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FLORIDA PREPAID v. COLLEGE SAVINGS: UNITED STATES SUPREME COURT SUPPORTS STATE IMMUNITY FROM SUIT UNDER FEDERAL PATENT LAW

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I. INTRODUCTION

In Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank, ("Florida Prepaid"),¹ the United States Supreme Court dealt patentees a blow by denying their right to sue states in federal court for patent infringement. Florida Prepaid reversed the decision of the Court of Appeals for the Federal Circuit which held that Congress (by amending existing patent law²) had validly abrogated the states’ sovereign immunity³ from patent infringement suits pursuant to the authority granted by section 5 of the Fourteenth Amendment.⁴ Although Congress had “clearly expressed its intent to abrogate immunity”⁵ and had ostensibly acted “pursuant to a valid exercise of power,”⁶ the Patent and Plant Variety Protection Remedy Clarification Act ("Patent Remedy Act") could not be sustained as

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¹ 119 S. Ct. 2199 (1999).
³ State sovereign immunity is granted by the U.S. Constitution. “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.” U.S. CONST. amend. XI.
⁴ Florida Prepaid, 119 S.Ct. at 2202. See also U.S. CONST. amend. XIV, § 5, “The Congress shall have the power to enforce, by appropriate legislation, the provisions of this article.”
⁵ Florida Prepaid, 119 S. Ct. at 2204; see also Atascadero State Hosp. v. Scanlon, 473 U.S. 234 (1985); Chew v. California, 893 F.2d 331 (Fed. Cir. 1990).
“appropriate” legislation enacted to enforce the guarantees of the Fourteenth Amendment’s Due Process Clause because Congress had exceeded its authority under section 5 of the Fourteenth Amendment.

II. BACKGROUND

College Savings Bank ("College Savings") marketed and sold certificates of deposit, which were "essentially annuity contracts for financing future college expenses," and obtained a patent for this financing method. Florida Prepaid Postsecondary Education Expense Board, ("Florida Prepaid") an entity created by the state of Florida, administered similar tuition prepayment contracts. College Savings brought an infringement action against Florida Prepaid pursuant to 35 U.S.C. § 271(a), claiming that Florida Prepaid had directly, indirectly and willfully infringed College Savings' patent.

A. Chew v. California and The Patent Remedy Act

Before discussing Florida Prepaid, an understanding of certain prior events will be useful. The Patent Remedy Act was, in part a direct response to the 1990 decision of the Court of Appeals for the Federal Circuit in Chew v. California ("Chew").

In Chew, the patentee (an Ohio resident) brought suit against the state of California alleging infringement of a patented method for testing auto exhaust emissions. Chew alleged that Congress had abrogated state sovereign immunity by use of the term "whoever" in section 271 of the patent statute, and by vesting exclusive

11. See id.
12. See id. at 2203.
13. College Savings filed suit in U.S. District Court for the District of New Jersey. See id. at 2203.
14. See id.
15. 893 F.2d 331 (Fed. Cir. 1990).
16. Id. at 332.
17. 35 U.S.C. § 271(a) provides, in part: "(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent."
jurisdiction in federal courts to decide patent infringement claims.\textsuperscript{18} The Federal Circuit rejected both of these arguments, holding that "Congress must express its intention to abrogate the Eleventh Amendment in unmistakable language in the statute itself,"\textsuperscript{19} and the word "whoever" as used in the statute was too general to evidence Congressional intent to abrogate.\textsuperscript{20} The court noted that "the exclusivity of a congressional power or the exclusiveness of the federal court remedy had not been relied upon as grounds or support for abrogation."\textsuperscript{21} Due to California's immunity under the Eleventh Amendment, the court affirmed dismissal of Chew's suit for failure to state a claim upon which relief could be granted.\textsuperscript{22} The United States Supreme Court later noted the Patent Remedy Act's objective was to clarify that the term "whoever" as used in section 271 included any State, instrumentality of a State, and any officer or employee of a State or instrumentality of a State in the definition of those subject to suit in federal court for infringement of patents and plant variety protections.\textsuperscript{23}

B. Seminole Tribe of Florida v. Florida

In 1996, the United States Supreme Court decided 	extit{Seminole Tribe of Florida v. Florida} ("Seminole")\textsuperscript{24}. The impact of this case was later felt severely by College Savings. In 	extit{Seminole}, the Court was asked to decide whether the Eleventh Amendment prevented Congress from authorizing suits by Indian tribes against States to enforce legislation enacted pursuant to the Indian Commerce Clause (Article I).\textsuperscript{25} The Court answered in the affirmative, holding that although Congress had evidenced a clear intent to abrogate,\textsuperscript{26} Article I

\begin{thebibliography}{99}
\bibitem{18}See Chew, 893 F.2d at 333.
\bibitem{19}Id. at 334 (emphasis added) (citing Atascadero State Hosp. v. Scanlon, 473 U.S. 234, 243 (1985)).
\bibitem{20}Id.
\bibitem{21}Id. at 335 (citing Hoffman v. Connecticut Dep't of Income Maintenance, 492 U.S. 96, 100 (1989)).
\bibitem{22}See id. at 332.
\bibitem{24}517 U.S. 44 (1996).
\bibitem{25}See Id. at 53 (also discussing whether the doctrine of Ex Parte Young permitted suits against a State's Governor to enforce a provision of the Act in question; an issue beyond the scope of this case note).
\bibitem{26}See Id. at 47 (as required by Atascadero State Hosp. v. Scanlon, 473 U.S. 234, 240 (1985)). See also Chew v. California, 893 F.2d 331, 333 (Fed. Cir. 1990).
\end{thebibliography}
of the Constitution did not grant Congress authority to abrogate the States' sovereign immunity.27

The Court had previously found "authority to abrogate under only two provisions of the Constitution."28 These were section 5 of the Fourteenth Amendment,29 and [in Pennsylvania v. Union Gas Co.30 ("Union Gas") the Interstate Commerce Clause, Article I, section 8, clause 3.31 The Seminole Court overruled Union Gas because it "ha[d] created confusion among the lower courts . . . ."32 Further, the Court explained that "[n]ever before the decision in Union Gas had we suggested that the bounds of Article III could be expanded by Congress operating pursuant to any constitutional provision other than the Fourteenth Amendment."33 The Court found no principled distinction between the Indian Commerce Clause and the Interstate Commerce Clause to support abrogation.34 Thus, after Seminole, the sole authority under which Congress could abrogate the states' sovereign immunity was section 5 of the Fourteenth Amendment.

C. City of Boerne v. Flores

Although Seminole specifically preserved Congress' authority to abrogate states' sovereign immunity under section 5 of the Fourteenth Amendment,35 the bounds of Congress' authority were still unclear. In 1997, the Court addressed this issue in City of Boerne v. Flores ("City of Boerne").36 City of Boerne considered "whether the [Religious Freedom Restoration Act ("RFRA")] . . . was a proper exercise of Congress' § 5 power 'to enforce' by 'appropriate legislation' the constitutional guarantee that no State shall deprive any person of 'life, liberty or property, without due process of law' . . . ."37 The Court held the RFRA could not withstand constitutional
Reiterating that the remedial nature of Congress’ power under section 5 extended “only to ‘enforcing’ the provisions of the Fourteenth Amendment,” the Court acknowledged that distinctions between measures that remedy or prevent unconstitutional actions and those that make a substantive change in governing law must be observed. The Court stated that appropriateness is determined by “congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end.” It held that for Congress to invoke section 5, it must identify conduct transgressing the Fourteenth Amendment’s substantive provisions, and must tailor its legislative scheme to remedying or preventing such conduct.

III. DISCUSSION

A. Procedural History

Thus, the stage was set for Florida Prepaid. When College Savings filed suit in 1994, the Patent Remedy Act was in effect. After Seminole was decided in 1996, Florida Prepaid moved to dismiss on grounds of sovereign immunity, arguing that the “Patent Remedy Act was an unconstitutional attempt by Congress to use its Article I powers to abrogate state sovereign immunity.” College Savings responded that “Congress had properly exercised its power pursuant to section 5 of the Fourteenth Amendment to enforce the guarantees of the Due Process Clause in section 1 of the Amendment.” The district court agreed with College Savings and denied Florida Prepaid’s motion to dismiss; and the Federal Circuit affirmed. The Supreme Court granted certiorari to determine whether the Patent Remedy Act validly abrogated the States’ sovereign immunity, and reversed.

38. See id. at 536.
39. Id. at 519.
40. See id. at 519-20.
41. Id. at 520.
42. See City of Boerne, 521 U.S. 507, 520 (1997).
43. See Florida Prepaid, 119 S. Ct. at 2203.
44. Id. at 2204.
45. Id.
46. Id. Federal Circuit decision reported at 148 F.3d 1343 (Fed. Cir. 1998).
47. Florida Prepaid, 119 S.Ct. at 2204.
B. The Majority

The Court began its examination with the same two-part inquiry utilized in Seminole. First, it considered whether Congress had unequivocally expressed its intent to abrogate the states' immunity in the Act. The Court agreed with the parties and the Federal Circuit that, "in enacting the Patent Remedy Act, Congress made its intention to abrogate the states' immunity 'unmistakably clear in the language of the statute.'" Next the Court considered whether Congress had acted pursuant to a valid exercise of power. Congress justified the Patent Remedy Act on three sources of Constitutional authority: "the Patent Clause, Art. I, § 8 cl. 8; the Interstate Commerce Clause, Art. I, § 8, cl. 3; and § 5 of the Fourteenth Amendment." Since Seminole held that Congress did not have the authority to abrogate the states' sovereign immunity under Article I powers, the Patent Remedy Act could be sustained, if at all, only under section 5 of the Fourteenth Amendment. The Court noted that Seminole specifically reaffirmed that "Congress retains the authority to abrogate state sovereign immunity pursuant to the Fourteenth Amendment," and proceeded with its Due Process analysis.

The Court conceded that a patent is a form of property, and is properly included in the protections of the Due Process Clause. The Court also agreed with College Savings that, appropriate legislation pursuant to the Enforcement Section (section 1) of the Fourteenth Amendment could abrogate state sovereignty. However, the legislation must be "appropriate" under section 5 as that term was construed in City of Boerne. "Appropriateness" is determined by first identifying conduct that transgresses the Fourteenth

48. See id. at 2205 (Chief Justice Rehnquist wrote for the majority).
49. See id.
50. Id. at 2205 (citing Dellmuth v. Muth, 491 U.S. 223, 228 (1989)).
51. See id.
52. Id.
53. Id.
54. In a related case decided the same day (College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd., 119 S. Ct. 2219 (1999) the Court held the Trademark Remedy Clarification Act was not a valid abrogation of sovereign immunity; Florida had not waived its immunity by its activities in interstate commerce; and, the "property rights" asserted by College Savings (a right to be free of a business competitors false advertising and a more generalized right to be secure in one's business interests) did not rise to the level of property rights protected by the Due Process Clause.
55. See Florida Prepaid, 119 S. Ct. at 2206.
56. See id.
Amendment's substantive provisions, then tailoring legislation to remedy or prevent such conduct. If the legislation is so out of proportion to a supposed remedial or preventive object that it cannot be understood as responsive to or designed to prevent unconstitutional behavior, it cannot stand.

The underlying conduct at issue in Florida Prepaid was state infringement of patents and the use of sovereign immunity to deny patent owners compensation for infringement. The Court noted that it was not the infringement itself by state action that was unconstitutional, but the deprivation of a constitutionally protected property interest without due process of law. The Court found that Congress had not identified a pattern of patent infringement by the states, "let alone a pattern of constitutional violations," and noted this "lack of evidence" compared to the undisputed record of racial discrimination in voting rights cases. The Court conceded that state infringement of a patent rises to the level of a constitutionally protected interest, but held there is no constitutional violation unless the State provides no remedy, or only inadequate remedies. Despite evidence in the record that Congress had considered the uncertain availability of state law remedies, the Court noted that "the primary point... was not that state remedies were constitutionally inadequate, but rather that they were less convenient than federal remedies and might undermine the uniformity of patent law." The Court also dismissed a concern that a patchwork of state laws would undermine the goal of national uniformity. It stated that "the need for uniformity in the construction of patent law is undoubtedly important, but that is a factor which belongs to the Article I patent-power calculus..." However, after Seminole, Article I did not grant Congress the power to enact such legislation.

The Court next quoted precedent to support its view that a state actor's negligent act that causes unintended injury to a person's

57. See id. at 2207.
58. See id. (citing City of Boerne v. Flores, 521 U.S. 507 (1997)).
59. See id.
60. See id. at 2208.
61. Florida Prepaid, 119 S.Ct. at 2207.
62. See id.
63. See id. at 2208.
64. Id. at 2209 (emphasis added).
65. Id. (emphasis added).
66. See id. at 2211.
property does not deprive that person of property within the meaning of the Due Process Clause.\(^6\) Although the Court appeared to acknowledge the strict liability nature of patent infringement,\(^6\) it found scant support in the record for Congress' conclusion that states were depriving patent owners of due process of law by pleading sovereign immunity in federal court patent actions.\(^6\) The Court noted, "[t]he 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 § 5 legislation."\(^7\) Rather, the Court found that Congress had enacted the Patent Remedy Act in response to "a handful of instances of state patent infringement that do not necessarily violate the Constitution."\(^7\)

The Court observed that Congress did nothing to limit the coverage of the Act to cases involving arguably constitutional violations, such as where a state refuses to offer any state-court remedy, or limit the remedy to nonnegligent infringement, to infringement pursuant to state policy, or against states with questionable remedies.\(^7\) Therefore, the Court held Congress could not validly rely on the Fourteenth Amendment's authorization of "appropriate legislation" to abrogate state sovereign immunity.\(^7\)

Essentially, the Court felt that Congress overreached its authority by not limiting the Patent Remedy Act to situations involving clear failure by the states to provide remedies for patent infringement.

C. The Dissent

The dissent\(^7\) viewed the Patent Remedy Act as an appropriate exercise of Congress' power under section 5\(^7\) for three principle reasons. First, there was adequate evidence of due process violations based upon the absence of effective state remedies for patent

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67. See Florida Prepaid, 119 S.Ct. at 2209.
68. See id. (citing DONALD S. CHISUM, CHISUM ON PATENTS § 16.02, at 16-31 (rev. ed. 1998)).
69. The Federal Circuit opinion had identified only eight patent infringement suits against states in the 110 years between 1880 and 1990. See id. at 2207.
70. Id. at 2210 (citing City of Boerne v. Flores, 521 U.S. 507, 526 (1997)).
71. Id.
72. See id. at 2210.
73. Florida Prepaid, 119 S.Ct. at 2210-11.
74. Justice Stevens, joined by Justices Souter, Ginsburg and Breyer filed the dissenting opinion. See id. at 2211.
75. See id.
infringement by states. Second, Congress had sufficient evidence of heavy state involvement in the patent system, and the Patent Remedy Act merely put the states in the same position as private users of the patent system, as well as in substantially the same position as the United States itself. Finally, the dissent emphasized the need for national uniformity in the patent system, and the longtime statutory pre-emption of state jurisdiction over patent infringement cases.

The dissent criticized the majority for failing to answer the real question, i.e., whether the Patent Remedy Act may be applied to willful infringement, arguing the majority had ignored the facts of the case. Looking to the majority’s reasoning based on perceived deficiencies in the evidence reviewed by Congress before enacting the Patent Remedy Act, the dissent stated: “It is quite unfair for the Court to strike down Congress’ Act based on an absence of findings supporting a requirement this Court had not yet articulated.” The legislative history... makes it abundantly clear that Congress was attempting to hurdle the then-most-recent barrier this Court had erected... The dissent was referring to the “clear statement” rule of Atascadero and Chew, decisions to which the Patent Remedy Act responded. Congress had heard testimony about inadequate state remedies (as required by City of Boerne), and found that states and their instrumentalities were heavily involved in the patent system, and that “state infringement of patents was likely to increase.” The dissent found it particularly ironic that the majority relied on lack of evidence of state remedies given the fact that Congress had long ago pre-empted state jurisdiction over patent infringement cases. Furthermore, even if “such remedies might be available in theory, it

76. See id. at 2217.
77. See id. at 2215 n.8.
78. See Florida Prepaid, 119 S. Ct. at 2218.
80. See id. at 2216.
81. See id. at 2213.
82. See id. at 2214.
83. See id. at 2214.
84. See The Patent Remedy Act was enacted in 1992, but City of Boerne was not decided until 1997.
85. Florida Prepaid, 119 S. Ct. at 2214.
86. See id.
87. Id. at 2215.
88. Id. at 2216.
would have been ‘appropriate’ for Congress to conclude that they
would not guarantee due process in infringement actions against state
defendants." The dissent argued that state judges have never had
exposure to patent litigation and, unlike infringement actions brought
in federal district court, their decisions would not be reviewable by
the Court of Appeals for the Federal Circuit. The dissent concluded
City of Boerne amply supported congressional authority to enact the
Patent Remedy Act, whether one assumed state infringement to be
scarce or widespread.

Furthermore, the dissent argued persuasively that Congress had
sufficient evidence of due process violations before it to meet the
standard expressed in City of Boerne. The RFRA had sought to
change the meaning of the Free Exercise Clause, not to remedy or
prevent violations of the Clause as the Court had interpreted it. The
Patent Remedy Act, “was Congress’ attempt to prevent violation of
due process based upon a substantiated fear that states would be
unable or unwilling to provide adequate remedies for their own
violation of patent-holders rights.” In City of Boerne, there was no
congruence between the means used and ends achieved because of the
sweeping nature of the statute. However, the sole purpose of the
Patent Remedy Act was to abrogate state sovereign immunity as a
defense to a charge of patent infringement. It had no impact
whatsoever on any substantive rule of state law, but merely
effectuated federal policy to confine patent litigation to federal
judges. As a result, the dissent found that sufficient congruence
existed between the means used and the end achieved to justify
Congress’ action as an appropriate exercise of power under section 5
of the Fourteenth Amendment.

Finally, the dissent emphasized the importance of national
uniformity in patent law as a long-standing proposition. Justice Story
said of the Patent and Copyright Clauses to the Federal Constitution,
“[i]t is beneficial to all parties, that the national government should

89. Id.
90. See id. at 2216.
91. See Florida Prepaid, 119 S.Ct. at 2216.
92. See id. at 2217.
93. See id.
94. Id.
95. See id. at 2218.
96. See id. at 2218.
97. See Florida Prepaid, 119 S.Ct. at 2218.
possess this power;... [because authors and inventors would otherwise] be subjected to the varying laws and systems of the different states... which would impair, and might even destroy the value of their rights...."\textsuperscript{98} The dissent argued, "sound reasons support both Congress’ authority over patents and its decision in 1800 to vest exclusive jurisdiction over patent infringement litigation in the federal courts."\textsuperscript{99} For example, the substantive law applied in patent infringement cases is entirely federal; there is a strong federal interest in a uniform interpretation of patent statutes; and patent infringement litigation is often technical, raising issues unfamiliar to the average trial judge.\textsuperscript{100} In fact, that consideration as well as divergence among the federal circuits in their interpretation of patent issues gave rise to the congressional decision to consolidate appellate jurisdiction in the Court of Appeals for the Federal Circuit.\textsuperscript{101} The dissent also criticized the majority’s comment that the need for uniformity is a factor which belongs to the Article I patent-power calculus; asserting that Article I is directly relevant because it establishes the constitutionality of the basic congressional decision to vest exclusive jurisdiction over patent infringement cases in the federal courts.\textsuperscript{102} According to the dissent, this basic decision was “unquestionably appropriate,” therefore, “it was equally appropriate for Congress to abrogate state sovereign immunity in patent infringement cases.”\textsuperscript{103}

IV. CONCLUSION

\textit{Florida Prepaid} will undoubtedly have far-reaching impact for patentees. Patentees now occupy a very precarious position relative to the states, and are left with the prospects of no uniform, viable forum for addressing state violation of their property rights. This is particularly true after the Court’s decision in \textit{Alden v. Maine}.\textsuperscript{104} At least one district court has attempted to circumvent \textit{Florida Prepaid}; in \textit{New Star Lasers v. Regents of the Univ. of Cal. (“New Star”)\textsuperscript{105} the court held that a state university’s Eleventh Amendment immunity

\textsuperscript{98}. \textit{Id.} at 2211-12.
\textsuperscript{99}. \textit{Id.} at 2212.
\textsuperscript{100}. \textit{See id.}
\textsuperscript{101}. \textit{See id.}
\textsuperscript{102}. \textit{See id. at 2213.}
\textsuperscript{103}. \textit{Id.}
\textsuperscript{104}. 119 S. Ct. 2240 (1999) (Congress may not subject a state to suit in \textit{state} court, without its consent).
\textsuperscript{105}. 63 F. Supp. 2d 1240 (E.D Cal. 1999).
was waived by its acquisition of a patent. *New Star* referred to the companion case to *Florida Prepaid*,\(^\text{106}\) which held that the doctrine of constructive waiver as set out in *Parden v. Terminal R. Co. of Ala. Docks Dep’t*,\(^\text{107}\) was overruled, but confirmed the proposition that, “Congress can compel a waiver where the State seeks not merely to engage in ‘otherwise lawful activity’ but rather receives a ‘gift or gratuity’ or ‘federal beneficence’ that Congress may rightfully withhold.”\(^\text{108}\) The *New Star* court held that since a patent is a unique form of nationally recognized intellectual property created by Congress pursuant to its authority under the Patent Clause, it constituted a “gift or gratuity” bestowed by the federal government.\(^\text{109}\) Therefore, if Congress conditions the receipt of such a gift on a waiver of Eleventh Amendment immunity, then Congress has acted permissibly.\(^\text{110}\) To date, *New Star* stands but has been criticized, “Justice Shubb appears to be climbing out on a limb in reading the Patent Remedy Clarification Act of 1992 as a forced waiver statute rather than an abrogation statute.”\(^\text{111}\) Ultimately, it is doubtful that the reasoning of *New Star* will stand.

Until Congress reacts to *Florida Prepaid* with another attempt to meet the criteria articulated by the Court for abrogation of state sovereign immunity, patentees are left with the option of convincing a state to waive its immunity to suit in federal court or articulating a viable state law theory to assert in state court. Neither advances the public policy of promoting the progress of science and the useful arts in Article I, section 8 of the Constitution.

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109. *See id.* at 1244.
110. *See id.*