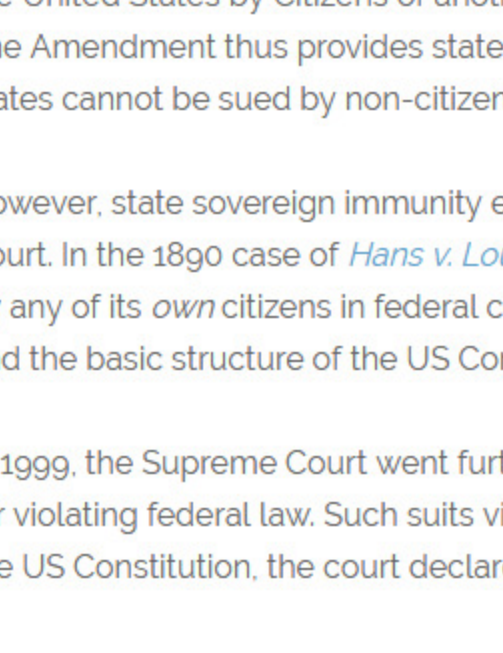
US Perspectives: In US, No Remedies For Growing IP Infringements

04/03/2019 BY STEVEN SEIDENBERG FOR INTELLECTUAL PROPERTY WATCH — LEAVE A COMMENT

Steven Seidenberg is a freelance reporter and attorney who has been covering intellectual property developments in the US for more than 20 years. He is based in the greater New York City area and may be reached at info@ip-watch.ch.

Ubi Jus Ibi Remedium. Alas, that longstanding legal principle – where there's a right, there's a remedy – doesn't apply to IP owners in the US. Thanks to several Supreme Court rulings interpreting the US Constitution, owners of patents have no recourse when their IP is infringed by US states. Copyright owners now face the same fate, unless the Supreme Court reverses a recent 4th Circuit decision.



United States Constitution

Allen v. Cooper presents a clear case of copyright infringement. The copyright owner made photos and videos of its shipwreck investigation, then another entity posted some of those photos and videos online. The copyright owner sued – and could have expected an easy win, except for one thing: The infringer was the state of North Carolina. The 4th Circuit Court of Appeals threw out the lawsuit, holding [PDF] that the 11th Amendment prevented North Carolina from being sued for copyright infringement in federal court.

The 11th Amendment states that "The Judicial power of the United States shall not be construed to extend to any suit … commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State." The Amendment thus provides state sovereign immunity against certain lawsuits. Specifically, states cannot be sued by non-citizens in federal court.

However, state sovereign immunity extends far beyond this, according to the US Supreme Court. In the 1890 case of *Hans v. Louisiana*, the high court ruled that a state cannot be sued by any of its *own* citizens in federal court. Such suits are forbidden by the 11th Amendment and the basic structure of the US Constitution, the court held.

In 1999, the Supreme Court went further, ruling that states cannot be sued in their *own* courts for violating federal law. Such suits violate the notion of state sovereign immunity implicit in the US Constitution, the court declared in *Alden v. Maine*.

Not Always Immune

The high court has recognized some exceptions to state sovereign immunity, but these exceptions are extremely limited. For instance, states can voluntarily waive their immunity – provided such waiver is clear and explicit.

Congress can pass laws authorizing suits against states, but the Supreme Court declared in *Seminole Tribe v. Florida* and *Florida Prepaid Post-Secondary Education Expense Board v. College Savings Bank* that Congress cannot use its Article I powers to abrogate state sovereign immunity. That's a big problem for Congress, because almost all of its power to legislate is based on Article I of the Constitution.

The Supreme Court subsequently softened its position a bit in 2006, holding in *Central Virginia Community College v. Katz* that Congress can abrogate state sovereign immunity for laws enacted under the Bankruptcy Clause of Article I. The Court found that when the Constitution was created, it was understood by all concerned that the states were giving up their immunity in the bankruptcy area.

Outside of bankruptcy, there is another way for Congress to abrogate state sovereign immunity. According to the Supreme Court's holding in *Nevada Department of Human Resources v. Hibbs*, Congress may abrogate the states' 11th Amendment immunity when (1) the legislature makes its intention to abrogate unmistakably clear in the language of the statute and (2) the legislation is properly enacted under the enforcement provisions of Section 5 of the 14th Amendment. Satisfying the former requirement is simple; satisfying the latter requirement is not.

Approving Patent Infringement

Consider the fate of the Patent Remedy Act. In that federal statute, Congress clearly empowered patent owners to sue states for infringement. But the Supreme Court struck down the statute in *Florida Prepaid*, holding that the legislation was not properly enacted under Section 5 of the 14th Amendment. The Court admitted that patents were property protected by the 14th Amendment's Due Process Clause (i.e., the states may not take such property without due process). However, the legislative history of the statute revealed few instances of states intentionally or recklessly infringing patents. This fatally undermined the statute, according to the slim 5-4 majority of the Court:

The legislative record thus suggests that the Patent Remedy Act does not respond to a history of "widespread and persisting deprivation of constitutional rights" of the sort Congress has faced in enacting proper prophylactic Section 5 legislation. …Here, the record at best offers scant support for Congress' conclusion that States were depriving patent owners of property without due process of law by pleading sovereign immunity in federal-court patent actions.

Because of this lack, the provisions of the Patent Remedy Act are "so out of proportion to a supposed remedial or preventive object that [they] cannot be understood as responsive to, or designed to prevent, unconstitutional behavior."

Because abrogating state sovereign immunity was not "a congruent and proportional response" to the states' scant instances of patent infringement, the statute was not properly enacted under the enforcement provisions of Section 5 of the 14th Amendment. The Patent Remedy Act was thus an unconstitutional violation of the 11th Amendment.

Trademark and Copyright, Too

The Trademark Remedy Clarification Act (TRCA) fared no better. That legislation made states liable for violating Section 43(a) of the Lanham Act, a provision of the federal trademark statute which forbids false or misleading advertising. Applying the reasoning of *Florida Prepaid*, a 5-4 majority of the Supreme Court held in *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board* that the TRCA did not validly abrogate state sovereign immunity.

The majority noted that laws enacted under Section 5 of the 14th Amendment can abrogate state sovereign immunity, but such legislation must protect a constitutional right. College Savings Bank claimed the statute at issue did indeed protect such a right – it prevented and remedied state deprivations of property without due process. But the Court rejected this argument. The majority opinion stated that "[t]he hallmark of a constitutionally protected property interest is the right to exclude others," so the right to be free from a business competitor's false advertising was not a property interest. Because no property rights were involved, the statute did not protect any constitutional rights, and thus could not abrogate state sovereignty.

The Copyright Remedy Clarification Act (CRCA) was intended to make states liable for copyright infringement. But to date, it has failed to overcome state sovereign immunity.

In *Rodriguez v. Texas Commission on the Arts* [pdf], the 5th Circuit Court of Appeals found in January 2000 that the CRCA had the same constitutional problems as the patent statute voided by the Supreme Court in *Florida Prepaid*. Thus, like the patent statute, the CRCA did not validly abrogate state immunity.

One month later, the 5th Circuit reached the same conclusion in *Chavez v. Arte Publico Press* [pdf], again finding the CRCA indistinguishable from the patent statute in *Florida Prepaid*.

The 4th Circuit Court of Appeals joined the chorus in July 2018, ruling in *Allen v. Cooper* that the CRCA failed to abrogate state sovereign immunity. The decision was "a straightforward application of the Supreme Court's ruling in *Florida Prepaid*," said Prof. Tejas N. Narechania of Berkeley Law School. Allen has asked the Supreme Court to review the decision.

No Relief

Unless the Supreme Court reverses *Allen*, copyright owners will have grave difficulties protecting themselves against infringing states. The 11th Amendment prevents copyright owners from suing in federal court, and they will be unable to assert their copyright claims in any other tribunal. "Federal courts have exclusive jurisdiction over IP claims, so copyright and patent infringement claims cannot be brought in state courts," said Narechania.

A copyright owner could try suing in state court under some other legal theory, but that strategy is problematic. "Any state law claims that are similar to copyright would face preemption challenges," said Jason P. Bloom, a partner in the Haynes Boone law firm. In other words, such state law claims could not be asserted because they would be preempted by federal copyright law.

A copyright owner could try bringing a state court suit that alleges breach of contract or some other theory not related to copyright. But scrounging up such a non-copyright claim may be impossible, depending on the facts of the case. Moreover, if the plaintiff is from outside the state, the state defendant could seek to transfer the suit to federal court, then subsequently have the suit thrown out on 11th Amendment grounds, noted Narechania.

In short, said Narechania, *Allen* gives copyright owners "a right without a remedy" for state infringements.

Extent of the Problem

In striking down the CRCA, the 4th and 5th Circuits noted there was no evidence of widespread state infringements of copyrights. When Congress enacted CRCA, "the record before Congress contained at most a dozen incidents of copyright infringement by States that could be said to have violated the Fourteenth Amendment," the *Allen* court declared.

However, Congress didn't enact CRCA just to address past infringements. The legislature wanted to protect copyright owners against "a potential for greater constitutional violations in the future." And there is some evidence that Congress' concern was well founded.

In 2001, two years after *Florida Prepaid* was decided, the United States General Accounting Office released a report [pdf] finding 58 lawsuits between 1985 and 2001 that "alleged infringement or unauthorized use of intellectual property by state entities." In 2002, Congress heard testimony about 77 instances of states infringing IP rights. In 2018, a legal brief in *Bynum v. Texas A&M Univ. Athletic Department* identified 154 lawsuits against states for copyright infringement between 2000 and 2017. That's a surprisingly large number given the various court decisions holding that states cannot be sued for infringement.

The number of state infringements is disputed, but appears to have risen significantly following *Florida Prepaid* and other court rulings upholding state sovereign immunity. That is unsurprising. "The rulings increase the likelihood of state infringements, because the fear factor [of liability] is greatly reduced," said Brian B. Darville, senior counsel at the law firm of Oblon, McClelland, Maier & Neustadt.

States could save themselves a fair amount of money by infringing copyrights. Instead of paying for books and journals, cash-strapped state universities could make infringing copies and could even post those copies online. Instead of using tax dollars to buy software licenses, state agencies could use infringing copies of software. State reports and websites could be burnished with infringing photos and drawings. For states, copyright infringement promises significant rewards at little to no risk.

One More Time

Congress has previously addressed the problem of state immunity for infringements, by enacting laws that made states liable for patent and copyright infringement. Those legislative efforts have, so far, been failures. The Supreme Court, in *Florida Prepaid*, nullified the Patent Remedy Act. The 4th and 5th Circuits have similarly neutered the Copyright Remedy Clarification Act.

New legislation might be more successful. Now that the Supreme Court has set out the legal standards for abrogating state sovereign immunity, Congress can craft laws to meet those standards. "Congress would need to show a specific legislative intent to abrogate state sovereign immunity and would need to show a pattern of infringement by states [in order for the statute to be properly enacted under Section 5 of the 14th Amendment]," said Edward T. White, a partner in the LeClair Ryan law firm.

"I don't think that would be difficult could do," said Bloom.

The CRCA has run into trouble because, when it was enacted, Congress cited scant evidence of state copyright infringement. When enacting a new version of the law, Congress could find many more instances of infringement, perhaps enough to show a "widespread and persisting deprivation of constitutional rights," according to some experts. "If Congress aggregates the evidence of state infringement today, there may be enough evidence to abrogate sovereign immunity," said Darville.

A law imposing copyright liability on states would receive bipartisan support in Congress. It would also be supported by copyright owners across the board, who have powerful lobbies on Capitol Hill. "Any opposition would come only from the states, but frankly, they don't have a great lobby," said White.

The bill would thus be an easy political lift. Yet it is doubtful that Congress will act any time soon, because it must confront so many pressing and high profile controversies. "I don't know this is high up on the list of issues for Congress to take up," said Darville.

A Better Way?

The Supreme Court could still save CRCA, if it grants certiorari in *Allen* and reverses the 4th Circuit. That seems unlikely.

The Court will probably review the 4th Circuit's decision in *Allen*. "It only takes four votes to grant cert, and *Allen* can probably get that," said Darville.

But the Supreme Court would probably uphold *Allen*, according to most experts. "I think the Court would follow *Florida Prepaid* and affirm *Allen* by 5-4," said Darville.

There is, however, a chance the Court will take a different route. It could apply the reasoning of *Central Virginia Community College v. Katz* and find that when the US Constitution was created, the states waived their immunity over copyright infringement in order to create nationwide copyright standards. The odds are against such a result, but "maybe the Court will provide some clarity on its *Katz* jurisprudence," said Darville.

Most experts agree that the status quo is poor public policy. Allowing state governments to get away with copyright infringement harms authors and diminishes their incentives to create new works. Conversely, making states liable for such infringement would not impose an unjust burden. "States, like everyone else, could take steps not to infringe copyrights," said Bloom.

Some experts support a compromise solution. "The best answer would be that when states are acting as market participants, not in their sovereign capacities, they can be sued for infringement. That is the distinction drawn in the Foreign Sovereign Immunities Act, which allows foreign nations to be sued when they are acting as market participants," said Narechania.

Steven Seidenberg may be reached at info@ip-watch.ch.

FILED UNDER: FEATURES, IP POLICIES, LANGUAGE, SUBSCRIBERS, THEMES, VENUES, COPYRIGHT POLICY, ENFORCEMENT, ENGLISH, IP LAW, NORTH AMERICA, PATENTS/DESIGNS/TRADE SECRETS, PERSPECTIVES ON THE US, REGIONAL POLICY, TRADEMARKS/GEOGRAPHICAL INDICATIONS/DOMAINS

Tweets by @ipwatch

IPW NEWS BRIEFS

European Patent Office Report Compares Compulsory Licensing Practices By Country

'No More Paying For The Rich World's Medicine' – White House

PERSPECTIVES ON THE US

In US, No Remedies For Growing IP Infringements

US IP Law – Big Developments On The Horizon In 2019

More perspectives on the US…

SUPPORTED SERIES: CIVIL SOCIETY AND TRIPS FLEXIBILITIES

Civil Society And TRIPS Flexibilities Series – Translations Now Available

Inside Views: The Myth Of IP Incentives For All Nations – Q&A With Carlos Correa

Read the TRIPS flexibilities series…

PAID CONTENT

Interview With Peter Vanderheyden, CEO Of Article One Partners

More paid content…

IP DELEGATES IN GENEVA

› IP Delegates in Geneva

› Guide to Geneva-based Public Health and IP Organisations

ALL STORY CATEGORIES

All Story Categories

Select Category