification Act" does not abrogate state sovereign immunity).

Commentators argue that these holdings undermine Congress' Article I authority, particularly its power to regulate interstate commerce and its power to issue patents and copyrights. They also maintain that these decisions have international ramifications. They point out, for instance, that the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) contains provisions which require member states to respect and protect the interests of foreign intellectual property within their territorial jurisdiction,[3] and that many intellectual property owners regard these holdings as unfair and inequitable.[4] The "Intellectual Property Protection and Restoration Act of 2001" (IPPRA) is intended to respond to these concerns.

This report provides background on sovereign immunity under the Eleventh Amendment and summarizes the substantive provisions of the IPPRA.

Sovereign Immunity under the Eleventh Amendment. Governmental immunity from suit – sovereign immunity – is an ancient doctrine. English common law considered it a contradiction to regard the king as sovereign – the "embodiment of law" – and, at the same time, to subject him to suit in his own courts without his consent. Common law also considered it undignified to subject a sovereign to the courts of another without its consent. Even with the rise of the democratic institutions, these views persisted – "to allow a suit against a ruling government without its consent is inconsistent with the very idea of supreme executive power."[5] In modern times, however, these theories began to fall out of fashion. Judicial theories shifted focus from a set of lofty values, like "the dignity of sovereignty," to a set of practical values found in economic theory. With this shift, courts (and legislatures) increasingly balanced the need to compensate individuals injured by the state against the need to safeguard the pubic by protecting the state's financial welfare.[6] During the nineties, however, the Supreme Court seemed to resurrect the traditional values for sovereign immunity.[7] Reflecting this shift, the Court's Eleventh Amendment holdings emphasize historic rationales, like the indignity of subjecting states to civil suit in federal courts without obtaining their consent.

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.[8]

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[3] See, Article 44.2 and 45.1, *General Agreement on Tariffs and Trade: Final Act Embodying the Results of the Uruguay Round of the Multilateral Trade Negotiations*, Apr. 15, 1994, 33 I.L.M. 1125, 1197 (1994) (Annex 1C: Trade Related Aspects of Intellectual Property Rights).

[4] See, e.g., Michael K. Kirk, *Statement of American Intellectual Property Law Association before the Committee on the Judiciary*, Hearings on S. 1611 (February 27, 2002).

[5] RESTATEMENT (SECOND) OF TORTS, Chapter 45A (special note of governmental immunities, 1974).

[6] See id.

[7] See *Seminole*, 517 U.S. 44.

[8] U.S. CONST amend. XI.

Though the text appears tailored to narrow circumstances, the Amendment, as interpreted by the Court, stands for a broad presupposition: whenever an individual attempts to sue a non-consenting state, the doctrine of sovereign immunity applies. While the text does not appear to preclude suits brought by a state's own citizenry, the Court holds that it does.[9] Moreover, Supreme Court authority indicates that state sovereign immunity transcends the type of relief sought[10] and the forum in which the state is sued.[11]

However, the immunity is not absolute. First, Congress may abrogate a state's immunity from suit pursuant to its power to enforce Fourteenth Amendment rights. Second, individuals may seek prospective injunctive relief against state officials who violate federal law.

The Intellectual Property Protection and Restoration Act. Under federal law, states may sue for full remedial relief for infringements on their intellectual property, but, under the Constitution, states may not be sued for their infringements on the intellectual property of others. The proposed Intellectual Property Protection and Restoration Act of 2001("IPPRA"), S. 1611 and H.R. 3204, is intended to affect this apparent asymmetry between rights and responsibility. IPPRA would do three things – (1) it would provide states with an incentive to waive their immunity; (2) it would abrogate that immunity if a state violation of federal intellectual property law runs afoul of Fourteenth Amendment rights; and (3) it would codify a judicially recognized exception to the Eleventh Amendment immunity which permits injunctions against state officials.

Waiver. The heart of IPPRA is found in section 3, "Intellectual Property Remedies Equalization." That section amends the remedies provision of federal patent, copyright, and trademark law. The practical effect of the amendment would be to eliminate money damages for infringements of state-owned intellectual property, unless the state waives its immunity from suit. Only intellectual property rights created after January 1, 2002 would be subject to the new remedies provision. States may unburden this intellectual property, so long as they enact a waiver prior to January 1, 2004. A valid waiver during this "grace period" will even lift the burden on intellectual property that is the subject of an active infringement action. However, after January 1, 2004, states may not retroactively unburden their property in this manner. To enjoy full remedial protection against an infringer at that time, they would have had to waive prior to the date of infringement.

Section 3 amends 35 U.S.C. § 287 (relating to remedies for patent infringement), 17 U.S.C. § 504 (relating to copyright infringement and remedies), and 15 U.S.C. § 1117 (relating to recovery for violation of trademark rights) in substantially similar ways.

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[9] See *Hans v. Louisiana*, 134 U.S. 1, 33 (1890).

[10] *Seminole*, 517 U.S. at 58 ("We have often made it clear that the relief sought by a plaintiff suing a State is irrelevant to the question whether the suit is barred by the Eleventh Amendment"), *citing Cory v. White*, 457 U.S. 85, 90 (1982).

[11] See *Alden v. Maine*, 527 U.S. 706, 733 (1999)(holding that sovereign immunity bars suits in state courts as well as in federal courts, finding that whether a state enjoys sovereign immunity "does not turn on the forum in which the suits [are] prosecuted.")

With respect to patent law, IPPRA forbids the award of money damages in infringement actions involving patents issued to states on or after January 1, 2002, unless the state waives its immunity for infringement. The restrictions run with the property. Thus, a person who purchases a patent issued to a non-consenting state would not recover money damages in an infringement action.

The restrictions do not apply upon proof that the interested state waived its sovereign immunity in accordance with its laws and constitution, and that the waiver is in effect at the time of the infringement. Moreover, the restrictions do not apply to plaintiffs in an infringement action who, at the time of purchase, did not know or did not have a reasonable basis to believe that a non-consenting state was once the patent owner.[12]

With respect to copyright and trademark law, IPPRA similarly prohibits the award of money damages in infringement actions involving state-owned intellectual property. The prohibitions are subject to the same conditions, exclusions, and exceptions noted above.

Codification of Injunctive Relief. Section 4 clarifies remedies available for statutory violations by state officers and employees. In particular it codifies the *Ex Parte Young* doctrine, a judicial exception to the applicability of the Eleventh Amendment immunity, which permits injunctions against state officials.[13] State employees may avail themselves of an immunity defense only insofar as they act within the scope of their official duties.[14] When they violate federal law, however, they are acting outside the scope of their duties.[15] Thus, the Court has held that prospective injunctive relief against a state official does not encroach on a state's sovereign interests under the Eleventh Amendment. Language in *Seminole*, however, suggests that Congress must specifically include the availability of this remedy when it "has prescribed a detailed remedial scheme for the enforcement against a State of a statutorily created right."[16] IPPRA appears to do just this.

Abrogation. Section 5 attempts to abrogate state sovereign immunity by recognizing a private cause of action against any state or state instrumentality for unconstitutional deprivations of intellectual property protected under the Fourteenth Amendment. While Congress may not abrogate a state's sovereign immunity pursuant to its Article I powers, it may do so pursuant to its section 5 power to enforce the substantive guarantees of the Fourteenth Amendment.

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[12] To avoid raising a Fifth Amendment regulatory takings issue, the restrictions do not apply in situations where application of the restriction to a state-owned patent would "materially and adversely affect a legitimate contract-based expectation in existence before January 1, 2002."

[13] 209 U.S. 123 (1908).

[14] See id. at 159.

[15] See id. at 160.

[16] See *Seminole*, 517 U.S. at 55.

Defining the scope of Congress' section 5 powers, the Court in *City of Boerne v. Flores*[17] held that Congress can legitimately invoke this authority only when it (1) identifies "conduct transgressing the Fourteenth Amendment's substantive provisions," and then (2) "tailors its legislative scheme to remedying or preventing such conduct" by employing means that are "congruent and proportionate" to that end.[18] (Under *Boerne* and its progeny, six legislative schemes have been held to be either beyond Congress' section 5 authority or "inappropriate" uses of section 5 authority.)

IPPRA's enforcement provisions trigger when state action deprives a person of property without due process and constitutes a "takings of property" without just compensation. Whether these provisions effectively abrogate state sovereign immunity is an issue beyond the scope of this report.

Current Situation. On February 27, the Senate Judiciary Committee held hearings on S. 1611. As of February 28, neither S. 1611 or H.R. 3204 has been reported out of committee. This report will be updated as circumstances warrant.

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[17] *City of Boerne v. Flores*, 521 U.S. 507, 516 (1997).

[18] *Florida Prepaid*, 527 U.S. 627, 639 (1999)(characterizing its holding in *Boerne*), *citing Boerne*, 521 U.S. at 516. One commentator has suggested, "the notion that [section 5] enactments designed to remedy or prevent constitutional violations should be proportional and congruent to the constitutional wrongs Congress wishes to stop seems harmless enough," but it is a constitutional novelty as, under the standard, section 5 legislation has "suddenly been saddled with something between intermediate and strict scrutiny, effectuating what can only be understood as a substantial, albeit not conclusive presumption of unconstitutionality." 1 Laurence H. Tribe, AMERICAN CONSTITUTIONAL LAW 956 (3d ed. 2000). Other commentators have described the "congruence and proportionality" test as a standard more or less akin to intermediate scrutiny. See, e.g., Michael McConnell, *Institutions and Interpretation: A Critique of City of Boerne v. Flores*, 111 HARV. L. REV. 153, 166 (2000)(describing the standard as "replacing the rational basis standard with a narrow tailoring requirement typical of intermediate scrutiny"). Some have seen it more akin to strict scrutiny. See, e.g., Robert C. Post and Reva B. Siegel, *Equal Protection by Law: Federal Anti-discrimination Legislation After Morrison and Kimel*, 110 YALE L.J. 441, 477 (2000)(describing the standard as "analogous to the narrow tailoring required by strict scrutiny"). Others believe that it is an entirely new (and ultimately incoherent) standard of judicial review, but is analytically similar to the "hard look" review of certain administrative actions. See William W. Buzbee and Robert A. Schapiro, *Legislative Record Review*, 54 STAN. L. REV. 87 (2001)(labeling the Court's section 5 test as "legislative record review," arguing that "the entire concept of a legislative record constitutes an inappropriate importation from different institutional settings of the expectation that a written record will justify a legal judgment." This "importation," the authors argue, creates an "unworkable and illegitimate" standard of review).