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# Can Congress Make States Amenable to Suit in Federal Court for Claims of Patent Infringement?

by Jay E. Grenig

PREVIEW of United States Supreme Court Cases, pages 427-430. © 1999 American Bar Association.

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*Editor's Note:* Because the respondents' briefs were not available before *Preview's* deadline, this article was based on the petitioner's brief and lower court opinions.

## ISSUE

Does the Eleventh Amendment bar a suit against a nonconsenting state in federal court for patent infringement?

## FACTS

Since 1987, College Savings Bank has sold a certificate of deposit known as the CollegeSure CD. The purpose of the CollegeSure CD is to help individuals save for college expenses. College Savings guarantees returns sufficient to fund the uncertain future cost of education. The CollegeSure CD is administered using an apparatus and methods described in College Savings' patent. Florida Prepaid Postsecondary Education Expense Board administers a similar investment program intended to aid individuals in funding the cost of Florida public colleges and universities.

In 1994, College Savings brought a patent infringement action against Florida Prepaid pursuant to the Patent and Plant Variety Protection Remedy Clarification Act (35 U.S.C. §§ 271(h), 296), claiming that Florida Prepaid had directly and indirectly infringed College Savings' patent. Florida Prepaid moved to dismiss College Savings' claim on the ground that it was barred by the Eleventh Amendment. Florida Prepaid argued that the Patent Remedy Act was an unconstitutional attempt by Congress to use its Article I powers under the Patent Clause to abrogate state sovereign immunity and to enlarge the federal courts' Article III jurisdiction. The United States then intervened as of right to defend the constitutionality of the Patent Remedy Act.

Concluding that Florida Prepaid was an arm of the state of Florida for purposes of immunity from suit, the

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FLORIDA PREPAID POSTSECONDARY  
EDUCATION EXPENSE BOARD V.  
COLLEGE SAVINGS BANK AND  
UNITED STATES  
DOCKET NO. 98-531

ARGUMENT DATE:  
APRIL 20, 1999  
FROM: THE FEDERAL CIRCUIT

# Case at a Glance

In this case, the Supreme Court is asked to determine whether the Eleventh Amendment forbids suing a nonconsenting state in federal court for patent infringement.

district court nonetheless denied Florida Prepaid's motion to dismiss. It ruled that Congress had unambiguously abrogated the states' sovereign immunity in the Patent Remedy Act and had acted pursuant to a valid exercise of power under the Fourteenth Amendment. 948 F.Supp. 400 (D.N.J.1996).

Because a denial of an assertion of sovereign immunity is immediately appealable, Florida Prepaid appealed the dismissal to the U.S. Court of Appeals for the Federal Circuit. The Federal Circuit held that Congress had clearly expressed its intent to abrogate states' sovereign immunity in patent infringement actions and that this abrogation of immunity was within Congress' power under the Fourteenth Amendment's enforcement provision. 148 F.3d 1343 (Fed.Cir. 1998). The Supreme Court of the United States granted Florida Prepaid's petition for certiorari. 119 S.Ct. 790 (1999).

College Savings later brought another action against Florida Prepaid in 1995 alleging that Florida Prepaid had violated Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)). College Savings claimed that Florida Prepaid had made misstatements about Florida Prepaid's tuition savings plans in its brochures and annual reports. That suit is the subject of a separate appeal also before the Supreme Court this month and is discussed elsewhere in this issue. *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, Docket No. 98-149.

## CASE ANALYSIS

The Eleventh Amendment provides that the "Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign

State." Determining whether Congress has abrogated the states' constitutionally secured immunity from suit in federal court is a two-step inquiry: (1) determining whether Congress has unequivocally expressed its intent to abrogate immunity, and (2) examining whether in purporting to abrogate immunity, Congress has overstepped its constitutional authority. See, e.g., *Dellmuth v. Muth*, 491 U.S. 223, 227-28 (1989) (evidence of congressional intent to abrogate state sovereign immunity must be both unequivocal and textual); *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234 (1985).

In 1990, the Federal Circuit held that the Patent Act contained no such unequivocal statement of intent to abrogate state sovereign immunity. *Jacobs Wind Elec. Co. v. Florida Dept. of Transp.*, 919 F.2d 726 (Fed.Cir. 1990); *Chew v. California*, 893 F.2d 331 (Fed.Cir. 1990). In response to these decisions, Congress amended the patent laws in 1994 to explicitly declare that states may be sued for patent infringement in the federal courts. See the Patent and Plant Variety Protection Remedy Clarification Act, 35 U.S.C. §§ 271(h), 296. Before the 1994 amendment, the Act stated only that "whoever" without authority made, used, or sold a patented invention infringed the patent.

Supreme Court decisions have established that Eleventh Amendment immunity is not absolute. See Kevin Worthen, "Federalism: State Immunity from Tribal Suits Enforcing the Indian Gaming Regulatory Act: Indian Rights in the New Era of Federalism," *Preview of United States Supreme Court Cases* 19, 20 (1995). The Supreme Court has held that by ratifying the Constitution, states consented to

federal court suits brought by the United States and other states. *United States v. Texas*, 143 U.S. 521 (1892) (pitting the United States against a state); *South Dakota v. North Carolina*, 192 U.S. 286 (1904) (pitting one state against another state).

In another limitation, the Court has held that the Eleventh Amendment's immunity does not bar federal court actions that are brought to enjoin state officials from enforcing state laws that conflict with the United States Constitution. *Ex Parte Young*, 209 U.S. 123 (1908).

In a third limitation, the Supreme Court held that at least some constitutional provisions grant Congress the authority to subject states to suit in federal court so long as Congress makes its intent to abrogate state sovereign immunity unmistakably clear. *Fitzpatrick v. Blitzer*, 427 U.S. 445 (1976) (Fourteenth Amendment abrogates state sovereign immunity).

However, in *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996), the Supreme Court held that Congress could not abrogate the sovereign immunity of the states when acting pursuant to its plenary power to regulate commerce under Article I of the Constitution. The Court said that by ratifying the Fourteenth Amendment, the states only agreed to waive their Eleventh Amendment immunity with respect to the rights guaranteed by the Fourteenth Amendment. In recognizing the states' broad Eleventh Amendment immunity from the authority of the federal judiciary, the Court left open the question of what recourse would be available to a patent or copyright holder if a state misappropriated a patent or copyright.

Since *Seminole Tribe*, the only legislative tool the Supreme Court has recognized for abrogating the sovereign immunity of the states is Congress' power to enforce the substantive provisions of the Fourteenth Amendment. The Fourteenth Amendment is a clear limitation on the authority of the states and fundamentally has altered the balance of state and federal power struck by the Constitution. Section 1 of the Fourteenth Amendment prohibits any state from making or enforcing any law abridging the privileges or immunities of citizens of the United States; from depriving any person of life, liberty, or property without due process of law; and from denying citizens equal protection of the laws. Section 5 of the Amendment grants Congress the power to enforce the prohibitions of Section 1 by "appropriate legislation."

Florida Prepaid argues that the objective of the Patent Remedy Act is impermissible because, if the Act were upheld, Congress would be able to abrogate state sovereign immunity pursuant to its Article I power, which is the exact result that the Supreme Court proscribed in *Seminole Tribe*. Pointing out that the "property" protected by Congress here is a federally created property, Florida Prepaid asserts that Congress cannot accomplish indirectly through the Fourteenth Amendment precisely what it is forbidden from doing through Article I. See *Chavez v. Arte Public Press*, 139 F.3d 504 (5th Cir. 1998) (Congress could not abrogate state's immunity to suit for copyright infringement through the Due Process Clause of the Fourteenth Amendment); *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 131 F.3d 353 (3d Cir. 1997), cert. granted, 119 S.Ct. 790 (1999) (right to be free of

unfair competition under Section 43(a) of the Lanham Act does not implicate property right under Fourteenth Amendment).

The Federal Circuit, however, reasoned that because the Fourteenth Amendment was enacted after the Eleventh Amendment, it expressly qualifies the principle of sovereign immunity. Although there may be some property interests that are not protected by the Fourteenth Amendment, it said that such central and historic fixtures in the realm of property as patents surely warrant protection from deprivation by the states. It noted that patents were considered property at the time of the adoption of the Fourteenth Amendment in 1868.

Florida Prepaid also asserts that the goal of the Patent Reform Act, which is to prevent states from infringing patents or obliging them to compensate the patent owner when they do, is not a legitimate objective under the Fourteenth Amendment. It suggests that abrogation of a state's immunity from suit under the Patent Remedy Act would apply only to those states that fail to provide a remedy for compensation for patent infringement by the state or that provide a remedy of such inconsequence as to be illusory.

The Federal Circuit, on the other hand, reasoned that in enacting the Patent Remedy Act, Congress properly relied on its power to abrogate state immunity pursuant to Section 5 of the Fourteenth Amendment. It stressed that protecting a privately held patent from infringement by a state is a legitimate congressional objective under the Fourteenth Amendment. It said that in subjecting the states to suit in federal court for patent infringement, Congress sought to prevent states from depriving patent owners of their

property without due process through infringing acts.

In *City of Boerne v. Flores*, 521 U.S. 507 (1997) (Justices Scalia and Stevens concurring in part; Justices O'Connor, Breyer, Souter dissenting) the Supreme Court examined Congress' enforcement power under Section 1 of the Fourteenth Amendment. Writing for the majority, Justice Kennedy explained that legislation that deters or remedies a constitutional violation can fall within the sweep of Congress' enforcement power under the Fourteenth Amendment even if in the process it prohibits conduct that is not itself unconstitutional and intrudes into legislative spheres of autonomy previously reserved to the states. However, he stated that Congress' enforcement power under the Fourteenth Amendment extends only to the "enforcing" provision of the Fourteenth Amendment.

According to Justice Kennedy, Congress has been given the power to "enforce," not the power to determine what constitutes a constitutional violation. The Court therefore concluded that the Religious Freedom Restoration Act of 1993 (42 U.S.C. § 2000bb et seq.) exceeded Congress' Section 5 enforcement powers. The Court declared that Congress' enforcement power did not extend to include "the power to decree the substance of the Fourteenth Amendment's restrictions on the States."

Noting that the line between measures that remedy or prevent unconstitutional actions and measures that make a substantive change in the governing law is not easy to discern, the Court said that Congress must have wide latitude in determining where it lies. The Court observed that there must be a proportionality between the injury to

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be prevented or remedies and the means adopted to that end. Lacking such a connection, legislation may become substantive in operation and effect.

Relying on *City of Boerne*, Florida Prepaid says that the Patent Remedy Act cannot be upheld because it does not target unconstitutional state conduct and lacks congruity with the means to be achieved. It further argues that no unconstitutional state conduct can be remedied or prevented where states already afford patent holders due process of law. Florida Prepaid concludes that exposing states to lost profits, treble damages, and attorney fees in suits brought in federal court is both unduly intrusive and harmful.

## SIGNIFICANCE

This case and the companion case involving the same parties present the Supreme Court with very significant issues relating to our legal system, in particular the relationship between the states and the federal government. The Supreme Court is given the opportunity to clarify or limit its recent decisions in *Seminole Tribe* and *City of Boerne*. The Court may resolve the unsettled question of what is the recourse of a patent or copyright holder if a state misappropriates a patent or copyright. It may also describe the extent of Congress' power under the Fourteenth Amendment to abrogate the states' sovereign immunity as protected by the Eleventh Amendment.

If the Court holds that the Patent Remedy Act does not abrogate a state's sovereign immunity under the Eleventh Amendment, then holders of valuable property rights protected by patents will be able to seek damages for violations of those rights in federal courts—even if the violator is a state.

If the Supreme Court holds that Congress does not have the power to make the states amenable to suit in federal court for claims of patent infringement, states would be protected from exposure to suits for lost profits, treble damages, and attorney fees. While such a holding could have a significant impact on the value of patents, patent holders would not be completely without remedies for infringement. Suits against states for damages for violation of patent rights would depend on state law providing remedies for taking of property. In addition, patent holders could pursue actions in federal court for injunctive relief under the authority of *Ex parte Young*.

## ATTORNEYS FOR THE PARTIES

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**For College Savings Bank** (David C. Todd (202) 457-6000)

**For the United States** (Seth P. Waxman, Solicitor General, U.S. Department of Justice (202) 514-2217)

## AMICUS BRIEFS

**In Support of Florida Prepaid Postsecondary Education Expense Board**

The states of Ohio, Alabama, California, Colorado, Delaware, Hawaii, Illinois, Indiana, Louisiana, Maryland, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Hampshire, New Mexico, New York, Oklahoma, Oregon, Rhode Island, South Carolina, Utah, Wyoming, and the Commonwealths of Pennsylvania and Virginia (Edward B. Foley (614) 466-8989)

The National Conference of State Legislatures, Council of State Governments, National Governors' Association, National Association of Counties, National League of Cities, International City/County Management Association, and U.S. Conference of Mayors (Richard Ruda (202) 434-4850)

The Regents of the University of California (Charles A. Miller (202) 662-6000)