

State Sovereign Immunity

September 2001

The Issue

The Supreme Court decision in the case of *Florida Prepaid v. College Savings* adversely affects copyright owners' ability to bring copyright infringement suits against states and their instrumentalities. Without the right to sue a state or state instrumentality for copyright (or patent or trademark) infringement in Federal court, states and state officials are free to engage in widespread uncontrolled copying and use of the valuable intellectual property assets of others without fear of being held liable for infringement. This is a significant problem for copyright owners -- who suffer tremendous losses due to infringement by states.

On June 23, 1999, the Supreme Court handed down its decision in the case of *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank* (No. 98-531), holding that the Patent and Plant Variety Protection Remedy Clarification Act's (the "Act") abrogation of States' sovereign immunity is invalid because it cannot be sustained as legislation enacted to enforce the guarantees of the Fourteenth Amendment's Due Process Clause. In the companion *College Savings* case (No. 98-149) involving the same parties and based on a similar analysis, the Court also held that the Trademark Remedies Clarification Act's abrogation of states' sovereign immunity was invalid because there exists no "property right" in a trademark as required to abrogate a state's sovereign immunity under the Fourteenth Amendment.

These case could have significant implications for copyright owners as it may be applied by lower courts to preclude copyright owners from bringing copyright infringement actions against States for infringing acts by their instrumentalities. In fact, the Court of Appeals for the Fifth Circuit has applied the holding and rationale in the *College Savings* decision to two cases -- *Rodriguez v. Texas Commission on the Arts* and *Chavez v. Arte Publico* -- to deny a copyright owner the ability to collect monetary damages against a state entity for that state's copyright infringement.

In the 106th Congress Senator Leahy introduced a bill, S. 1835, that would have enabled intellectual property rights owners the right to bring infringement suits against states and their instrumentalities. In sum, the bill provided that a state cannot obtain federal patent, trademark or copyright protection without first "opting in" to the federal intellectual property system by agreeing to waive its immunity from suit under the Eleventh Amendment. The Copyright Office also drafted a proposed bill to address the state immunity issue. The Copyright Office proposal would operate much like the legislative approach taken in the Leahy bill. No action was taken on Leahy's bill or the Copyright Office proposal nor has any legislation been introduced in the 107th Congress.

Last year Senator Hatch issued a formal request to the Government Accounting Office (GAO), to determine, among other things, the extent to which state entities have infringed intellectual property rights of others in the past. The report has not been published yet.

To aide GAO with its report, SIIA undertook a review of its records to determine whether and to what extent state entities were believed to be infringing our members' copyrights. We were extremely conservative in determining which entities were "state entities." In the last six years, SIIA has resolved 77 matters involving state infringements. Of these 77 matters, over roughly 50% involved state institutions of higher learning. The other 50% consisted of state hospitals, bureaus, public service commissions, and other instrumentalities. In the overwhelming majority of cases, no litigation has actually resulted. Instead, after SIIA learns of a possible infringement, it contacts the infringing entity to request an audit of its existing software, and attempts to bring that entity into compliance with the law. Normally, the entity will pay a license fee for the number of unauthorized copies it is using. (Because of settlement agreements, we cannot reveal the identity of either the plaintiff or the defendant in these matters, and can make this information available only in the aggregate.)

Of course, we cannot (and do not) accuse entities without any basis for knowing whether or not they are infringing. These matters represent only those about which we have learned. Drawing on our experience in dealing with both private and public entities, we have no doubt that a far greater number of infringements simply go undetected. In addition, on at least one occasion, a state threatened legal sanctions against SIIA for either attempting to: (1) enjoin further infringing acts; or (2) obtain damages for unauthorized use of software.

SIIA Position

SIIA has been deeply engaged in the issue of abrogation of state sovereign immunity for the infringement of intellectual property. SIIA, along with a wide range of trade and professional associations, filed amicus curiae briefs in the College Savings and Chavez cases.

SIIA has also joined other interest parties in forming the Property Owners Remedies Alliance ("PORA") -- an alliance of associations and companies with significant copyright interests that are adversely effected by this issue. The alliance works closely with Congress, the Copyright Office, the U.S. Patent and Trademark Office ("PTO"), and interested parties in the patent and trademark field to develop a legislative solution that appropriately, effectively and constitutionally addresses the concerns of all intellectual property owners. In the 107th Congress, SIIA is working with Congress, the Administration and PORA on legislative language that adequately addresses the state sovereign immunity problem.

SIIA supports immediate enactment of legislation that would level the playing field between state entities and other intellectual property owners. State entities should not be able to benefit from the patent, copyright and trademark laws as owners of intellectual property but not be liable for infringing upon the intellectual property rights of others.