ELEVENTH AND FOURTEENTH AMENDMENTS – PATENT REMEDY ACT – CONGRESS, IN AN EFFORT TO ABROGATE STATE SOVEREIGN IMMUNITY BY SUBJECTING THE STATES AND THEIR INSTRUMENTALITIES TO LIABILITY IN FEDERAL COURT FOR PATENT INFRINGEMENT, EXCEEDED ITS AUTHORITY UNDER § 5 OF THE FOURTEENTH AMENDMENT - *FLORIDA PREPAID POSTSECONDARY EDUC. EXPENSE BD. V. COLL. SAV. BANK*, 527 U.S. 627 (1999).

The United States Supreme Court recently held that the Patent Remedy Act (hereafter "the Act") was an unconstitutional attempt to abrogate states' sovereign immunity with respect to patent infringement. *See Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 630 (1999). In so holding, the Court reasoned that Congress' stated purpose for enacting the Act, to protect patent owners against State infringement of their property rights, addressed a perceived future state violation of a constitutional right. *Id.* at 641. The Court further reasoned that since Congress' power under § 5 of the Fourteenth Amendment is remedial in nature and requires it to first delineate the existing constitutional violation for which the state is liable, and then fashion its legislation to address that infringement, such a proactive legislative measure is unconstitutional. *Id.* Notwithstanding the Courts reasoning, it produces a holding that is inherently paradoxical. While recognizing that patent owners have a constitutional right to the fruits of their labor and that states have been violating that right, the Court still allows the states to trample the constitutional rights of a fairly large segment of the population under the auspices of federalism.

The Act, enacted under authority given Congress by § 5 of the Fourteenth Amendment, expressly provided that states and their instrumentalities would be subject to suit for patent infringement claims in federal court, thus denying them the Eleventh Amendment state immunity claim. *Id.* at 632. The Act was created in response to a decision, issued by the Court of Appeals for the Federal Circuit, holding that the current patent law did not adequately express Congress' intent to abrogate the Eleventh Amendment grant of state sovereign immunity. *Id.* at 631-32. Such a stated intent is required whenever Congress enacts a statute under § 5 of the Fourteenth Amendment, the Due Process Clause. *Id.* at 633.

In 1987 Respondent, College Savings Bank, a New Jersey charter, marketed and sold the CollegeSure CD, an annuity contract used for financing future college expenses. *Id.* at 630-31. College Savings obtained a patent for its financing methodology used in CollegeSure. *Id.* Petitioner, Florida Prepaid Postsecondary Education Expense Board, is a state entity which administered similar contracts to Florida residents for tuition prepayment. *Id.* at 631. College Savings brought suit under the Act, asserting that Florida Prepaid had directly and indirectly infringed upon their patent in the contracts they provided for these prepayment programs. *Id.*

College Savings brought their case before the United States District Court for

the District of New Jersey. *Id.* at 631. Relying on a previous Supreme Court decision, Florida Prepaid moved to dismiss the action, asserting that the Patent Remedy Act's abrogation of state immunity was unconstitutional. *Id.* at 633 (citing *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996)). College Savings, along with the United States who then intervened to defend the Act's constitutionality, responded that the Act was a proper exercise of Congress' power under the Due Process Clause. *Id.* The District Court agreed with College Savings, and denied Florida Prepaid's motion to dismiss. *Id.*

Florida Prepaid appealed. *Id.* at 633-634. In affirming the District Court's decision, the Court of Appeals for the Federal Circuit, which handles cases dealing specifically with patents, made several findings with respect to the Act. *Id.* First, the court found that Congress had the legislative authority under § 5 of the Fourteenth to formally remove sovereign immunity from states and that the intent to remove that immunity was clear and permissible. *Id.* at 634. Next, the court held that patents are property subject to Due Process protection and Congress, by passing the Act, sought to prevent the States from depriving patent owners of their property without due process. *Id.* And finally, the court found that the Patent Remedy Act met the congruent and proportional standard, defined in *City of Bourne v Flores*, for abrogating state sovereign immunity under § 5 of the Fourteenth Amendment. *Id.* at 634 (citing *City of Bourne v. Flores,* 521 U.S. 507, 519 (1997)).

The Supreme Court granted *certiori* to decide if Congress overstepped its authority by passing such legislation. *Id.* In reversing and remanding the Federal Circuit's decision, the Court determined that Congress did not adequately state a pattern of unconstitutional conduct that justified abrogating state sovereign immunity. *Id.* at 641. Since such a justification is necessary in order for Congress to permissibly legislate in the area, the Act was unconstitutional. *Id.*

Writing for the majority, Chief Justice Rehnquist began with an overview of the Eleventh Amendment, citing prior decisions that proffer the idea that each state is a sovereign entity in the federal system and must consent to being sued. *Id.* at 634 (citing *Hans v. Louisiana,* 134 U.S. 1 (1890)). The Court then defined the issues to be decided in this case, whether Congress clearly expressed their intent to remove immunity from the states in patent infringement suits, and, if so, whether Congress did so validly under the Due Process Clause of the Fourteenth Amendment. *Id.* at 635. The majority answered the question in the affirmative, finding that Congress unequivocally expressed its intent to allow States to be amenable to suits for patent infringement. *Id.* However the second issue was not so easily solvable, therefore the Court turned the focus of the opinion to whether Congress validly exercised its power to remove sovereign immunity. *Id.*

The majority found that, in patent lawsuits, Congress wished to place the states on equal footing with the private patent violator and justified its power to so under three constitutional sources: the Commerce Clause contained in Art. I, § 8, cl. 3, the Patent Act, Art. I, § 8, cl. 8, and the Due Process Clause contained in

§ 5 of the Fourteenth Amendment. *Id.* at 635-36. The Court recalled the decision in *Seminole Tribe of Fla. V. Florida*, 517 U.S. 44 (1996), which held that Congress could not use its powers under Article I to abrogate state sovereign immunity. *Id.* at 636. (citing *Seminole Tribe,* 517 U.S. at 72-73). Both College Savings and the United States conceded to the holding of *Seminole Tribe*, but asserted their argument that the Patent Remedy Act was a valid preventative exercise of Congress' power under the Due Process Clause. *Id.*

The Court determined that it is permissible, under § 5 of the Fourteenth Amendment for Congress to remove state immunity when necessary. *Id.* at 637 (citing *Fitzpatrick v. Bitzer,* 427 U.S. 445 (1976)). However, the Court emphasized such legislation must be "appropriate" and remedial or preventative in nature. *Id.* at 637-39 (citing City of Bourne v. Flores, 521 U.S. 507, 519-20 (1997).

In *City of Bourne*, the Court overruled the Religious Freedom Restoration Act because it exceeded Congress' authority under the Due Process Clause. *Id.* at 638. The *City of Bourne* Court explained that since Congress' power under § 5 is preventative and remedial in nature, Congress can enact provisions to protect against constitutional violations. *Id.* However, the *City of Bourne* Court continued, Congress may not define what a constitutional violation is since that power belongs exclusively to the Judiciary. *Id.* In the instant case, the majority accentuated the finding in *City of Bourne* that "there must be a congruence and proportionality between the injury prevented or remedied and the means adopted to that end." *Id.* at 639 (citing *City of Bourne,* 521 U.S. at 519-520). Justice Rehnquist interpreted this to mean that for Congress to invoke § 5 protection, it must identify the state conduct violating this clause, and tailor its legislation to such conduct. *Id.* The Justice then reiterated that RFRA had failed to meet this standard. *Id.*

Thus in order to resolve whether the Patent Remedy Act was a valid exercise of power under § 5 of the Fourteenth, Justice Rehnquist had to identify the wrong which Congress intended to remedy, then determine whether the Act was a proper legislative scheme of redress. *Id.* at 639-40. Since Congress looked to provide protection under the Due Process clause for patent owners against State infringement, the Court identified deprivation of property as the conduct which the Patent Remedy Act intended to remedy. *Id.* at 640.

Unlike other Court decisions concerning legislation evaluated under § 5 of the Fourteenth Amendment, the majority noted that in the instant case there was little evidence of a history of past state action resulting in injury. *Id.* at 640. The Court made much of the fact that, in discussion of the Act, the testimony at the House Hearings had acknowledged that States were willing and able to respect patent owner rights and that most States currently complied with patent law. *Id.* at 640-41. The Court emphasized that such an acknowledgment illustrates the fact that current State conduct pertaining to patent law is not a national problem. *Id.* at 641. Thus, the Court surmised that Congress had enacted the legislation to

prevent future State infringement on the rights of patent owners, and not as a remedial measure to correct existent constitutional violations. *Id.*

Responding to respondents' argument that infringing a patent is equivalent to a taking without due process, the Court confirmed that patents are indeed property and as such, they are entitled to protection under the Due Process Clause. *Id.* at 642. However, Justice Rehnquist pointed to prior decisions that hold it is deprivation without due process that is constitutionally infirm, not the deprivation of property alone. *Id.* at 642-43 (citing *Zinernon v. Burch,* 494 U.S. 113, 125 (1990)). Thus, in order for the Patent Remedy Act to be a valid extension of Congressional authority, the majority determined that the States must have provided inadequate or improper process of law or remedies to patent owners. *Id.* at 643.

While there were arguments at the House Hearings that state remedies were not uniform with federal relief, Justice Rehnquist noted that less convenient does not equate to unconstitutional. Moreover, the Court stated that while uniformity within patent law is a bonafide concern, it falls under the Patent Act of Article I and therefore, is not applicable to issue at hand. *Id.* at 643-645. Justice Rehnquist criticized Congress for rushing to create intrusive legislation without inspecting State processes and available remedies to determine whether unconstitutional activity truly existed. *Id.* at 643.

The Court then looked to College Savings allegations of direct and indirect infringement. *Id.* at 645. The Court emphasized that most of the evidence presented indicated negligent and not willful infringement. Id. Invoking case precedent, the Court explained that non-intentional conduct by a State is not deprivation within the meaning of the Due Process Clause. *Id.* (citing *Daniels v. Williams*, 474 U.S. 327, 328 (1986). Justice Rehnquist concluded that the state activity at issue did not violate § 5 of the Fourteenth Amendment. Id.

The Court recounted that Congress seemed to have enacted the Patent Remedy Act as a preemptive measure against future state action, with little proof that the States actually were violating due process law by pleading immunity. *Id.* at 645-46. The Court stated that the provisions of the Patent Remedy Act were overbroad by making all state infringement action amenable to suit and not providing limitations to consider possible constitutionally firm conduct. *Id.* at 647. The Court found that the Patent Remedy Act was completely unproportional to the injury it attempted to remedy or prevent and thus, did not fall within the scope of the *City of Bourne* proportionality standard. *Id.*

Justice Rehnquist determined that Congress' true intentions behind the Act were to strengthen uniformity within patent law, which is an Article I concern, and is impermissible. Id. at 647-48. In closing, the Justice reiterated that Congress' lack of evidence showing state infringment without due process, combined with the overbroad scope of coverage of the statute, made the Patent Remedy Act an unconstitutional extension of Congress' power under § 5 of the Fourteenth Amendment. *Id.* at 647.

Justice Stevens opened his dissent with the historical fact that Congress granted the federal judicial system exclusive jurisdiction over patent infringement claims. *Id.* at 648-49 (Stevens, J., dissenting). The Justice then opined that the Patent Remedy Act was a valid exercise of Congressional power under the Due Process Clause of the Fourteenth Amendment due to the inadequacy of state relief for patent infringement claims and federal preemption of state law. *Id.* at 649 (Stevens, J., dissenting).

Disagreeing with the majority, Justice Stevens posited that the Patent Remedy Act was supported completely by *City of Bourne* congruence and proportionality test, regardless of whether there was sufficient evidence of past State action or whether the scope of infringing conduct was not fully defined. *Id.* at 649 (Stevens, J., dissenting). Initially, the Justice focused the first portion of his dissent on the importance of national uniformity within patent law application. *Id.*

After restating that Congress has plenary power over patent legislation as provided by the Patent Clause, Art. I, § 8, cl. 8, the Justice supported his view by looking at Justice Story's commentaries on the Patent and Copyright Clauses, which stated the logic of keeping this body of law within the federal compound in order to maintain its integrity. *Id.* at 649-50 (Stevens, J., dissenting) (citing J. Story, *Commentaries on the Constitution of the United States* § 502, p.402 (1987)). Justice Story provided that since laws and remedies generally vary between states, such non-uniformity would inevitably frustrate the policy of promoting science behind these Clauses and the exchange of ideas among the public. *Id.* Justice Stevens then cited the opinion of James Madison, who expressed a belief that the States could not provide effective patent or copyright provisions. *Id.* at 650 (Stevens, J., dissenting) (citing J. Madison, *The Federalist No. 43*, p. 267 (1908)). The Justice further noted that uniformity among the Circuit Courts within the area of patent law supported Congress' creation of the Court of Appeals for the Federal Circuit. *Id.* at 651-52 (Stevens, J., dissenting). Justice Stevens then stated that this federal interest would be impaired were the state courts allowed to address patent infringement claims, since such claims would not be reviewable upon appeal by the Federal Circuit. *Id.* (citing 28 U.S.C. § 1295). Reiterating that the Patent Clause gave exclusive jurisdiction over patent law to Congress and that familiarity with patent law is significant to its judicial efficacy, the Justice propounded that national uniformity within the patent laws is of substantial significance and is relevant support for the Patent Remedy Act. *Id.* at 652 (Stevens, J., dissenting).

Justice Stevens then turned to the proportionality and congruence test as defined in *City of Bourne*, and restated the majority's decision that the first factor of this test was defining the injury Congress sought to prevent or remedy. *Id.* at 652 (Stevens, J., dissenting). Agreeing with the majority that patents are property and therefore are entitled to due process protection, Justice Stevens reviewed the majority's decision to distinguish between intentional and negligent

infringement in order to keep the Fourteenth Amendment from intruding upon state tort law. *Id.* at 653 (Stevens, J., dissenting). Noting that the distinction is proper, the Justice argued the relevance since College Savings claimed willful infringement on the part of Florida Prepaid. *Id.* at 653-54 (Stevens, J., dissenting). In his opinion, Justice Stevens felt that the true issue was whether willful State infringement was a valid subject of the Patent Remedy Act. *Id.*

Reprimanding the majority for casually disposing respondent's willful infringement claim, Justice Stevens also criticized the majority's reliance upon a history of injurious state conduct in order to uphold the Patent Remedy Act. *Id.* at 654 (Stevens, J., dissenting). Justice Stevens noted that Congress did hear testimony concerning cases which denoted a fear that if States could not be brought to suit in federal court, patent owners would be forced to pursue relief under state law, which may be inadequate or non-existent. *Id.* at 655 (Stevens, J., dissenting). Citing to a prior decision in the Federal Circuit holding that the current patent laws did not clearly express their intent with respect to state immunity, the Justice defended the Act as a specific attempt by Congress to circumvent the "clear statement" rule proffered in *Atascadero State Hospital v. Scanlon,* 473 U.S. 234 (1985). *Id.* at 654-56 (Stevens, J., dissenting) (citing *Chew v. California,* 893 F.2d 331, 334 (Fed. Cir. 1990).

The Justice also examined the evidence suggesting a probable increase in state infringement of patents and the States' current involvement in the patent system. *Id.* at 656-57 (Stevens, J., dissenting). Giving little relevance to the fact that Congress did not examine the available state processes or remedies, Justice Stevens proposed that it was reasonable for Congress to create a remedial Act to protect patent owners from State infringement. *Id.* at 658-59 (Stevens, J., dissenting). Justice Stevens emphasized that, since state judges are unfamiliar with patent law and their decisions are unreviewable by the Federal Circuit, the Supreme Court would endure the responsibility and burden of determining whether the state judge correctly interpreted and applied federal law, thus frustrating the purpose behind the Federal Circuit. Id. at 659 (Stevens, J., dissenting).

Justice Stevens also raised questions as to whether state judges could be impartial in suits to which the state is a party. *Id.* at 660 (Stevens, J., dissenting). It stands to reason that Congress has already addressed this issue and its answer can be found in the reasoning offered for allowing federal questions to be removed to federal court. *Id.* Proffering the belief that Congress is not required to provide a wide history of constitutional violations in order to invoke power under the Due Process Clause, Justice Stevens restated his opinion that the Patent Remedy Act was a valid exercise of authority under § 5 of the Fourteenth Amendment. *Id.*

Justice Stevens then distinguished the Patent Remedy Act from the Religious Freedom Restoration Act (RFRA) of *City of Bourne. Id.* at 660-61 (Stevens, J., dissenting). The Justice noted that in creating RFRA, Congress had attempted to define a constitutional violation in regards to the Free Exercise Clause, a func-

tion exclusive to the Judiciary. *Id.* at 661 (Stevens, J., dissenting). Justice Stevens agreed with the majority that Congress had exceeded its bounds with RFRA, since Congress' power under § 5 is not definitional. *Id.* The Justice then stressed the notion that, notwithstanding the reasoning employed in *City of Bourne*, the Patent Remedy Act was purely preventative and applicable to future deprivations of property without due process. *Id.* at 661-62 (Stevens, J., dissenting).

Justice Stevens fervently opposed the majority's conclusion that the Patent Remedy Act was not appropriate legislation under *City of Bourne*. *Id.* at 662 (Stevens, J., dissenting). In applying the congruent and proportional standard, the Justice felt it was patently clear that the Act specifically abrogated state sovereign immunity in cases which would allow patent owners to be deprived of their rights without due process of law. *Id.* at 662-63 (Stevens, J., dissenting). The Justice opined that such a means to a specialized end is exactly what the standard requires, thus providing for the Act to comply wholly with *City of Bourne*. *Id.* Justice Stevens further distinguished *City of Bourne* stating that RFRA would have impacted current state legislation whereas the Patent Remedy Act would not interfere with state laws because patent law is substantively federal. *Id.* at 663 (Stevens, J., dissenting). Accordingly, Justice Stevens defended Congress' argument that it only wished to place the States "in the same position as all private users of the patent system" in order to provide full protection to patent owners against deprivation of due process. *Id.* at 663-64 (Stevens, J., dissenting).

In concluding, Justice Stevens criticized the majority's decision to enhance States' rights over the constitutional rights of the people. The dissent then reaffirmed his own position that the Patent Remedy Act satisfied the *City of Bourne* standard and was therefore a valid exercise of Congress' authority under § 5 of the Fourteenth Amendment. *Id.* at 664-65 (Stevens, J., dissenting).

ANALYSIS

Notwithstanding the sound reasoning presented by the majority, the opinion presents a harsh pill for patent owners to swallow. The majority conceded that States infringe patents on a daily basis without fear of liability because they can claim sovereign immunity, yet still decided that since not history of discrimination exists, federal action is not needed. Furthermore, amazingly absent from the Court's opinion is any discussion of federal preemption. Instead, the Court chastised Congress for not investigating possible state remedies. The majority seemed to have been hinting to Congress to clean up the Patent Remedy Act when it discussed certain situations where state infringement could possibly be constitutional. However, it does not seem plausible that a state, without consent or compensation, can constitutionally encroach upon property entitled to Due Process protection.

The majority also presumes that a patent owner can bring a claim in state court by labeling the infringement as a tort. However, it is inconceivable that a patent owner be deprived of the federal court system, a system that he pays good money for by procuring a patent, because the infringement is perpetrated by the state and not a private citizen. The majority leaves many questions unanswered and the dissent aggressively rebuts the Court's vagueness with valid points. But this is only a dissent and patent owners are left to ponder why, given the fact that their patent is constitutionally protected property, there is little that they can do to protect themselves from a state that desires to invade their property rights. A state has no incentive to follow its own patent procedure when it is allowed, without fear of penalty, to run rough-shot over the constitutional rights of this country's free-thinkers and inventors.

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