Can the United States Meet Its Obligation to Protect Intellectual Property Rights Under the International GATT/TRIPs Agreement After the Florida Prepaid Cases?

By Cecily Anne Snyder*

During the summer of 1999, the United States Supreme Court delivered a pair of decisions that have been the subject of much discussion among Intellectual Property ("IP") practitioners.¹ The first case, Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank,² held that Congress could not constitutionally abrogate a state's sovereign immunity by permitting private parties to bring a lawsuit for patent infringement against the state under the Patent and Plant Variety Protection Remedy Clarification Act³ ("PRCA").⁴ The companion case, College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board,⁵ further held that Congress could not constitutionally abrogate a state's sovereign immunity by permitting private parties to bring a trademark infringement suit against the state under the Trademark Remedy Clarification Act⁶ ("TRCA").⁷ Congress' ratio-

* Class of 2001. This Comment is dedicated, with love and admiration, to my parents, Herman Deitz Snyder and Anna Laura Cloherty; and my hero, John M. Hart. I would also like to acknowledge, with appreciation, the invaluable inspiration received from the best set of mentors a law student could have: Edward J. Lynch, Gladys H. Monroy, and James R. Shay.

1. See, e.g., Eugene Volokh, Essay: Sovereign Immunity and Intellectual Property, 73 S. Cal. L. Rev. 1161, 1162 (2001) (commenting that the Supreme Court's conclusion that there is sovereign immunity "has generated a firestorm of criticism"); Florida Prepaid v. College Savings, COPYRIGHT L.J., July–Aug. 1999, at 50, 52 (describing the Court's decision as a "bad decision" and one that upheld state's rights over "200 years of uniform, settled law").
4. See Florida Prepaid I, 527 U.S. at 660.
5. 527 U.S. 666 (1999) [hereinafter Florida Prepaid II].
nale for enacting the PRCA and the TRCA was based largely on its rationale for enacting the Copyright Remedy Clarification Act\(^8\) ("CRCA")—that states should not be immune from infringement claims.

In the wake of these decisions, an important question arises: Will the Supreme Court find that Congress lacked the authority to abrogate state sovereign immunity under the CRCA, as it did in Florida Prepaid I and II with regard to the PRCA and TRCA, respectively?\(^9\) Moreover, the broader question arises as to whether it is fair to allow a state to act as a commercial participant—benefiting financially from exploiting the patent, trademark, and copyright systems—without being held accountable for its infringing activities.\(^{10}\) Not only have the Florida Prepaid decisions been condemned by the IP Bar, but legislation was quickly proposed to limit their effect.\(^{11}\) Additionally, at least

\(^7\) See Florida Prepaid II, 527 U.S. at 691.


\(^9\) Although the Supreme Court has not specifically addressed whether the CRCA is invalid, courts have interpreted the Florida Prepaid decisions to stand for the proposition that the CRCA is also an invalid attempt to abrogate state sovereign immunity. See Rodriguez v. Texas Comm'n on the Arts, 199 F.3d 279, 280 (5th Cir. 2000) (holding that the CRCA does not effectively abrogate state sovereign immunity under the Eleventh Amendment in a case where plaintiff sued the State of Texas for infringing on his registered copyright by selling specialized license plates to Texas residents); see also Chavez v. Arte Publico Press, 204 F.3d 601, 608 (5th Cir. 2000) (holding that the CRCA did not effectively abrogate state sovereign immunity under the Eleventh Amendment in a case where Arte Publico Press (a division of the University of Houston) published unauthorized copies Chavez's copyrighted book); Peter Bray, Note, After College Savings v. Florida Prepaid, Are States Subject to Suit for Copyright Infringement?: The Copyright Remedy Clarification Act and Chavez v. Arte Publico Press, 36 Hous. L. Rev. 1531, 1596 (1999) (arguing that the Chavez court should conclude that the University of Houston was not entitled to sovereign immunity because it had deprived Chavez of her property without due process).

\(^10\) The United States Patent and Trademark Office hosted a one day conference of constitutional law scholars on March 31, 2000. See IP, Constitutional Scholars Explore Sovereign Immunity Issues, 59 Pat. Trademark & Copyright J. (BNA) 743, 743 (Apr. 7, 2000). During the conference, the United States Patent and Trademark Office presented statistics evidencing that "several states have amassed large portfolios of intellectual property." Id. at 744. These portfolios are typically licensed and generate considerable income for the states. See id. A recent survey performed by the Association of University Technology Managers ("AUTM") reported that the previous year's royalty income for the University sector was $800 million. See Symposium, Patent Rights and Licensing, 6 B.U. J. SCI. & TECH. L. 3, ¶ 60 (Spring 2000), at http://www.bu.edu/law/scitech/.

\(^11\) See Intellectual Property Restoration Act of 1999, S. 1835, 106th Cong. § 111 (1999) (proposing to condition a state's participation in the federal intellectual property system on an unambiguous waiver of immunity). The bill also proposed that pending patent applications by a state would be regarded as abandoned and no damages would be awarded in any action by the state to enforce federal intellectual property rights. See Draft Bill Would Restore Right to Sue for Infringement, 58 Pat. Trademark & Copyright J. (BNA) 807,
one case, decided after Florida Prepaid I and II, has held that a state waives its immunity under the Eleventh Amendment by applying for a patent and thus benefiting from the federal patent system.

While many domestic issues result from the Supreme Court's Florida Prepaid decisions, this Comment discusses the implications of the decisions with regard to the General Agreement on Tariff and Trade ("GATT"). Specifically, this Comment focuses on how the decisions affect the United States compliance with the Trade Related Aspects of Intellectual Property Agreements ("TRIPs" or "TRIPs Agreement") portion of GATT.

819 (Oct. 21, 1999). The legislation was not considered during the first session of the 106th Congress. See Draft Revisions of State Immunity Bill Reveal Continued Interest in Reform, 59 Pat. Trademark & Copyright J. (BNA) 545, 545 (Feb. 11, 2000). Two new drafts of the legislation were circulated during the second session of Congress last term. See id. One draft provided for "specific language for the 'declarations' required for such a waiver." Id. It also stipulated that "a state can 'opt out' of the federal IP system by ensuring that the state's IP rights have been dedicated to the public." Id. The second draft bill was proposed by the Copyright Office and established "a more unassailable abrogation of state immunity than the ones invalidated last year by the Supreme Court." Id. at 546. Currently, no bills are pending in either house on this topic. See http://thomas.loc.gov (last visited Jan. 28, 2001).

12. U.S. CONST. amend. XI. 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." Id.

13. See New Star Lasers, Inc. v. Regents of the Univ. of Cal., 63 F. Supp. 2d 1240, 1242 (E.D. Cal. 1999). New Star Laser, Inc. brought an action against the University of California for declaratory judgment, seeking to invalidate the University's patent. See id. The district court in New Laser refused to grant the University's motion to dismiss based on Eleventh Amendment, which the University claimed it was entitled to under Florida Prepaid I. See id. In denying the motion, the district court stated:

   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 . . . . A patent constitutes a "gift or gratuity" bestowed by the federal government, and if Congress has conditioned its receipt on a waiver of Eleventh Amendment immunity to a declaratory suit, then Congress has acted permissibly.

Id. at 1244 (citing Florida Prepaid I, 527 U.S. 627, 686-87 (1999)).


Part I of this Comment explains the TRCA, PRCA, and CRCA (collectively, "Clarification Acts") enacted by Congress to abrogate states' sovereign immunity from private lawsuits for infringement. Part II discusses GATT/TRIPs and its implementation in the United States. Part III focuses on the Supreme Court decisions in *Florida Prepaid I* and *II*. Part IV proposes a hypothetical situation involving a foreign national who brings suit in federal court against a state for infringement of its United States intellectual property rights. This Part discusses a foreign national's standing to sue and demonstrates how the *Florida Prepaid* decisions effectively prohibit the foreign national's infringement suit in contravention of United States obligations under the TRIPs Agreement. Part V discusses possible solutions to this dilemma, but highlights their inadequacies. This Comment concludes that the *Florida Prepaid* decisions have caused the United States to fall out of compliance with the GATT/TRIPs Agreement. Specifically, the *Florida Prepaid* cases violate GATT/TRIPs by allowing state governments to usurp private Intellectual Property rights from foreign owners, while being immune from an infringement claim that would restore the IP owner's right to exclude others and receive monetary compensation for the taking under the federal statutes.

I. The Clarification Acts

A. Trademark Remedy Clarification Act

The Trademark Remedy Clarification Act17 ("TRCA") was enacted by the Senate on June 12, 1992 and by the House of Representatives on October 3, 1992.18 The purpose of the Act was to "clarify Congress' intent that states and state entities are not immune from infringement suits under the Lanham Trademark Act."19 In effect, the TRCA enables private parties to bring infringement actions against

---


18. See id.

governmental agencies when the government infringes on their trademark rights.

The Senate Report accompanying the TRCA legislation noted that "[t]he Patent Clause was included in the Constitution because of the failure of individual State patent systems under the Articles of Confederation to be effective."\(^{20}\) In fact, as noted by James Madison on September 5, 1787, the Patent Clause contemplated the creation of a new federal power protecting works of authors and inventors.\(^{21}\) Due to the lack of opposition, the clause was accepted without a recorded debate.\(^{22}\)

After reviewing the history of the Eleventh Amendment, the Senate concluded in its report that the provisions of Senate Bill 758\(^{23}\) "are justified under the Patent Clause, the Commerce Clause and the enforcement provision of the fourteenth amendment."\(^{24}\) The Patent Clause provides that Congress shall have the power to "promote the progress of science and useful arts, by securing for a limited time, to authors and inventors, the exclusive right to their respective writing and discoveries."\(^{25}\) On the basis of this clause, Congress determined that the right to abrogate sovereign immunity "logically falls within the Government's power to protect patent holders" in an effort to promote future innovation.\(^{26}\) This conclusion, insofar as it applies to patents and copyrights, is consistent with comments made at the time the Constitution was ratified.\(^{27}\)


\(^{22}\) See Bugbee, supra note 20, at 1. In fact, "[b]y 1787 . . . when the delegates to the Constitutional Convention assembled in Philadelphia, all but one of their states had established general copyright legislation, and—although the inadequacy of state protection was now becoming apparent—the outpouring of state patents for invention was at its height." Id. at 2.


\(^{24}\) S. REP. No. 102-280, at 7–8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3093–94. The Supreme Court had previously rejected the argument that Congress had the power to regulate trademarks under the patent clause. See Trade-Mark Cases, 100 U.S. 82 (1879). The Court concluded that trademarks fall within the Commerce Power. See id. at 91.

\(^{25}\) U.S. CONST. art. I, § 8, cl. 8.


\(^{27}\) See The Federalist No. 43, at 309 (James Madison) (Benjamin Fletcher Wright ed., 1961). James Madison noted:
In support of its enactment of the TRCA, the Senate further stated in its report that "the current state of the law leaves the protection afforded to patent and trademark holders dependent on the status of the infringing party." As an example, Congress noted that "[a] public school such as UCLA can sue a private school such as USC for patent infringement, yet USC cannot sue UCLA for the same act." The Senate concluded that "[s]tate universities should not have an unjustified advantage in the commercial arena over private universities for funding because of the potential for immunity from patent infringement actions." Thus, Congress sought to limit the inherent unfairness that results when states are allowed to infringe on a trademark without liability by taking away state sovereign immunity in this limited circumstance.

The Senate relied on the Fourteenth Amendment's Due Process Clause to support its abrogation of state sovereign immunity:

The bill is justified as an acceptable method of enforcing the provisions of the fourteenth amendment. [A district court in Illinois has] recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the fourteenth amendment prohibits a State from depriving a person of property without due process of law. The same holds true in the area of trademarks. Furthermore, the fourteenth amendment gives Congress the authority to enforce this right. [Senate Bill] 758 and [Senate Bill] 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

The analysis provided in the Senate Report relied on the assumption that property rights in patents are equivalent to property rights in trademarks. The Supreme Court held that the right claimed in *Florida Prepaid II* is the right to be free from unfair competition as a result

The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged, in Great Britain, to be a right of common law. The right to useful inventions seems with equal reason to belong to the inventors. The public good fully coincides in both cases, with the claims of individuals. The States cannot separately make effectual provision for either of the cases, and most of them have anticipated the decision of this point, by laws passed at the instance of Congress.

29. Id.
30. Id.
31. See id.
of false advertising, which is not a right covered by the Fourteenth Amendment.34 The Court further held that the TRCA did not validly abrogate state sovereign immunity.35

B. Patent and Plant Variety Protection Remedy Clarification Act

Along with the TRCA, the Senate enacted the Patent and Plant Variety Protection Remedy Clarification Act36 ("PRCA") on June 12, 1992.37 No House Report accompanied the PRCA. Instead, in considering the PRCA, the House relied fully on the Senate Report prepared for the TRCA, presumably because, as discussed above, the TRCA's Senate Report also discussed patent and plant variety rights.38 Because there was no separate report detailing its intent, it is likely that Congress' intent in passing the PRCA was the same as that for passing the TRCA; namely, that states and state entities should be liable for infringement.

In the Senate Report for the TRCA, Congress discussed several specific instances of state infringement of issued United States patents as evidence that state governments had previously taken private patent rights for their own use without compensating the patent owner.39 These instances were used to support the Senate's conclusion that a remedy against state infringers was required to protect private patent rights.40

However, the Senate Report did not point to a specific instance where a state failed to provide due process by compensating the owner whose property has been taken.41 This omission, as discussed below, became the primary focus of the Supreme Court when it found the PRCA unconstitutional.42

35. See id. at 691.
37. See id.
C. Copyright Remedy Clarification Act

The Copyright Remedy Clarification Act\(^43\) ("CRCA") was enacted by the Senate on October 19, 1990 and by the House on October 26, 1990.\(^44\) As noted in the House Report accompanying the CRCA, the Copyright Act of 1976\(^45\) contemplated that state governments could be sued for copyright infringement.\(^46\) Congress was specifically responding to the view taken by the Ninth Circuit in \textit{BV Engineering v. UCLA}\(^47\) when it explicitly set forth in the CRCA its intention to abrogate state sovereign immunity in accordance with requirements established by the Supreme Court in \textit{Atascadero State Hospital v. Scanlon}.\(^48\)

The CRCA was introduced at the request of the Copyright Office\(^49\) after the office determined that, if states could claim sovereign immunity, the only remedy available to a copyright owner would be injunctive relief.\(^50\) During the legislative hearings, then Register of Copyrights, Ralph Oman, stated, "'there are approximately $1.1$ billion of book sales to entities with potential Eleventh Amendment immunity who can copy and seriously erode the market.'"\(^51\) Eamon Fennessy, President of the Copyright Clearance Center\(^52\) ("CCC"),


\(^44\) See id.


\(^47\) 858 F.2d 1394 (9th Cir. 1988). The Ninth Circuit stated: [W]e find an abrogation of eleventh amendment immunity only when Congress has included in the statute unequivocal and specific language indicating an intent to subject states to suit in federal court. Such language is absent from the Copyright Act of 1976. We recognize that our holding will allow states to violate the federal copyright laws with virtual impunity. It is for Congress, however, to remedy this problem.

\(^48\) Id. at 1400 (emphasis added).

\(^49\) 473 U.S. 234, 243 (1985) (explaining that in order for Congress to implement legislation that abrogates state sovereign immunity, Congress must set forth its intention to abrogate state sovereign immunity and that intention must be clearly and unequivocally set forth in the statute itself).


\(^53\) Copyright Clearance Center ("CCC") is an agency which is a licensor of photocopy reproduction rights. See Copyright Clearance Center, Creating Copyright Solutions, at
also presented testimony that "two public universities [had withdrawn] . . . from discussions about photocopy licenses as a result of judicial decisions upholding assertions of sovereign immunity."\(^5^3\)

The Register of Copyrights also submitted a report stating: "The Copyright Office is convinced that Congress intended to hold states responsible under the federal copyright law and that copyright proprietors have demonstrated that they will suffer immediate harm if they are unable to sue infringing states in federal court."\(^5^4\) The Committee on the Judiciary agreed.\(^5^5\)

D. The Net Effect of the Clarification Acts

Congress clearly evinced its intent to abrogate state sovereign immunity in suits brought under federal trademark, patent, and copyright law when it enacted the TRCA, PRCA, and CRCA, respectively. The constitutional history of the Patent Clause seems to indicate that the Framers took for granted that federally created property rights were within the domain of Congress.\(^5^6\) It, therefore, scarcely seems plausible that Congress did not have the authority to enact the legislation. After all, Congress clearly had the exclusive authority to create the property rights.\(^5^7\) Following that same logic, Congress should then also have the authority to indicate who is eligible to be granted the rights and who is legally liable for infringing on those rights.

II. The General Agreement on Tariff and Trade

The General Agreement on Tariff and Trade\(^5^8\) ("GATT") resulted from unsuccessful attempts to establish an International Trade Organization after the Second World War.\(^5^9\) The agreement provides a treaty mechanism for establishing a code of conduct for international trade among World Trade Organization ("WTO") member
countries. GATT included an agreement directed to Trade Related Aspects of Intellectual Property ("TRIPs" or "TRIPs Agreement") that established a comprehensive standard for protection of intellectual property rights and the enforcement of intellectual property rights in all WTO member countries. In 1994, Congress passed the Uruguay Round Agreement Act to implement the GATT/TRIPs Agreement.

A. Trademark Provisions

With respect to trademarks, TRIPs provides:

The owner of a registered trademark shall have the exclusive right to prevent all third parties not having the owner's consent from using in the course of trade identical or similar signs for goods or services which are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.

Article 17 of TRIPs creates limited exceptions to this rule by allowing "members to provide limited exceptions to the rights conferred by a trademark, such as fair use of descriptive terms, provided that such exceptions take account of the legitimate interests of the owner of the trademark and of third parties." At the time Congress agreed to TRIPs, United States trademark law already provided that any person who used a trademark in commerce, reproduced a trademark, or colorably imitated a trademark would be liable to the trademark owner. Thus, United States trademark law only required minor

60. See id. As of November 30, 2000, there are 140 member countries in the WTO. See WTO, Members and Observers, at http://www.wto.org/english/thewtoe/whatise/tif_e/org6_e.htm (last visited Jan. 29, 2001).
63. TRIPs Agreement art. 16 (emphasis added).
64. TRIPs Agreement art. 17.

(1) Any person who shall, without the consent of the registrant—
   (a) use in commerce any reproduction, counterfeit, copy or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
   (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,
changes in order to comply with TRIPs.66

TRIPs does not recognize governmental taking as a valid exception to the trademark owner’s exclusive rights. Because there is no provision in TRIPs allowing for governmental takings, Florida Prepaid II—which allows state governmental agencies to violate a trademark owner’s “exclusive right” without providing a remedy67—has placed the United States in direct violation of TRIPs.


Article 28 of TRIPs specifies that “a patent must include the right to exclude others from making, using, offering for sale, selling or importing the product.”68 The Agreement permits limited exceptions to the exclusive rights conferred by a patent under Article 31, if certain conditions are met.

Where the law of a Member allows for other use of the subject matter of a patent without the authorization of the right holder, including use by the government . . . the following provisions shall be respected: (a) authorization of such use shall be considered on its individual merits; (b) such use may only be permitted if, prior to such use, the proposed user has made efforts to obtain authorization from the right holder on reasonable commercial terms and conditions and such efforts have not been successful within a reasonable period of time . . . (h) the right holder shall be paid adequate remuneration in the circumstances of each case, taking into account the economic value of the authorization . . . .69

When TRIPs was adopted, United States law already provided that a person who makes, uses, or offers for sale any patented invention within the United States or imports into the United States any patented invention during the term of the patent infringes the patent.70 And, following enactment of the PRCA, “anyone” included states.71 Because of the apparent similarity between TRIPs and existing United States law, it is not surprising that the legislative history of the PRCA

---

66. See H.R. REP. NO. 103-826, at 991 (1994), reprinted in 1994 U.S.C.C.A.N. 3773, 4287 (explaining that the only changes required for United States trademark law to comply with TRIPs were to “the definition of ‘abandonment’ under the trademark law; [and] registrability under the trademark law of a misleading geographic indication identifying wines or spirits”).
68. TRIPs Agreement art. 28.
69. TRIPs Agreement art. 31 (emphasis added).
notes that "[m]uch of what was negotiated in the Uruguay Round will require no change in existing U.S. law or practice for implementation."^{72}

Under United States law, exceptions to patent rights were specifically set out in section 271(e) of the Patent Act.^{73} The only changes to federal patent law that Congress contemplated as being necessary as a result of TRIPs were: changing the term of the patent from seventeen years from issue date to twenty years from earliest effective filing date; establishing an internal priority application process to ensure that domestic applicants were accorded the same ultimate term length as foreign applicants; and recognizing inventive activities in WTO countries^{74} for purposes of establishing inventive rights.^{75}

TRIPs delineates very limited circumstances in which the law of Member States may allow for use without authorization.^{76} Governmental use is one such circumstance.^{77} The exception provided for in TRIPs requires that the government first attempt to obtain authoriza-

---


74. The United States is the only country in the world that grants patent rights to the first to invent the idea. See Donald S. Chisum, Chisum on Patents § 10.01, at 10-8 (2000). All other countries grant patent rights to the first applicant to file the patent application in the patent office. See id. As a result of this difference, the United States has a procedure known as an "interference" which is an administrative proceeding within the patent office to determine which applicant is entitled to be the inventor. See id. § 10.02[2][a], at 10-10. In these proceedings, the inventors provide documentation relating to conception of the invention and reduction of the invention to practice. See id. § 10.03[1], at 10-28. Traditionally, only evidence of inventive activities within the United States was admissible in these proceedings. See id. § 10.03[3], at 10-49. As a result of the GATT/TRIPs Agreement, however, the United States was required to change its laws to allow foreign applicants from WTO member countries to submit evidence in support of an earlier conception based on activity in their own country. See id. § 10.03[3], at 10-50.


- treatment of inventive activity occurring in WTO member countries for purposes of establishing the date of invention under U.S. law; the definition of infringing activity under a patent relating to offers for sale and importation of patented goods; the term of protection of a patent; and establishment of a provisional patent application system and a right of internal priority for patent applications filed originally in the United States, as well as enabling a patent applicant to extend the term of patents that are delayed by interference proceedings, secrecy orders, and successful appeals to the Board of Patent Appeals and Interferences or a federal court.

Id.

76. See TRIPs Agreement art. 28.

77. See id.
tion from the patent holder. Only after that attempt is made is the governmental taking, under limited circumstances, allowable. Because United States law does not provide for any situation where governmental taking is authorized, the TRIPs provision of an attempted negotiation was not implemented into United States law when it was amended to comply with GATT. Now, however, as a result of Florida Prepaid I, states can, in effect, take patent rights without being liable for infringement or providing an adequate remedy to restore the patent holder's right to exclude others and receive monetary compensation. Since this taking occurs without the exceptions that would have made the taking acceptable under GATT, United States law is no longer in compliance with GATT.

C. Copyright Provisions

The copyright provisions of TRIPs require that member countries comply with Articles 1 through 21 of the Berne Convention (1971). The object of the Berne Convention is to provide a minimum level of uniform protection to literary and artistic works. Under the Berne Convention, authors "have the exclusive right of authorizing the production of these works, in any manner or form." TRIPs specifically provides that computer programs are protected as literary works under the Berne Convention. Exceptions exist only where "such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author." Under United States law, authors have exclusive rights to reproduce their copyrighted works, as well as to prepare derivative works based on their original work. These rights

78. See id.
79. See id.
81. TRIPs Agreement art. 9.
82. Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 25 U.S.T. 1341, 828 U.N.T.S. 221 (Paris Revision, July 24, 1971) [hereinafter Berne Convention]. The Berne Convention provides that "[i]t shall be a matter for legislation in the countries of the Union to permit the reproduction of such works in certain special cases, provided that such reproduction does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author." Id.
83. See id.
84. Berne Convention art. 2.
85. See TRIPs Agreement art. 10.
86. Berne Convention art. 9(2).
87. See 17 U.S.C. § 107 (1994). Section 107 provides authors the exclusive right to do and to authorize any of the following:
   (1) to reproduce the copyrighted work in copies or phonorecords;
include the right to distribute copies or to transfer ownership of the right.\textsuperscript{88}

With the CRCA already in place, TRIPs created only a few changes in federal law, including:

rental rights in computer programs; protection against unauthorized fixation in a sound recording or music video of a live performance or the communication to the public of the sounds of a live performance; restoration of copyright protection to works already in existence and not protected by federal copyright in the United States, but that are subject to neighboring rights or copyright protection in the WTO member country that is the source of the work.\textsuperscript{89}

No other changes were required to bring United States copyright law into compliance with the requirements of TRIPs.

TRIPs does not delineate any exceptions to the copyright owner's exclusive rights. Because there are no exceptions, a state government's use of a copyright without compensating the owner and without providing an adequate remedy under the copyright statutes places United States law in direct violation of TRIPs.

III. The Florida Prepaid Cases

By the time the Florida Prepaid cases were appealed to the Supreme Court, the United States had been a member of the GATT/TRIPs Agreement for several years. As discussed above, when the GATT/TRIPs implementing legislation was presented, it was widely believed that patent, trademark, and copyright infringement actions could be brought against any infringer, including a state government infringer, because the PRCA, TRCA, and CRCA had clearly indicated

\begin{itemize}
\item[(2)] to prepare derivative works based upon the copyrighted work;
\item[(3)] to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
\item[(4)] in the case of literary, musical, dramatic and choreographic works, pantomimes, and motion pictures and other audio visual works, to perform the copyrighted work publicly; and
\item[(5)] in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly.
\end{itemize}

\textit{Id.}

\textsuperscript{88} See \textit{id.}

an intent to remove state governmental immunity in the limited context of infringement actions.\textsuperscript{90}

A. \textit{Florida Prepaid I}

1. Factual and Procedural Background

The plaintiff, College Savings Bank ("College Savings"), a New Jersey chartered savings bank, marketed and sold certificates of deposit ("CDs").\textsuperscript{91} The CDs enabled the holder to finance his or her child's college education.\textsuperscript{92} College Savings obtained a patent for the financing methodology used to ensure that investors had sufficient funds to pay for college.\textsuperscript{93}

The Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid"), a Florida state entity, administered a similar tuition prepayment contract, in direct competition with College Savings, for its residents and their children, which became the basis of a patent infringement suit brought by College Savings.\textsuperscript{94} It is unclear from the published facts whether Florida Prepaid was acting as a market participant in administering the tuition prepayment program or whether it was merely providing a governmental benefit to its residents. If Florida Prepaid was acting as a market participant, the usurpation of private patent rights for its financial benefit, while claiming immunity from prosecution, would be substantially more egregious than if the state was merely providing a benefit to its citizens.\textsuperscript{95}

After the PRCA was enacted, College Savings brought an infringement suit against Florida Prepaid in the United States District Court for the District of New Jersey in November, 1994.\textsuperscript{96} In 1996, after the United States Supreme Court decided \textit{Seminole Tribe of Florida v. Florida},\textsuperscript{97} Florida Prepaid moved to dismiss the case on grounds that the PRCA "was an unconstitutional attempt by Congress to use its Article I powers to abrogate state sovereign immunity."\textsuperscript{98} College Savings

\textsuperscript{90} See discussion supra Part I.

\textsuperscript{91} See Florida Prepaid I, 527 U.S. 627, 630 (1999).

\textsuperscript{92} See id. at 631.


\textsuperscript{94} See Florida Prepaid I, 527 U.S. at 631.

\textsuperscript{95} See discussion infra Part VA.

\textsuperscript{96} See Florida Prepaid I, 527 U.S. at 631.

\textsuperscript{97} 517 U.S. 44, 74-76 (1996) (holding that the Eleventh Amendment prevents Congress from authorizing suits by Indian tribes against states to enforce legislation enacted pursuant to the Indian Commerce Clause).

\textsuperscript{98} Florida Prepaid I, 527 U.S. at 627.
"countered that Congress had properly exercised its power pursuant to [section] 5 of the Fourteenth Amendment in order to enforce the due process guarantees in [section] 1 of the Amendment." The district court agreed with College Savings, denied Florida Prepaid's motion to dismiss, and the Third Circuit affirmed. In an opinion by Chief Justice Rehnquist, the Supreme Court reversed the Third Circuit and overruled the district court's opinion, finding that Congress unconstitutionally abrogated state sovereign immunity when it enacted the PRCA.

2. The Court's Rationale
   a. Fourteenth Amendment Due Process and the Seminole Tribe Test

   In rendering its decision, the Supreme Court relied on its holding in *Seminole Tribe*, which confirmed the presupposition that each state is a sovereign entity in the federal system, and it is inherent in the nature of sovereignty not to be subject to a suit brought by an individual without consent. *Seminole Tribe* involved a challenge to the Indian Gaming Regulatory Act ("Act") passed by Congress under the Indian Commerce Clause, found in Article I, section 8 of the Constitution. The Act purported to allow gaming activities by the Indians in conformance with a valid compact with the state. The Act further required states to negotiate with the Indians in good faith. The *Seminole Tribe* Court held that the Eleventh Amendment prevented Congress from making the State of Florida subject to suits brought by Indian tribes seeking to enforce the legislation in federal court.

   The *Florida Prepaid I* Court used the two-part test established in *Seminole Tribe* to determine whether Congress' enactment of the PRCA validly abrogated states' sovereign immunity. First, the Court looked at "whether Congress has 'unequivocally express[e] its intent to abrogate the immunity,' . . . and second, whether Congress has acted 'pursuant to a valid exercise of power.'" The Court found that Congress had no authority to abrogate states sovereign immunity when it

---

99. Id.
100. See id.
101. See id. at 630.
102. See id. at 634 (citing Seminole Tribe of Florida v. Florida, 517 U.S. 44, 54 (1996)).
103. See *Seminole Tribe*, 517 U.S. at 48.
104. See id.
105. See id.
106. See id. at 76.
enacted the PRCA since Congress did not have a compelling reason to do so in accordance with due process.\textsuperscript{108}

Chief Justice Rehnquist's opinion criticized Congress' attempt to abrogate state sovereign immunity in the PRCA, but limited its criticism to the manner in which Congress abrogated the immunity.\textsuperscript{109} Specifically, the Court noted that Congress did not present any evidence that states had denied due process to patent holders, thus justifying Congress' action under the Fourteenth Amendment.\textsuperscript{110} The Court also noted:

There is no suggestion in the language of the statute itself, or in the House or Senate Reports of the bill which became the statute, that Congress had in mind the Just Compensation Clause of the Fifth Amendment. Since Congress was so explicit about invoking its authority under Article I and its authority to prevent a State from depriving a person of property without due process of law under the Fourteenth Amendment, we think this omission precludes consideration of the Just Compensation Clause as a basis for the Patent Remedy Act.\textsuperscript{111}

The Court's comment left open the possibility that the PRCA could potentially be enacted under the authority granted Congress in the Fifth Amendment.\textsuperscript{112}

The Supreme Court concluded, "only where the State provides no remedy, or only inadequate remedies, to injured patent owners for its infringement of their patent could a deprivation of property without due process result."\textsuperscript{113} Since Congress did not fully consider whether the individual states have remedies available for patent infringement, there was no demonstration of a violation of due process in this instance.\textsuperscript{114} The Court's position was further bolstered by the fact that Congress only cited cases where the action on the part of a state was negligent, and the lack of a remedy for negligent conduct does not violate the Due Process Clause of the Fourteenth Amendment.\textsuperscript{115}

\textsuperscript{108} See id. at 640–41 (noting that "[i]n enacting the Patent Remedy Act . . . Congress identified no pattern of patent infringement by the States, let alone a pattern of constitutional violations").

\textsuperscript{109} See id. at 646.

\textsuperscript{110} See id. at 643.

\textsuperscript{111} Id. at 642 n.7.

\textsuperscript{112} See id. at 642 (explaining that, "if the Due Process Clause protects patents, we know of no reason why Congress might not legislate against their deprivation without due process under [section] 5 of the Fourteenth Amendment").

\textsuperscript{113} Id. at 643.

\textsuperscript{114} See id.

\textsuperscript{115} See id. at 645–46 (explaining that "a state actor's negligent act that causes unintended injury to a person's property does not 'deprive' that person of property within the
b. History of the Constitution's Patent Clause

The Supreme Court acknowledged the need for uniformity in construction of patent laws.\textsuperscript{116} The Court indicated that had Congress limited the coverage of the PRCA to cases where the state refused to offer a state court remedy, or limited the type of infringement to non-negligent infringement, the PRCA might have withstood constitutional analysis under the Due Process Clause of the Fourteenth Amendment.\textsuperscript{117}

Nowhere in the decision did the Court discuss the history of the Patent Clause or the intent of the Framers with respect to the Patent Clause. Such a discussion—at least acknowledging the constitutional concerns underpinning congressional action in enacting the PRCA—is necessary if the Court is to provide legitimacy to what otherwise has been labeled a bad decision.\textsuperscript{118}

Admittedly, there is a dearth of information and only a few comments to be found relating to the patent and copyright clause of the Constitution. The comments, however, reveal the expectations of the Framers that authority over these rights would be exercised only by the federal government. For example, one commentator at the time noted:

The powers vested in the federal government are particularly defined, so that each state still retains its sovereignty in what concerns its own internal government and a right to exercise every power of a sovereign state not particularly delegated to the government of the United States. The new powers vested in the United States [in the patent and trademark clause] are . . . for promoting the progress of science in the mode therein pointed out.\textsuperscript{119}

During the Pennsylvania Convention, Thomas McKean echoed the assertion that state laws are limited to the boundaries of the state, but further elaborated that patents and copyrights were therefore necessarily federally granted property rights:

[T]he power of securing to authors and inventors the exclusive right to their writings and discoveries could only with effect be exercised by Congress. For . . . the laws of the respective states could only operate within their respective boundaries, and therefore, a

\textsuperscript{116} See id. at 645.
\textsuperscript{117} See id. at 646-47.
\textsuperscript{118} See Florida Prepaid v. College Savings, Copyright L.J. July-Aug. 1999, at 50, 52.
\textsuperscript{119} 3 ROGER SHERMAN, A CITIZEN OF NEW HAVEN CONNECTICUT COURANT (1788), in THE DOCUMENTARY HISTORY OF THE RATIFICATION OF THE CONSTITUTION 525 (Merrill Jensen ed., 1978) [hereinafter DOCUMENTARY HISTORY].
work which had cost the author his whole life to complete, when published in one state, however it might there be secured, could easily be carried into another state in which a republication would be accompanied with neither penalty nor punishment—a circumstance manifestly injurious to the author in particular, and to the cause of science in general.\textsuperscript{120}

Robert Whitehall was the only person who expressed concern that the power to grant a property right in copyright could, in effect, also result in a suppression of freedom of the press. He recognized that:

[t]ho it is not declared that Congress have a power to destroy the liberty of the press; yet, in effect, they will have it. For they will have the powers of self-preservation. They have a power to secure to authors the right of their writings. Under this, they may license the press, no doubt; and under licensing the press, they may suppress it.\textsuperscript{121}

It seems clear from this history that the Framers had very little reservation about placing the authority for federally created property rights within the control of Congress. Congress relied on that history in enacting the three Clarification Acts: the TRCA, PRCA, and CRCA. Without even a pause to acknowledge the historical basis for Congress' authority over patents, the Supreme Court overruled that authority in \textit{Florida Prepaid I}, never considering the context in which Congress was given that power in the Constitution.

B. \textit{Florida Prepaid II}

College Savings brought a companion lawsuit against Florida Prepaid under section 43(a) of the Lanham Act\textsuperscript{122} for making misstatements about its tuition savings plan.\textsuperscript{123} Again, Florida Prepaid moved to dismiss the action on the grounds that Florida had sovereign immunity from the lawsuit and that the TRCA was unconstitutional.\textsuperscript{124} As in \textit{Florida Prepaid I}, the Supreme Court looked to the Fourteenth Amendment to decide the issue.\textsuperscript{125} The Court concluded that the two species of property rights at issue, protected by the Lanham Act—“(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 busi-
ness interests."126—were not property rights protected by the Due Process Clause.127 In support of this position, the Court noted that there was "no decision of this Court (or of any other court, for that matter) recognizing a property right in freedom from a competitor's false advertising about its own products."128 In fact, the Court stated, "[t]o sweep within the Fourteenth Amendment the elusive property interests that are 'by definition' protected by unfair-competition law would violate our frequent admonition that the Due Process Clause is not merely a 'front of tort law.'"129 Thus, because protection against false advertising and unfair competition were found not to be valid property rights under the Fourteenth Amendment, the Court concluded that there was no deprivation of property at issue.130

The remainder of the decision concerned whether Florida had waived its sovereign immunity.131 College Savings relied on the United States Supreme Court's decision in Parden v. Terminal Railway of Alabama State Docks Department,132 arguing that Florida had impliedly waived its sovereign immunity by participating in the market.133 However, the Court dismissed College Savings' reliance on Parden, describing Parden as "an elliptical opinion that stands at the nadir of our waiver (and, for that matter, sovereign immunity) jurisprudence."134 The Court continued: "We think that the constructive-waiver experiment of Parden was ill conceived, and see no merit in attempting to salvage any remnant of it . . . . Today, we drop the other shoe: Whatever may remain of our decision in Parden is expressly overruled."135

In support of this position, the Court noted that, in Employees of Department of Health & Welfare of Missouri v. Department of Public Health

126. Id. at 672.
127. See id.
128. Id. at 673.
129. Id. at 674 (quoting Paul v. Davis, 424 U.S. 693, 701 (1976)).
130. See id. at 675. Justice Scalia stated that trademarks "are the 'property' of the owner because he can exclude others from using them." Id. at 673. See also 1 J. THOMAS McCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 2.14, at 2-29 (2000) (stating that trademark rights can be characterized as a form of property).
131. See Florida Prepaid II, 527 U.S. at 675.
132. 377 U.S. 184, 192 (1964) (stating that although there was no provision in the Federal Employer's Liability Act providing for suit against the states, common carriers engage in commerce between the states, and, therefore, a state-owned common carrier that engages in interstate commerce impliedly waives its immunity and consents to suit).
133. See Florida Prepaid II, 527 U.S. at 676 (citing Parden v. Terminal Ry. of Ala. State Docks Dep't, 377 U.S. 184, 192 (1964)).
134. Id.
135. Id. at 680.
& Welfare of Missouri, it had already retreated from Parden because the statute at issue, the Fair Labor Standards Act, did not clearly express Congress' intention to supersede the states' immunity. The Florida Prepaid II Court acknowledged that Parden was distinguishable from Missouri Health & Welfare partially on the basis that the state in Parden was operating for profit "in [an] area where private persons and corporations normally ran the enterprise." Nevertheless, the Court maintained that "there is little reason to assume actual consent based upon the state's mere presence in a field subject to congressional regulation." Thus, the Court impliedly held that a state's market participation is not behavior indicating a waiver of sovereign immunity.

IV. What Happens Now If a State Infringes upon a United States Patent, Trademark, or Copyright Owned by a Foreign National?

As it now stands, UCLA (a public university) could sue USC (a private university) for infringement of its intellectual property rights in federal court under the appropriate federal statute, but USC could not sue UCLA for the same infringement in federal court. On its face, this result seems unfair; particularly since a state can utilize the patent, trademark, and copyright systems for its own financial benefit. The question that arises, however, is what happens when a state-run university, such as UCLA, infringes upon foreign-owned intellectual property rights? The answer to this question is particularly important in view of the United States commitments under TRIPs.

138. See Florida Prepaid II, 527 U.S. at 677.
139. Id. at 678 (quoting Employees of Dep't of Health & Welfare of Mo. v. Dep't of Pub. Health & Welfare of Mo., 411 U.S. 279, 284 (1973)).
140. Id. at 680.
141. See id.
143. Association of University Technology Managers ("AUTM") estimates that at least 2000 products presently available to the public would not be available if it were not for public and private university licensing activities. See http://www.autm.net/ (last visited Jan. 28, 2001). The University of California (a public university) has long been a leader in patent and licensing activities. See IP, Constitutional Scholars Explore Sovereign Immunity Issues, 59 Pat. Trademark & Copyright J. (BNA) 743, 744 (Apr. 7, 2000) (stating that "[t]he PTO's Justin Hughes furnished statistics indicating that several states have amassed large portfolios of intellectual property, with the University of California 'taking the most cash home' in patent royalties").

*Unix Systems Laboratories v. Berkeley Software Designs, Inc.*\(^{144}\) was decided prior to the enactment of the Clarification Acts and prior to the United States entry into GATT. The plaintiff, Unix System Laboratories ("USL"), a Delaware corporation, developed, manufactured, licensed, and sold computer operating systems and related products and services.\(^{145}\) USL was also an assignee of AT&T’s rights to UNIX—the computer software at issue—at the time of the action.\(^{146}\) The defendant, Berkeley Software Designs, Inc. ("BSDI") was also a recently formed Delaware corporation, whose officials were members of the Board of Regents ("Regents") of the University of California.\(^{147}\) BSDI developed software for commercial sale and distribution that USL claimed contained portions of its copyrighted code.\(^{148}\) The University had been a licensee of AT&T for 32V UNIX software at a cost of $200,000 per year.\(^{149}\) Under the license, BSDI “exercised its contractual right to derivatize 32V to the hilt” and releases were distributed to other AT&T licensees through the Regents’ Computer Sciences Research Group.\(^{150}\) The University sought to improve its income stream by selling software it developed to non-AT&T licensees.\(^{151}\)

USL brought an action for breach of contract, copyright infringement, misappropriation of trade secret, and trademark misuse.\(^{152}\) The district court noted that the Eleventh Amendment “bars suit . . . against the state [and also against] . . . a subdivision of the state if the state remains ‘the real party in interest.’”\(^{153}\) The court concluded, however, that the state had partially abrogated its Eleventh Amendment immunity with respect to at least one of the copyright counts and two of the trademark counts.\(^{154}\)

Factually, the case is of interest because it involves a subdivision of a state engaged in commercial activity that potentially spans all three types of federally granted intellectual property rights available today. The district court in *Unix Systems* ultimately concluded that un-

---


\(^{145}\) See id. at 793.

\(^{146}\) See id.

\(^{147}\) See id.

\(^{148}\) See id.

\(^{149}\) See id. at 794.

\(^{150}\) Id.

\(^{151}\) See id.

\(^{152}\) See id. at 796–97.

\(^{153}\) Id. at 798 (citing Edelman v. Jordan, 415 U.S. 651, 663 (1974)).

\(^{154}\) See id. at 799.
less the plaintiff could demonstrate that there had been a waiver of sovereign immunity, the University was entitled to Eleventh Amendment immunity. As a result of the Florida Prepaid decisions, states are again entitled to Eleventh Amendment immunity, and a court today faced with an identical fact pattern would likely reach the same conclusion.

B. Can a Foreign Intellectual Property Owner Bring an Intellectual Property Infringement Action in Federal Court Against a State Entity?

1. Hypothetical Based on a Modified Version of Unix Systems

   Assume that a foreign intellectual property owner ("FIPO") is in the business of developing and selling operating systems and interactive computer software programs. FIPO operates in a WTO country. FIPO has obtained appropriate patent, trademark, and copyright protection for an operating system ("FO/S") in the United States. FO/S contains notices that the software is protected under applicable United States patent and copyright law and is sold under a federally registered trademark owned by FIPO.

   FIPO subsequently enters into a license agreement with a public university ("University") in the United States. Under the license, University is entitled to create derivative software from FIPO's FO/S. The license costs $200,000 per year for each licensee. Because of the license agreement, the derivative works created by University are sold only to parties having a license from FIPO for the underlying FO/S. Sales of the derivative works net University $100,000 per month. University determines that if it sells derivative works to non-FIPO licensees, net sales would increase to $1 million per month. In order to accomplish this, University develops what it claims is a non-derivatized software that is fully compatible with FO/S. The software is developed and prepared for sale. Advertising indicates that the software is fully compatible with FIPO's software.

   FIPO analyzes University's new software and determines that the software still contains significant portions of FIPO's code in violation of FIPO's patent and copyright interests in the code. Further, University uses FIPO's registered trademark in its advertising without FIPO's permission. FIPO now wishes to proceed against University for willful infringement of its patent, trademark, and copyright.

155. See id. at 800.
2. Jurisdiction Based on Diversity of Citizenship

Prior to the *Florida Prepaid* decisions, there were two ways for FIPO to get into federal court. The first method of obtaining federal court jurisdiction is by virtue of diversity of citizenship.\(^{156}\) Diversity of citizenship enables actions to be brought in federal court under certain circumstances to avoid prejudice to one of the parties resulting from being required to sue in the adverse party's local court.\(^ {157}\) However, diversity jurisdiction is specifically limited by the provisions of the Eleventh Amendment that provide: “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.”\(^ {158}\) Therefore, FIPO, a citizen of a foreign state, would be barred from bringing an action against University in federal court based on diversity by virtue of the Eleventh Amendment.

3. Federal Question Jurisdiction

However, federal courts do have jurisdiction, either concurrent or exclusive, over issues arising under federal law.\(^ {159}\) Issues relating to patent, trademark, and copyright are classic examples of causes of action that fall within exclusive federal question jurisdiction.\(^ {160}\) Neither the patent statute nor the copyright statute itself expressly provides that the federal courts have exclusive jurisdiction of infringement

---

157. *See id.* Section 1332 provides:
   (a) The district courts shall have original jurisdiction of all civil actions where the matter in controversy exceed the sum or value of $75,000, exclusive of interest and costs, and is between—
      (1) citizens of different States;
      (2) citizens of a State and citizens or subjects of a foreign state;
      (3) citizens of different States and in which citizens or subjects of a foreign state are additional parties; and
      (4) a foreign state, defined in section 1603(a) of this title, as plaintiff and citizens of a State or of different States.
   For purposes of this section, section 1335, and section 1441, an alien admitted to the United States for permanent residence shall be deemed a citizen of the State in which such alien is domiciled.

158. U.S. CONST. amend XI.
159. *See* 28 U.S.C. § 1331 (1994) (providing “[t]he district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States”).
matters. For example, 35 U.S.C. section 281 provides only that "[a] patentee shall have remedy by civil action for infringement of his patent." However, exclusive jurisdiction is provided by 28 U.S.C. section 1338(a) which states: "The district court shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases." Moreover, the Lanham Act specifically provides that "[t]he district and territorial courts of the United States shall have original jurisdiction . . . of all actions arising under this Act." Accordingly, patent, trademark, and copyright matters are brought in federal court on the basis of federal question jurisdiction.

Thus, even though FIPO would not have standing to bring an action against University based on diversity against a state infringer in federal court pursuant to the Eleventh Amendment, traditionally FIPO would have standing to bring an action against a state infringer in federal court because the subject matter relates to a federal question. However, following the Florida Prepaid decisions, FIPO would be barred from bringing an infringement cause of action against University under 28 U.S.C. section 1338 in federal court since the Clarification Acts have been invalidated by the Supreme Court as unconstitutional abrogations of state sovereign immunity. FIPO will, therefore, have to depend on other avenues for redress.

V. Possible Solutions

After the Florida Prepaid cases, FIPO cannot bring an action for infringement against the University in federal court. The question becomes: Are there any remedies available to FIPO that will restore its right to exclude others and be compensated for its intellectual property?

A. Eminent Domain Laws

In theory, FIPO may rely on the eminent domain laws of the individual states in order to obtain redress for misappropriated property. The sovereign states may take property for public use without the
owner's consent upon giving just compensation. One problem, of course, is that there is no uniform process for compensation. The condemnation clause found in most state constitutions provides for payment of "just compensation" upon the taking of private property for public use. "In the absence of a statute allowing compensation, it has been held that a state is not liable for costs where it is the condemnor." This "public use" exception is contrary to the provisions of the patent, trademark, and copyright laws which specifically allow for costs and treble damages where the infringing use has been willful.

Another problem is that eminent domain laws are meant to compensate for taking property for public use after the taking has occurred. Examples of traditional eminent domain issues arise when the state condemns land in order to install a public highway. However, taking intellectual property for governmental commercial exploitation may not be a "public use" that eminent domain laws contemplate. The logic of applying the law of eminent domain to compensate for willful governmental taking of intellectual property is unsound, particularly where that governmental taking commercially benefits the state. It is one thing to have the right to condemn real property located within a state for the benefit of all the citizens of a state, and quite another to take intellectual property of a non-citizen

---

166. See 1 Nichols on Eminent Domain § 1.11, at 1-10 (3d ed. 2000).
167. There are several models of compensation that, in the eminent domain context, fall within the notion of "just compensation." These models are: (1) utilitarian models; (2) justice and fairness models; (3) natural law models; and (4) property rights or consent models. See 1A Nichols on Eminent Domain § 1A.02, at 1A-3 (3d ed. 2000). There also are at least three different measures of "compensation": market value of the property, value to the owner of the property, and value to the person taking the property. Id. § 1A.04[2][d], at 1A-217. Nichols concludes, however, that "none of the three measures is optimal in all situations." Id. § 1A.04[2][d.6], at 1A-219.
168. See 6A Nichols on Eminent Domain § 30.01[2], at 30-10 (3d ed. 2000).
169. Id. § 30.02, at 30-22.
170. 35 U.S.C. § 284 (1994) provides that "the Court may increase the damages up to three times the amount found or assessed." Id. 17 U.S.C. § 504(2) (1994 & Supp. IV 1999) provides that where the "infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $100,000." Id. 15 U.S.C. § 1117(b) (1994 & Supp. IV 1999) provides that "the court shall . . . enter judgment for three times the amount of profits or damages, whichever is greater . . . in the case of any violation of section 1114(1)(a)." Id.
171. See 1 Nichols on Eminent Domain § 1.22[1], at 1-78 (3d ed. 2000) (describing roads as the primary object for the exercise of eminent domain).
172. "Eminent Domain, as it now exists, seems to have grown out of the ancient proceeding known as inquest of office. This was an inquiry by jurors concerning any matter that entitled the king to possession of lands, tenements, good and chattels . . . ." Id. § 1.21[1], at 1-72.
for commercial exploitation even if that exploitation ultimately benefits the citizens of the state. In both cases the citizens of the state are ultimately benefited by the governmental taking. In the case of the non-citizen's intellectual property, however, there is a taking from an owner who has no connection to the state, except possibly a commercial tie, and who will not receive the tangential benefit that the state citizens receive from that taking.

More importantly, while any successful eminent domain proceeding brought against the state infringer would provide some monetary relief to FIPO, it would not restore FIPO's right to exclude others from using its intellectual property.

B. The Ex Parte Young Procedure

Another possible avenue for recourse available to FIPO would be to take advantage of the Ex Parte Young procedure that enables a party to bring a suit for equitable relief against a state official. Ex Parte Young involved a suit by a stockholder of a corporation attempting to enjoin the directors and officers of the corporation from complying with a state statute that the stockholders claimed was unconstitutional. The Supreme Court held that a federal court could enjoin an individual or state officer from enforcing a state statute on account of its unconstitutionality. In this scenario, FIPO could bring an action to obtain an injunction against University. This injunction would restore FIPO's basic right to exclude others from using its intellectual property. However, even though FIPO may at least be able to obtain an injunction under this procedure, it is unlikely that FIPO could get damages for the infringement unless state officials, sued in their individual capacities, were actually acting in their official capacities. The Ex Parte Young procedure contemplates enjoining a state official from engag-

\[173. \] 209 U.S. 123 (1907).
\[174. \] See id.
\[175. \] See id. at 129-30.
\[176. \] See id. at 167-68.
\[177. \] See Intellectual Property, Constitutional Scholars Explore Sovereign Immunity Issues, 59 Pat. Trademark & Copyright J. (BNA) 743, 744 (Apr. 7, 2000) ("[T]he 90 year old Ex Parte Young doctrine permits suits against state officials for injunctive relief . . . Menell (of Boalt Hall) responded that the right to sue would depend on whether the official was acting in his or her official capacity.").
\[178. \] See id.
\[179. \] See id.
ing in activity on the basis of equity. It does not, however, provide for damages.

Thus, any successful Ex Parte Young proceeding that FIPO brought against University would restore FIPO's right to exclude others from using FIPO's intellectual property, but would probably not enable FIPO to be compensated for the taking itself.

C. Qui Tam Actions

Qui tam actions allow private individuals to sue on behalf of the United States. The Supreme Court has previously held that qui tam actions are exempt from any claim of sovereign immunity by the states. It has been suggested that if Congress set up a penalty for state infringement of intellectual property rights, the holder of the intellectual property right at issue could sue the state on behalf of the United States and ultimately be compensated if successful.

However, qui tam actions are not currently recognized in all contexts. Thus, Congress would need to first authorize suits by the United States against state infringers with the consent of the injured party. Even if qui tam actions were recognized, it would be an extremely complex proceeding that ultimately may not withstand a constitutional challenge.

180. See Ex Parte Young, 209 U.S. at 162.
182. See 31 U.S.C. § 3730(b)(1). Section 3730(b)(1) provides:

A person may bring a civil action for a violation of section 3729 for the person and for the United States Government. The action shall be brought in the name of the Government. The action may be dismissed only if the court and the Attorney General give written consent to the dismissal and their reasons for consenting.

Id.
184. See Jonathan R. Siegel, The Hidden Source of Congress' Power to Abrogate State Sovereign Immunity, 73 Tex. L. Rev. 539, 552 (1995) (stating that first Congress would need to authorize the suit by the United States and then proceeds would be paid to the United States Treasury before being redirected to the claimant).
185. See id. at 556.
186. See id.
187. See O'Connor, supra note 14, at 1042; see also Scott P. Glaubman, Citizen Suits Against States: The Exclusive Jurisdiction Dilemma, 45 J. COPYRIGHT Soc'y U.S.A. 63, 102 (1997) (noting that "[t]he Court has never squarely resolved the permissibility of . . . [the qui tam] maneuver").
D. Problems with the Possible Solutions

FIPO's recourse, at this point, is to use one of the proceedings described above or to find another basis for suit (such as breach of contract). In either event, FIPO is put in the untenable position of negotiating with a party that it knows can circumvent the law if it does not like the offered terms.

One glaring problem with using the eminent domain provisions of the individual state laws, the *Ex Parte Young* procedures, or the *qui tam* procedure is that these procedures provide limited remedies to the intellectual property holder. The intellectual property holder is not able to fully restore the right to exclude others and does not receive monetary damages for the infringing use. Moreover, despite the minimal effectiveness of these procedures, they still would not resolve compliance issues under the GATT.

For example, TRIPs acknowledges that governmental taking of patent rights may be appropriate in some circumstances, but requires that "the proposed user ma[k]e efforts to obtain authorization from the right holder on reasonable commercial terms and conditions." United States law has never provided for a mechanism to allow a state to take patent rights. Therefore, unless legislation were presented that required the state to "obtain authorization," as provided for in TRIPs, any taking of patent rights by a state, regardless of the type of post facto remedy available, violates TRIPs. If, however, United States law was restored to the pre-*Florida Prepaid* condition, where states are liable for infringement, then the United States would again be in compliance with TRIPs.

To the extent that eminent domain laws are available as a means for pursuing a state infringer, the remedies available do not completely comply with the provisions of GATT/TRIPs. First, FIPO's right to exclude others is violated because eminent domain laws arise when the taking has already occurred and only provide a post facto mechanism to compensate for the taking. Under the patent, trademark, and copyright laws (as they were interpreted prior to the *Florida Prepaid* cases), FIPO's right to exclude others is not lost in the event of an infringement because FIPO could obtain an injunction from further infringement. Second, as noted above, the measure of compensation provided for in an eminent domain action is not consistent with

---

189. TRIPs Agreement art. 31.
TRIPs. The measure of compensation could be based on the market value of the property, the value of the property to FIPO, or the value of the property to the state infringer.\textsuperscript{190} However, these measurements of compensation do not account for economic value, which is exactly the type of compensation provided for under TRIPs when the government takes patent rights.\textsuperscript{191} Lastly, even if the compensation provided for under eminent domain laws is sufficient in the context of taking patent rights, it does not overcome the fact that TRIPs does not provide an exception for governmental taking of trademark or copyright interests.

The unavailability of monetary damages renders the \textit{Ex Parte Young} procedure inadequate to fulfill the GATT/TRIPs requirement that the "right holder be paid adequate remuneration."\textsuperscript{192} The \textit{Ex Parte Young} procedure only restores half of FIPO's property rights; that is, the right to exclude others. Thus, although \textit{Ex Parte Young} would allow FIPO to obtain an injunction, it fails to provide the right holder compensation and so does not make the aggrieved party "whole" again.

A \textit{qui tam} action would require legislation enabling FIPO to bring suit on behalf of the United States. If such actions could pass constitutional muster, it would be the most effective remedy available to bring the United States back into compliance with GATT/TRIPs since FIPO could receive an injunction and monetary damages from University.

**Conclusion**

The United States is currently out of compliance with GATT. Remedies available to the intellectual property owner do not adequately restore its rights to exclude others from using the property right and provide for compensation. Legislation presented to the Senate during the last term\textsuperscript{193} is a step in the right direction for correcting the problem, but it does not address the issue of compliance with TRIPs. Any new legislation that is presented should be carefully drafted to bring state infringers in line with the requirements of TRIPs, regardless of the fact that such legislation may leave states stripped of sovereign immunity in this limited context. Section 102 of

\textsuperscript{190} See IA Nichols on Eminent Domain § 1A.04[2][d], at 1A-217 (3d ed. 2000).
\textsuperscript{191} See TRIPs Agreement art. 31.
\textsuperscript{192} Id.
the Uruguay Round Agreements Act describes the relationship between the agreements and United States law and state law.194

Under this section, no state law may be declared invalid on the ground that it is inconsistent with the Uruguay Round agreements, except in an action brought by the United States for the purpose of declaring such law invalid. The Statement of Administrative Action states:

The Uruguay Round Agreements do no automatically "pre-empt" or invalidate state laws that do not conform to the rules set out in those agreements—even if a dispute settlement panel were to find a state measure inconsistent with such an agreement. . . . Each WTO member will be free to determine how it will conform with those agreements at the national and sub-national level. The Administration is committed to carrying out U.S. obligations under the Uruguay Round Agreements, as they apply to the states, through the greatest possible degree of state-federal consultation and cooperation, in conformity with the consultative framework established under section 102 . . . .195

Thus, it is possible, using the mechanism provided in the Act, to facilitate an agreement among the states for changes to United States law that would be acceptable to bring the United States back into full compliance with GATT.

194. See GATT section 102.