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CRS Report for Congress

The Intellectual Property Protection and Restoration Act (S. 1611 and H.R. 3204)

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Summary

Under the Eleventh Amendment, a state cannot be sued for patent, copyright, or trademark infringement under federal intellectual property law, unless it consents. The Amendment preserves a common law privilege known as sovereign immunity, the principle that a sovereign cannot be sued in its own courts or in any other court without its consent. The "Intellectual Property Protection and Restoration Act of 2001" (S. 1611 and H.R. 3204) provides the states with an incentive to waive their immunity and, in the alternative, attempts to abrogate their sovereign immunity. This report provides a brief overview of S. 1611 and H.R. 3204, neither of which has been reported from committee. It will be updated as developments warrant.

During the nineties, "States' rights" enjoyed a renaissance under the Supreme Court's federalism jurisprudence. In the1996 *Seminole Tribe* case, the Court expanded its Eleventh Amendment "state sovereign immunity" jurisprudence, the principle that a sovereign cannot be sued in its own courts or in any other court without its consent.[1] In June of 1999, the Court extended *Seminole Tribe*, ruling that a state cannot be sued for patent infringement under federal law or for violation of federal trademark laws without the state's waiver of or a valid congressional abrogation of sovereign immunity.[2] The holdings also implicate the enforcement of federal copyright law against the states.[3]

Thus, 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 Intellectual Property Protection and Restoration Act of 2001("IPPRA"), S. 1611 and H.R. 3204, is intended to correct this

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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).

[3] 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.)

asymmetry between rights and responsibility by inviting states to waive their sovereign immunity. Towards this end, IPPRA limits a state's remedial relief in actions for copyright, trademark, and patent infringement, but restores such protection once a state waives its sovereign immunity.

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, they must 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.

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 it 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.[4]

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.

Section 4 clarifies remedies available for statutory violations by state officers and employees. Namely, it clarifies that the remedial regime under federal intellectual property law does not preclude recourse to injunctive relief against state officers and employees who violate federal intellectual property law.

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.

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[4] 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."