

1-1-2002

Can Congress Require That States Waive Their Immunity to Private Lawsuits in Exchange for Receiving Federal Patent Rights

Roger C. Rich

Follow this and additional works at: <http://digitalcommons.law.scu.edu/lawreview>



Part of the [Law Commons](#)

Recommended Citation

Roger C. Rich, Comment, *Can Congress Require That States Waive Their Immunity to Private Lawsuits in Exchange for Receiving Federal Patent Rights*, 42 SANTA CLARA L. REV. 607 (2002).

Available at: <http://digitalcommons.law.scu.edu/lawreview/vol42/iss2/6>

This Comment is brought to you for free and open access by the Journals at Santa Clara Law Digital Commons. It has been accepted for inclusion in Santa Clara Law Review by an authorized administrator of Santa Clara Law Digital Commons. For more information, please contact sculawlibrarian@gmail.com.

CAN CONGRESS REQUIRE THAT STATES WAIVE THEIR IMMUNITY TO PRIVATE LAWSUITS IN EXCHANGE FOR RECEIVING FEDERAL PATENT RIGHTS?

Roger C. Rich*

*All government, indeed every human benefit and enjoyment, every virtue, and every prudent act, is founded on compromise and barter.*¹

I. INTRODUCTION

James Madison stated that the utility of granting Congress the power to create a national patent system would "scarcely be questioned."² The patent system is designed to encourage both the creation and public disclosure of new inventions.³ In exchange for their disclosures, inventors are compensated with a limited right to exclude others from using

* Senior Technical Editor, Santa Clara Law Review, Volume 42. J.D. candidate, Santa Clara University School of Law; Ph.D., University of California, Irvine; B.S., San Jose State University.

1. Edmund Burke, Speech on Moving his Resolutions for Conciliation with the Colonies (March 22, 1775), in EDMUND BURKE, SPEECH ON CONCILIATION WITH AMERICA 112 (William MacDonald ed., American Book Co. 1904).

2. THE FEDERALIST NO. 43, at 309 (James Madison) (B. Wright ed., 1961). For the Constitutional basis for Congress to provide for both copyrights and patents, see U.S. CONST. art. I, § 8, cl. 8. Commenting on the inclusion of this clause into the Constitution, James Madison stated:

The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged, in Great Britain, to be a right of common law. The right to useful inventions seems with equal reason to belong to the inventors. The public good fully coincides in both cases with the claims of individuals. The States cannot separately make effectual provision for either of the cases, and most of them have anticipated the decision of the point, by laws passed at the instance of Congress.

THE FEDERALIST NO. 43, *supra*, at 309.

3. See *Troxel Mfg. Co. v. Schwinn Bicycle Co.*, 465 F.2d 1253, 1258 (6th Cir. 1972).

their inventions.⁴ This particular right to exclude constitutes a recognizable property interest.⁵ Indeed, patent ownership can be an extremely valuable commercial asset in the marketplace.

While both private and state entities may be granted a patent, only state entities are protected by sovereign immunity. Despite the fact that federal courts have original and exclusive jurisdiction over civil actions arising under federal patent law,⁶ sovereign immunity prevents a private sector scientist from maintaining a patent infringement suit against a competitor working for a state entity.⁷ Nonetheless, the private sector scientist remains liable to the state-based competitor for any infringement that the private sector scientist commits. Conceivably, this imbalance could undermine the utility of a national patent scheme.

This comment analyzes whether, through the use of conditional waivers, Congress could effectively level the playing field between the private and state entities participating in the marketplace, while remaining consistent with constitutional principles that recognize the inherent differences between a sovereign state and a private citizen.

Part II of this comment gives an overview of the doctrine of state sovereignty and the circumstances under which an individual may sue a state.⁸ Two such circumstances arise where Congress authorizes a suit in the exercise of its Section 5 power to enforce the Fourteenth Amendment ("abroga-

4. See *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 533 (1870).

5. See *id.*; *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999); see also 35 U.S.C. § 261 (1994) (declaring that "patents shall have the attributes of personal property").

6. Federal law confers original and exclusive jurisdiction to federal district courts to hear all cases arising under copyright and patent laws. See 28 U.S.C. § 1338(a) (2001). Federal courts have had exclusive jurisdiction over patent litigation for nearly 200 years. See *Florida Prepaid*, 527 U.S. at 648 (Stevens, J., dissenting) (citing *Campbell v. Havervill*, 155 U.S. 610, 620 (1985)).

7. Cf. *Hans v. Louisiana*, 134 U.S. 1, 21 (1890) (Harlan, J., concurring) ("[A] suit directly against a State by one of its own citizens is not one to which the judicial power of the United States extends, unless the State itself consents to be sued."); *Principality of Monaco v. Mississippi*, 292 U.S. 313, 329-30 (1934); *Alden v. Maine*, 527 U.S. 706, 745 (1999) ("[T]he States retain their immunity from private suits prosecuted in their own courts."). There are some possible exceptions to the general proposition that an individual cannot maintain a suit against a state entity. See discussion *infra* Part II.

8. See *infra* Part II.

tion”),⁹ or where a state waives its sovereign immunity by consenting to suit (“waiver”).¹⁰

Congressional attempts to abrogate state sovereign immunity in the area of federal intellectual property have failed. In companion cases, *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*¹¹ and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*,¹² the United States Supreme Court held that private lawsuits alleging state patent infringement and unfair competition, respectively, could not be sustained despite unambiguous federal statutes that subjected states to liability.¹³ Consequently, several authors proposed “solutions” to aid private individuals in protecting their patent rights in the face of patent infringement by state entities.¹⁴ These solutions present the forms of relief available as an alternative to conditional waivers.

Conditional waiver theory relies on the notion that since states may voluntarily waive sovereign immunity to private lawsuits, Congress should be able to request such a waiver in return for benefits that the Federal Government is not otherwise obliged to provide to the states.¹⁵ Even though the Supreme Court has not directly ruled on the validity of conditional waivers of sovereign immunity, there are suggestions in dicta that the Court would find the theory of conditional waivers constitutionally sound.¹⁶ The criteria that must be met in order to make a conditional waiver scheme permissible

9. See *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 670 (1999); *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976).

10. See *Coll. Sav. Bank*, 527 U.S. at 670; *Clark v. Barnard*, 108 U.S. 436 (1883).

11. 527 U.S. 627 (1999).

12. 527 U.S. 666 (1999).

13. See discussion *infra* Part II.B.

14. See discussion *infra* Part II.C.

15. See discussion *infra* Part II.D.

16. See, e.g., *Alden v. Maine*, 527 U.S. 706, 755 (1999) (citing *South Dakota v. Dole*, 483 U.S. 203 (1987), as support for the proposition that the Federal Government does not “lack the authority or means to seek the States’ voluntary consent to private suit”); *Lane v. Pena*, 518 U.S. 187, 200 (1996) (noting the care Congress took to craft an “unambiguous waiver of the States’ Eleventh Amendment immunity” in section 1003 of the Rehabilitation Act Amendments of 1986, 42 U.S.C. § 2000d-7 (1994)); *Coll. Sav. Bank*, 527 U.S. at 686-87 (describing congressionally placed conditions upon receiving federal gratuities as being fundamentally different than conditions placed upon states’ ability to engage in otherwise permissible activity).

in practice, particularly in reference to patent law, is still an open question.

In *South Dakota v. Dole*,¹⁷ the Supreme Court delineated criteria (the “*Dole* test”) to analyze whether Congress’s exercise of the spending power is permissible where a state is required to raise the minimum drinking age as a condition for receiving certain federal monies.¹⁸ Although the *Dole* test is the best approximation of the factors that the Supreme Court considers relevant in analyzing conditional waivers,¹⁹ lower courts have found conditional waivers of sovereign immunity valid without considering the test.²⁰ This apparent discrepancy is examined in Part IV. Part IV also identifies the particular concerns courts have deemed important when confronted with conditional waivers of state sovereign immunity. Part V presents the concerns that must be taken into account for conditional waivers to work in patent law.²¹ Part V concludes with an outline of how congressional legislation might be formulated to effect a permissible conditional waiver in patent law.²²

II. BACKGROUND

A. *State Sovereign Immunity to Private Lawsuit*

Jurisprudence relating to sovereign immunity has not been consistent.²³ Various theoretical explanations for state sovereign immunity exist, deriving from the common-law doctrine of state sovereignty,²⁴ interpretations of the Eleventh

17. 483 U.S. 203 (1987).

18. *See id.* at 207-08.

19. *See* discussion *infra* Part IV.C.

20. *See infra* notes 161-75 and accompanying discussion.

21. *See infra* Part V.

22. *See infra* Part V.

23. *See, e.g.,* Ernest A. Young, *State Sovereign Immunity and the Future of Federalism*, 1999 SUP. CT. REV. 1, 7 (noting that the Supreme Court’s “state sovereign immunity jurisprudence is frequently convoluted, contradictory, and obscure”).

24. *See, e.g.,* Martha A. Field, *The Eleventh Amendment and Other Sovereign Immunity Doctrines: Congressional Imposition of Suit upon the States*, 126 U. PA. L. REV. 1203, 1261-62 (1978); Martha A. Field, *The Eleventh Amendment and Other Sovereign Immunity Doctrines: Part One*, 126 U. PA. L. REV. 515, 540-45 (1978); John E. Nowak, *The Scope of Congressional Power to Create Causes of Action Against State Governments and the History of the Eleventh and Fourteenth Amendments*, 75 COLUM. L. REV. 1413, 1441-45 (1975); Laurence H.

Amendment,²⁵ and from a desire to preserve the integrity of the American political processes and state self-determination of its own monies.²⁶ The practical reality is that private citizens are generally precluded from maintaining a suit against a state entity in both federal and state courts.²⁷ A state's sovereign immunity "is not absolute," since the Supreme Court recognizes "two circumstances in which an individual may sue a State."²⁸ These circumstances exist when Congress abrogates state immunity or when a state voluntarily consents

Tribe, *Intergovernmental Immunities in Litigation, Taxation, and Regulation: Separation of Powers Issues in Controversies About Federalism*, 89 HARV. L. REV. 682, 693-96 (1976). In his dissent in *Seminole Tribe v. Florida*, Justice Souter explains common-law doctrine:

The doctrine of sovereign immunity comprises two distinct rules, which are not always separately recognized. The one rule holds that the King or the Crown, as the font of law, is not bound by the law's provisions; the other provides that the King or Crown, as the font of justice, is not subject to suit in its own courts.

Seminole Tribe v. Florida, 517 U.S. 44, 102-05 (1996) (Souter, J., dissenting). Whether the common-law doctrine has any bearing on the states' sovereign immunity to private lawsuit in the United States has been vigorously disputed by others. See, e.g., Alfred Hill, *In Defense of our Law of Sovereign Immunity*, 42 B.C.L. REV. 485 (2001).

25. The Eleventh Amendment states: "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. A minority of justices interpret the Eleventh Amendment as being a restriction of the federal courts' diversity jurisdiction. See *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 248 (Brennan, J., dissenting); *Seminole Tribe*, 517 U.S. at 114-15 (Souter, J., dissenting). The majority's viewpoint in *Seminole Tribe*, as stated by Chief Justice Rehnquist, is as follows:

Although text of the [Eleventh] Amendment would appear to restrict only the Art. III diversity of the federal courts, we have understood [it] to stand not so much for what it says, but for the presupposition . . . that each State is a sovereign entity in our federal system . . . [and that it] is inherent in the nature of sovereignty not to be amenable to the suit of an individual without its consent.

Id. at 54 (1996) (citations omitted).

26. See *Alden v. Maine*, 527 U.S. 706, 749-51 (1999).

27. See *Hans v. Louisiana*, 134 U.S. 1, 21 (1890) (Harlan, J., concurring) ("[A] suit directly against a State by one of its own citizens is not one to which the judicial power of the United States extends, unless the State itself consents to be sued."); *Principality of Monaco v. Mississippi*, 292 U.S. 313, 329-30 (1934); *Alden*, 527 U.S. at 745 ("[T]he States retain their immunity from private suits prosecuted in their own courts.").

28. *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 670 (1999).

to suit,²⁹ as discussed in the following sections.

B. Abrogation

States may not disregard protections of Constitutional rights as recognized under Section 1 of the Fourteenth Amendment.³⁰ When an individual's rights of "life, liberty, and property" are at stake, then Congress has a remedial power to abrogate state immunity.³¹ This power is granted to the Federal Government under Section 5 of the Fourteenth Amendment ("Section 5").³²

In the 1990's Congress expressly abrogated state sovereign immunity in two different acts: the Trademark Remedy Clarification Act ("TRCA") and the Patent and Plant Variety Protection Remedy Clarification Act ("PRCA").³³ As examined

29. *See id.*

30. *See Alden*, 527 U.S. at 754-55 ("The constitutional privilege of a State to assert its sovereign immunity . . . does not confer upon the State a concomitant right to disregard the Constitution or valid federal law."); *Fitzpatrick v. Bitzer*, 427 U.S. 445, 455-56 (1976) (rationalizing that the diminution of state sovereignty accompanied the States' ratification of the Civil War Amendments).

31. It is remedial since only when state-based remedies are not sufficient to protect individuals' Fourteenth Amendment interests may Congress use Section 5 to explicitly abrogate state immunity to allow individuals to bring suit in federal courts. *See Fitzpatrick*, 427 U.S. 445; *City of Boerne v. Flores*, 521 U.S. 507 (1997). *College Savings Bank* bears out that Section 5 may be used only for enforcing rights under the Fourteenth Amendment, not for expanding the substantive nature of protectable rights. *Coll. Sav. Bank*, 527 U.S. at 672-73.

32. *See U.S. CONST. amend. XIV*, § 5. It has been mentioned that Section 5 of the Fourteenth Amendment is the sole source of congressional authority to abrogate sovereign immunity. *See Kimel v. Fla. Bd. of Regents*, 528 U.S. 62 (2000).

33. Trademark Remedy Clarification Act, Pub. L. No. 102-542, 106 Stat. 3567 (1992) (codified at 15 U.S.C. §§ 1114(1), 1122, 1125(a), 1127 (1994 & Supp. IV 1998)). Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992) (codified at 35 U.S.C. §§ 271(h), 296 (1994)).

The specific purpose for passing each act was to clarify Congress's "intent that States and State entities are not immune" from infringement suits under either patent or trademark laws. S. REP. NO. 102-280, at 1-2 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3087-88. The impetus for the PRCA in particular, was the Federal Circuit's decision in *Chew v. State of California*, 893 F.2d 331 (Fed Cir. 1990), to dismiss an Ohio resident's patent infringement suit against the State of California because the then-existing Patent Code did not meet the so-called stringent test articulated by the Supreme Court in its decision in *Atascadero State Hospital v. Scanlon*, 473 U.S. 234 (1985). *See* S. REP. NO. 102-280, at 5-6 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3091-92. In *Atascadero*, the Supreme Court held that sovereign immunity proscribed a suit against California state entities that allegedly denied plaintiff employment due to his physical

in the following subsection, the issues in *College Savings Bank* and *Florida Prepaid* were whether Congress had overreached its Section 5 power by purporting to subject states to private lawsuits in the TRCA and PRCA, respectively.³⁴

1. *A Failed Attempt to Abrogate Under Section 5 for State Intellectual Property Infringement.*

The factual background in *College Savings Bank* and *Florida Prepaid* is as follows. The privately held College Savings Bank marketed and sold certificates of deposit designed to finance the cost of college education.³⁵ The bank also held a patent on the method of administering its certificates of deposit.³⁶ Florida Prepaid Postsecondary Education Expense Board ("Florida Prepaid"), a state entity, initiated an allegedly similar program designed to help individuals with future college expenses.³⁷ College Savings Bank sued Florida Prepaid in two separate suits, one alleging false advertising and another alleging patent infringement.³⁸

In *College Savings Bank*, the false advertising case, the Supreme Court held that sovereign immunity blocked Congress's effort to subject states to liability for false advertising under the Lanham Act.³⁹ The plaintiff argued that the TRCA was enacted to "remedy and prevent state deprivations with-

handicaps in violation of section 504 of the Rehabilitation Act of 1973, 29 U.S.C. §794. See *Atascadero*, 473 U.S. at 246. The Court stated that the Rehabilitation Act did not "evinced an unmistakable congressional purpose, pursuant to §5 of the Fourteenth Amendment, to subject unconsenting States to the jurisdiction of the federal courts." *Id.* at 247. Thus, one criticism leveled at the majority decision in *Florida Prepaid* in finding the PRCA to be an impermissible attempt for abrogating state immunity was that the Court was unfairly upping the ante for what would be required for valid abrogation in the area of federal intellectual property. *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 657-59 (1999) (Stevens, J., dissenting).

34. See *Coll. Sav. Bank*, 527 U.S. at 672-75; *Florida Prepaid*, 527 U.S. at 637-48.

35. See *Coll. Sav. Bank*, 527 U.S. at 671.

36. See *id.*

37. See *id.*

38. In *College Savings Bank*, the bank alleged that Florida Prepaid engaged in unfair competition by making public misstatements about its own tuition savings plans, a violation of §43(a) of the Lanham Act. See *id.* In *Florida Prepaid*, the bank sued under 35 U.S.C. § 271(a) for patent infringement. See *Florida Prepaid*, 527 U.S. at 631.

39. See *Coll. Sav. Bank*, 527 U.S. at 672.

out due process of 'property' rights."⁴⁰ But the Court found no basis to recognize the Lanham Act's false-advertising provisions as a Fourteenth Amendment property right.⁴¹ Hence, the provision in the TRCA abrogating state immunity could not be based on the remedial power of Section 5, as there was no property interest to be deprived of by the states.⁴²

In *Florida Prepaid*, the patent infringement case, the Supreme Court similarly held that Congress could not subject states to damages liability for patent infringement.⁴³ Even though patents are recognizable property interests,⁴⁴ the Court determined that the PRCA could not be justified as "appropriate" enforcement legislation per Section 5.⁴⁵ Legislation is deemed appropriate when "[t]here [is] a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end."⁴⁶ Why the TRCA failed this test was attributed to Congress's failure to consider the availability of state remedies for patent infringement, the lack of evidence of a pattern of patent infringement by the states, and because the TRCA subjected

40. Specifically, College Savings Bank asserted that a right to be free from a business competitor's false advertising about its own product and that a right to be secure in one's business interests both amounted to "property" rights protectable by Congress through its Section 5 power via the TRCA. *See id.*

41. *See id.* at 673. The Lanham Act has provisions for both trademarks and false-advertising. *See* 15 U.S.C. §§ 1114, 1125 (1994). The Court noted that unlike false-advertising, trademarks are constitutionally cognizable property rights. *See Coll. Sav. Bank*, 527 U.S. at 673. There was no issue regarding trademark infringement in *College Savings Bank*.

While dismissing the argument that unfair competition claims can constitute property interests, the Court in *College Savings Bank* emphasized its commitment to keeping Congress from expanding substantive rights via Section 5 of the Fourteenth Amendment. *See Coll. Sav. Bank*, 527 U.S. at 674. "To sweep within the Fourteenth Amendment the elusive property interests that are . . . protected by unfair competition law would violate our frequent admonition that the Due Process Clause is not merely a 'font of tort law.'" *Id.*

42. *See Coll. Sav. Bank*, 527 U.S. at 673. As will be discussed below, the bank also argued that the state entity had waived its sovereign immunity.

43. *See Florida Prepaid*, 527 U.S. at 637-48. As in *College Savings Bank*, the justices split five to four in *Florida Prepaid*.

44. *See Florida Prepaid*, 527 U.S. at 642.

45. *Id.* at 637, 647. The PRCA provision that purported to abrogate state immunity states in part that "[a]ny State . . . shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity." 35 U.S.C. § 271(h).

46. *Florida Prepaid*, 527 U.S. at 639. The test was explicated in *City of Boerne v. Flores*, 521 U.S. 507 (1997). *See Florida Prepaid*, 527 U.S. at 637-39.

states to expansive liability.⁴⁷ The Court was cognizant that the PRCA's "apparent and more basic aims were to provide a uniform remedy for patent infringement and to place States on the same footing as private parties."⁴⁸ Nonetheless, "a State's infringement of a patent, through interfering with a patent holder's right to exclude others, does not by itself violate the Constitution."⁴⁹ Only where the state does not provide adequate remedies for its own infringement will this result in a deprivation of property without due process.⁵⁰

2. *Is There a Need for Concern?*

The Supreme Court's insistence on widespread intellectual property infringement before Congress can abrogate state immunity was heralded as giving state entities an open-door to take unfair advantage of their private sector counterparts.⁵¹ On the other hand, there are arguments why states

47. See *Florida Prepaid*, 527 U.S. at 644-47.

48. *Id.* at 647-48. The Court continued that while this was a proper Article I concern, that article still did not give Congress power to abrogate state sovereign immunity. See *id.* (referring to its prior holding in *Seminole Tribe* that Article I confers no abrogation power to Congress).

49. *Id.* at 643.

50. See *id.* Justice Stevens aptly noted the inconsistency of relying upon state-based resolution of patent infringement claims:

[C]onsistency, uniformity, and familiarity with the extensive and relevant body of patent jurisprudence are matters of overriding significance in this area of the law.

Patent infringement litigation often raises difficult technical issues that are unfamiliar to the average trial judge. That consideration, as well as the divergence among the federal circuits in their interpretation of patent issues, provided support for the congressional decision in 1982 to consolidate appellate jurisdiction of patent appeals in the Court of Appeals for the Federal Circuit. Although that court has jurisdiction over all appeals from federal trial courts in patent infringement cases, it has no power to review state court decisions on questions of patent law The reasons that motivated the creation of the Federal Circuit would be undermined by any exception that allowed patent infringement claims to be brought in state court.

Id. at 650-52 (Stevens, J., dissenting) (footnotes and citation omitted).

Florida Prepaid has impacted another area of federal intellectual property. Following this decision, the Fifth Circuit sitting *en banc*, declared that a state university also has immunity from copyright infringement. See *Chavez v. Arte Publico Press*, 204 F.3d 601, 607 (5th Cir. 2000) (holding that the Copyright Remedy Clarification Act was not a valid exercise of Section 5 where it abrogated state immunity).

51. See, e.g., David Malakoff, *Critics Say Rulings Give State U. License to Steal*, 289 SCIENCE 2267 (2000).

are unlikely to infringe private patent rights.⁵² To the extent that patents are commercially valuable for states seeking to profit from owning patents, it may be to the states' disadvantage in the long run, should the states not comply with the rules placed upon private entities.⁵³ Nonetheless, it seems plausible that the potential ability of the states to use sovereign immunity as a defense will impact the cost of business for private entities having intellectual property likely to be infringed upon by states.⁵⁴ One prediction is that private firms may choose secrecy to protect technical know-how from infringement.⁵⁵ In tandem with secrecy, private firms may come to rely upon contractual provisions in which state entities explicitly waive their immunity before agreeing to sales and licensing arrangements.⁵⁶

C. *Proposed Solutions to Protect Patent Rights when the State Infringes Those Rights*

Avenues of recourse against the states, when available, have been generally inferior to relief under federal intellec-

52. States may be dissuaded from infringing for a number of reasons. For example, certain legal remedies exist where state entities and state actors infringe recognizable constitutional interests. See discussion *infra* Part II.C (discussing *Ex Parte Young* doctrine and inverse condemnation, *inter alia*). There are also market, social, and political restraints upon states making infringement less likely. See, e.g., Robert G. Bone, *From Property to Contract: The Eleventh Amendment and University-Private Sector Intellectual Property Relationships*, 33 LOY. L.A. L. REV. 1467 (2000); Peter S. Menell, *Economic Implications of State Sovereign Immunity From Infringement of Federal Intellectual Property Rights*, 33 LOY. L.A. L. REV. 1399 (2000).

Professor Bone is critical of any general prediction that states would either commit widespread infringement of intellectual property rights or comply voluntarily with federal laws without the threat of legal sanction. Bone, *supra*, at 1469-70 (2000). He posits such predictions "ignore the availability of informal mechanisms to assure compliance, such as nonlegal sanctions and reputational effects, and they overlook the ways in which infringement can alter behavior without actually being carried out." *Id.*

53. For example, private corporations may avoid doing business in and with such a state. See Bone, *supra* note 52. For a detailed treatment of considerations impacting the pros and cons of state infringement, see Bone, *supra* note 52, at 1497-509.

54. See *id.*

55. See *id.* Professor Bone notes the unique problems that secrecy creates in the university setting where there are concerns regarding the impact of secrecy on traditional academic values of openness and publicity as well as an academic commitment to advancing public knowledge. See *id.* at 1508.

56. See *id.* at 1490.

tual property statutes.⁵⁷ The following section overviews some of the proposed solutions applicable to overcoming state immunity obstacles for the purpose of preserving the value of the efforts expended towards obtaining a patent or copyright. These solutions are presented primarily to point out their inherent limitations, and to show why alternative solutions are desirable.

1. *Avoid Making the State a Defendant by Suing the "State Actor" Personally*

There are severe limitations to this approach, but nonetheless it may be a possible avenue for certain forms of relief.⁵⁸ For example, under *Ex parte Young*,⁵⁹ prospective injunctive relief is possible through a suit brought against the state official interfering with one's intellectual property rights, which as a practical matter, binds the state itself.⁶⁰ The fact that state treasuries cannot be reached⁶¹ has not prevented private citizens from successfully pursuing state

57. See Menell, *supra* note 52, at 1413. Hence, there was little incentive for patent and copyright owners to pursue state remedies for state infringement prior to *Florida Prepaid*. See *id.* It remains to be seen the extent, if any, to which *Florida Prepaid* undermines national uniformity by requiring that intellectual property rights get enforced via 50 different state-based systems.

58. See Bone, *supra* note 52. Professor Laurence Tribe has described the distinction between suits against states and suits against officers as unsatisfactory and conceptually unruly. See LAURENCE H. TRIBE, 1 AMERICAN CONSTITUTIONAL LAW § 3-27, at 558 (3d ed. 2000).

59. *Ex parte Young*, 209 U.S. 123 (1908).

60. See *Green v. Mansour*, 474 U.S. 64, 68 (1985).

In *Ex parte Young*, the Court rationalized that when a state official acts to enforce an unconstitutional state legislative act he is "stripped of his official or representative character and is subjected in his person to the consequences of his individual conduct." *Ex parte Young*, 209 U.S. 123, 159-60 (1908). But relief was limited to prospective injunctive relief to prevent continuing violations. See *id.* at 155-56. See also *Edelman v. Jordan*, 415 U.S. 651, 668 (1974) (refusing to extend *Ex parte Young* to claims for retrospective relief). Even obtaining declaratory relief against the state or the state agent is unlikely to work, notwithstanding a federal act for declaratory relief. See *Green*, 474 U.S. at 71-74. *Ex parte Young* may apply to state violations of federal law as well as to Constitutional violations. See *id.* (dictum).

61. See *Ford Motor Co. v. Dept. of Treasury of Ind.*, 323 U.S. 459, 463 (1945) (holding that a suit for monetary damages paid out of a state treasury was a suit against the state, and the state could invoke sovereign immunity even if state officials were nominal defendants); see also *Kentucky v. Graham*, 473 U.S. 159 (1985) (holding that attorney's fees cannot be recovered from a state entity under federal statute, 42 U.S.C. § 1988, where case was litigated against the state agent in his personal capacity).

officials for damages.⁶² The question that remains, however, is whether federal courts have jurisdiction over suits brought under *Ex parte Young*.⁶³ A private citizen trying to obtain relief from a state official may be precluded from access to the federal courts until state "legislative" and "administrative" remedies are exhausted.⁶⁴ Alternatively, limiting what is considered to be the "arm of the state" might be another solution.⁶⁵

62. See, e.g., *Richard Anderson Photograph v. Brown*, 852 F.2d 114, 122 (4th Cir. 1988) (holding that a state actor could be sued in her individual capacity for past damages under the Copyright Act). Practical restrictions, however, reduce the likelihood of recovering money judgments from state actors. Daan Brave-man, *Enforcement of Federal Rights Against the States: Alden and Federalism Nonsense*, 49 AM. U.L. REV. 611, 649 (2000). For example, state actors may have a qualified immunity or even be judgment-proof. See *id.* See also *Kersavage v. Univ. of Tenn.*, 731 F. Supp. 1327, 1330-32 (E.D. Tenn. 1989) (ruling in patent infringement suit that whether or not university professors were entitled to qualified immunity was a fact issue precluding summary judgment).

63. See *Gilchrist v. Interborough Rapid Transit Co.*, 279 U.S. 159, 208-09 (1929).

On the other hand, section 1338(a) of Title 28 confers exclusive and original jurisdiction to federal district courts to hear all cases arising under copyright and patent laws. See 28 U.S.C. § 1338(a) (1994). Thus, federal preemption was used to support why a suit should proceed in a federal forum against an employee of a public university for damages caused by the employee's alleged copyright infringement. See *Richard Anderson Photograph*, 852 F.2d at 122-23 (deciding that the university itself could invoke immunity from lawsuit). The circuit court assumed that the Supremacy Clause precludes the application of state immunity law. See *id.* at 122. The argument ran that even though the Constitution does not give Congress exclusive authority over copyright to the exclusion of any state laws, the states cannot either enhance or diminish the scope of protection afforded to those categories of writings that Congress determines worthy of national protection. See *id.* at 122-23 (citing *Goldstein v. California*, 412 U.S. 546, 553, 559 (1973)). Since the photographs in issue fell within the national protection provided by the Copyright Act, "any immunity provided by state law for violators of rights in those materials would obviously diminish the scope of the Act's protection." *Id.* at 123. Thus, state law could provide no immunity to the university employee in her individual capacity. See *id.*

Of course, state courts may adjudicate patent law issues provided that they collaterally arise under a cause of action over which the state court has subject matter jurisdiction. See Dutch D. Chung, *The Preclusive Effect of State Court Adjudication of Patent Issues and the Federal Courts' Choice of Preclusion Laws*, 69 FORDHAM L. REV. 707, 726-27 (2000).

64. This will be more of a problem when state-based remedies are relied upon, rather than federal infringement laws, to obtain relief from state actors. Cf. *Gilchrist*, 279 U.S. at 208-09.

65. See *Lincoln County v. Luning*, 133 U.S. 529 (1890) (finding the constitution of the State of Nevada to explicitly provide for the liability of counties to suit). Justice Steven's dissent in *College Savings Bank* pointed out that the

2. *Have the United States Bring Suit Against the State*

State sovereign immunity does not apply when the United States is the party suing the state.⁶⁶ It may be possible for Congress to authorize the Attorney General to bring a federal court suit in the name of the United States against states that are engaging in patent or copyright infringement.⁶⁷ In such a case, the owner of the patent would also have to rely on additional legislation allowing recovery of any damages awarded to the United States following a successful lawsuit.⁶⁸

3. *Use Traditional Devices for Protecting Constitutional Rights*

"The hallmark of a protected property interest is the right to exclude others."⁶⁹ Patents and copyrights are property interests that may be afforded constitutional protection.⁷⁰ The barrier to bringing a deprivation of property claim in federal court is that an individual may only bring the claim when he is unable to get relief through state-based mechanisms.⁷¹ The deprivation of property by the state is not unconstitutional, unless it is either unaccompanied by just compensation, as in an inverse condemnation claim under the

procedural posture of that case required the assumption that Florida Prepaid was an arm of the state. See *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 692 (1999) (Stevens, J., dissenting). He suggested limiting the coverage of "state sovereign immunity by treating the commercial enterprises of the States like the commercial enterprises of foreign sovereigns under the Foreign Sovereign Immunities Act of 1976." *Id.*

66. See *United States v. Minnesota*, 270 U.S. 181, 193 (1926).

67. See Daniel J. Meltzer, *The Seminole Decision and State Sovereign Immunity*, 1996 SUP. CT. REV. 1, 55; see also Menell, *supra* note 52, 1443-44.

68. See Menell, *supra* note 52, at 1444.

69. *Coll. Sav. Bank*, 527 U.S. at 673.

70. See, e.g., *Brown v. Duchesne*, 60 U.S. 183, 197 (1857) ("For, by the laws of the United States, the rights of a party under a patent are his private property . . .").

71. See *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 643 (1999) ("[O]nly where the State provides no remedy, or only inadequate remedies, to injured patent owners for its infringement of their patent could a deprivation of property without due process result."); *Williamson County Reg'l Planning Comm'n v. Hamilton Bank*, 473 U.S. 172 (1985) (holding that a takings claim brought in federal court against a local planning authority would not be ripe for federal adjudication until the property owner had obtained a final decision regarding the application of the zoning ordinance to his property and had sought compensation through state procedures).

Fifth Amendment, or when it is taken without due process of law, as in a claim pursuant to the Due Process Clause of the Fourteenth Amendment.⁷² The fact that copyrights and patents are intangible property should not preclude the use of an inverse condemnation claim against a state infringing on those rights.⁷³ But getting to a federal forum is unlikely without first exhausting state-based remedies.⁷⁴

A recent Supreme Court opinion appears to revive the long-nascent Privileges and Immunities Clause of the Fourteenth Amendment.⁷⁵ Thus, in *Chavez v. Arte Publico Press*, the plaintiff used an "originalist" interpretation of the Privileges and Immunities Clause to argue that since the clause purports to protect the right to acquire and control property, the clause must also protect the right to acquire and enforce a copyright.⁷⁶ The Fifth Circuit rejected the argument because it was presented too late in the litigation, and because the Supreme Court offered no guidance for its "modern" interpretation of the clause.⁷⁷ This result suggests that a similar argument might be successful in the future.

72. See *Florida Prepaid*, 527 U.S. at 643 (1999); *Williamson County Reg'l Planning Comm'n*, 473 U.S. at 194.

73. See Shubha Ghosh, *Toward a Theory of Regulatory Takings for Intellectual Property: The Path Left Open After College Savings v. Florida Prepaid*, 37 SAN DIEGO L. REV. 637 (2000). Professor Ghosh notes that between patents and copyrights, patents are the easiest case for a takings approach since the fair use doctrine raises difficulties for finding a state taking of copyrighted works. See *id.* at 688-91. See also Menell, *supra* note 52, for a more thorough treatment of federal and state inverse condemnation proceedings.

74. This would appear to be the case for deprivations under either the Due Process Clause or the Just Compensation Clause under the Fourteenth and Fifth Amendments, respectively. See *Florida Prepaid*, 527 U.S. at 643 (due process); *Williamson County Reg'l Planning Comm'n*, 473 U.S. at 194 (1985) (just compensation).

75. See *Saenz v. Roe*, 526 U.S. 489 (1999). Previously, the decision in the *Slaughter-House Cases*, 83 U.S. (16 Wall.) 36 (1872), had effectively rendered the Privileges and Immunities Clause a nullity. See ERWIN CHEMERINSKY, CONSTITUTIONAL LAW: PRINCIPLES AND POLICIES 377 (1997).

76. *Chavez v. Arte Publico Press*, 204 F.3d 601, 608 (5th Cir. 2000). Note however, that the author of the copyrighted materials in *Chavez* did not make this argument to show that she had been directly deprived. See *id.* Instead, she asserted that the Privileges and Immunities Clause provided a basis for the proper exercise of Congress's Section 5 power in the Copyright Remedy Clarification Act. See *id.* She sued the University of Houston under the Copyright Remedy Clarification Act. See *id.* The Fifth Circuit pointed out that if the clause were to work to the author's advantage, then she could have claimed a direct deprivation from the outset of the litigation. See *id.*

77. See *Chavez*, 204 F.3d at 608.

4. *Action Under 42 U.S.C. § 1983*

The purpose of 42 U.S.C. § 1983 was to allow suits in federal court whenever a citizen's rights secured by the Constitution and federal laws are either not enforced or are violated by any person acting under color of state law.⁷⁸ For example, § 1983 could be used against state employees for violation of federal patent laws as means to ensure that state employees conform to federal norms in respecting intellectual property.⁷⁹ Alternatively, § 1983 could be used where a state employee's patent infringement is alleged to violate the Takings and Due Process Clauses.⁸⁰ The most serious obstacles for using § 1983 is that it does not provide a mechanism around the states' Eleventh Amendment immunity, and where constitutional claims are made, relief may have to be sought in state courts and agencies before a federal court forum is granted.⁸¹ In some suits the relief sought will have to be limited to prospective injunctive relief.⁸² Other problems may be encountered if § 1983 is relied upon to provide a cause of action.⁸³

78. See *Mitchum v. Foster*, 407 U.S. 225 (1972); *District of Columbia v. Carter* 409 U.S. 418 (1973).

79. See Bone, *supra* note 52, at 1488 (noting that it is not at all clear that this would be allowed by the Supreme Court). See, e.g., *Wright v Roanoke Redevelopment & Hous. Auth.*, 479 U.S. 418 (1987) (upholding damages suit under § 1983 where state public housing authority had charged rents exceeding those permitted the Federal Housing Act).

80. See Bone, *supra* note 52, at 1488.

81. See *Will v. Michigan Dep't of State Police*, 491 U.S. 58 (1989); *Quern v. Jordan*, 440 U.S. 332, 345 (1979) (noting that "Section 1983 does not explicitly and by clear language indicate on its face an intent to sweep away the immunity of the States . . ."); *Walton v. Div. of Revenue*, 961 F. Supp. 97 (1997); *Parrott v. Taylor*, 451 U.S. 527 (1981); *Ware v. Wyoming Bd. of Law Exam'rs*, 973 F. Supp. 1339 (1997); *Scheuer v. Rhodes*, 46 U.S. 232, 237-48 (1974).

82. See *Ex parte Young*, 209 U.S. 123 (1908); *Edelman v. Jordan*, 415 U.S. 651 (1974). On the other hand, if a case can be made out that where the state has obligated itself, either through contractual obligations or by statute, to be subject to indemnification, then the state will have to pay out damages in those particular circumstances. See *Benson v. Allphin*, 786 F.2d 268 (7th Cir. 1986) (ruling that state indemnity statute does not bring Eleventh Amendment into play and thus no bar to recovery in § 1983); *Duckworth v. Franzen*, 780 F.2d 645, 650-51 (7th Cir. 1985) ("If the state chooses to pick up the tab for its errant officers, its liability for their torts is voluntary.").

83. See Bone, *supra* note 52, at 1488.

5. *Obtaining Relief Through State Judicial and Administrative Systems*

The dissent in *Florida Prepaid* remarked that it was particularly ironic to use Congress's lack of review of state remedies for patent infringement as a basis for the Court's holding.⁸⁴ This was because Congress reasonably assumed that there were no state remedies since it had pre-empted state jurisdiction over patent infringement.⁸⁵ Undoubtedly, intellectual property owners are now pursuing creative, and in some circumstances, largely untested, approaches to enforcement of rights in state courts and administrative tribunals.⁸⁶

Some relevant considerations for pursuing state actions are as follows. First, moving to a state forum does not overcome state immunity to a lawsuit *per se*.⁸⁷ Second, state claims are usually narrower in scope than their federal counterparts.⁸⁸ Third, state procedures may be less favorable to plaintiffs, since state court judges lack the expertise of the federal judiciary, particularly that of the Federal Circuit Court of Appeals.⁸⁹ Finally, there is the risk of having certain state actions preempted by federal law.⁹⁰

Possible avenues of judicial relief may include state inverse condemnation procedures, and claims sounding in tort and contract.⁹¹ These may not be available in some states.⁹² Nonetheless, the majority opinion in *Florida Prepaid* found it "worth mentioning that the State of Florida provides reme-

84. See *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 657-58 (1999) (Stevens, J., dissenting).

85. See *id.*

86. See Menell, *supra* note 52, at 1413. Furthermore, modes of legal recourse will vary across the different states. See *id.*

87. See *Alden v. Maine*, 527 U.S. 706 (1999).

88. See Bone, *supra* note 52, at 1492.

89. See *id.* One explicit reason that Congress created the Federal Circuit Court of Appeals was to ensure national uniformity in patent law. See Chung, *supra* note 63.

90. See Bone, *supra* note 52, at 1494. Professor Bone comments that preemption is hardly a certainty, even if state created rights duplicate federal laws in patent and copyright. See *id.* This is because preemption turns on congressional intent, and "Congress did not intend to preempt state law when that law is used to fill gaps that Congress meant to fill but could not because of Eleventh Amendment obstacle." *Id.*

91. Adequate coverage of the state forms of relief is beyond the scope of this comment. A good overview of the topic can be found in Menell, *supra* note 52.

92. See, e.g., ALA. CODE § 41-9-60 (1991) (claims against Alabama may only be brought administratively).

dies to patent owners for alleged infringement on the part of the State including a claims bill for payment in full . . . or a judicial remedy through a takings or conversion claim.⁹³

6. *Could Congress Abrogate Sovereign Immunity out of Concern for Respecting Relations with Foreign Nations?*

The United States is signatory to international treaties that involve intellectual property.⁹⁴ Professor Menell has suggested that the decisions in *College Savings Bank* and *Florida Prepaid* could undermine the United States' international treaty obligations and foreign diplomacy.⁹⁵ Menell suggests that congressional abrogation of state sovereign immunity for infringement of federal intellectual property rights directly supports adherence to U.S. treaty obligations and the pursuit of foreign relations goals.⁹⁶

In fact, a recent unanimous Supreme Court decision, *Crosby v. National Foreign Trade Council*,⁹⁷ manifests the respect the Court gives to international policy relations. The caveat is that *Crosby* was about the ability of a state to regulate commerce within its own borders.⁹⁸ A state may not

93. *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 n.9 (1999) (citing FLA. STAT. ch. 11.065 (1997) as the basis for a claims bill and *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, 626 So.2d 1333 (Fla. 1993) as an example where the Florida Supreme Court allowed a suit to proceed in state court where takings and conversion claims over personal property rights were alleged.) A suit in which a patentee alleged an unconstitutional taking by the State of Florida of their patents was recently rejected on the basis of sovereign immunity, but in this case the patentees brought suit in a federal district court, not state court. See *State Contracting & Eng'g Corp. v. State of Florida*, 258 F.3d 1329 (Fed. Cir. 2001). As Justice Scalia stated: "A State does not consent to suit in federal court merely by consenting to suit in the courts of its own creation." *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 676 (1999) (citing *Smith v. Reeves*, 178 U.S. 436, 441-45 (1900)).

There is a political solution. If private entities want to be able to sue a state for patent infringement, nothing precludes private entities from lobbying the state legislature to enact that legislation waiving state immunity.

94. See Menell, *supra* note 52, at 1448-64.

95. See *id.* at 1448.

96. See *id.* at 1464.

97. *Crosby v. Nat'l Foreign Trade Council*, 530 U.S. 363 (2000).

98. In *Crosby*, the Supreme Court held invalid a statute enacted by Massachusetts that regulated state contracts with companies doing business with Burma (Myanmar). See *id.* at 373.

regulate in a way that conflicts with national prerogatives.⁹⁹ The issue of whether Congress may abrogate state immunity pursuant to international treaty might be considered a horse of different a color. For one, it would seem perverse to champion the right of the states to be immune from the normal congressional powers, but turn around and premise abrogation on an international agenda. Champions of state rights are usually concerned about the lack of political accountability,¹⁰⁰ and to let terms of international treaties trump states' rights seems to disrespect that accountability.¹⁰¹ Another consideration is that treaties supercede state concerns only on the basis of the Supremacy Clause.¹⁰² The constitutional guarantee of state immunity from private lawsuit arises from the Eleventh Amendment.¹⁰³ In the 1790's, when Congress was considering the provisions to include in the text of the Eleventh Amendment, it was decided that no exception to state immunity should be made for "cases arising under treaties made under the authority of the United States."¹⁰⁴ For these reasons it would seem that congressional abrogation of state immunity on the basis of international treaties could not work.¹⁰⁵

D. *Waivers*

No court has jurisdiction to hear a suit by a private citizen against a state until that state unequivocally expresses its intention to waive its sovereign immunity.¹⁰⁶ Waivers

99. *See id.* at 374-80.

100. *See, e.g., Alden v. Maine*, 527 U.S. 706 (1999).

101. *Cf. Principality of Monaco v. Mississippi*, 292 U.S. 313 (1934) (holding that in absence of consent, the state of Mississippi is immune from a suit brought by a foreign state for payment of alleged debt since the proposed suit did not raise a question of national concern).

102. U.S. CONST. art. VI, cl. 2.

103. U.S. CONST. amend XI.

104. 4 ANNALS OF CONG. 476 (1794).

105. *See also* Mitchell N. Berman et al., *State Accountability for Violations of Intellectual Property Rights: How to "Fix" Florida Prepaid (And How Not To)*, 79 TEX. L. REV. 1037, 1173-95 (2001) (concluding that the treaty power cannot support forms of abrogation that would be impermissible if undertaken pursuant to Congress's other Article I powers, but that it may be possible for the United States to bring on behalf of foreign intellectual property plaintiffs against infringing states).

106. *See Alden v. Maine*, 527 U.S. 706, 730, 757-78 (1999); *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 675-76 (1999);

therefore, cannot be implied.¹⁰⁷ Even so, there are different ways in which a state might express its consent. For example, a state may make declarations through its constitution or statutes regarding whether certain causes of actions may be brought against it.¹⁰⁸ A state may also affirmatively invoke a court's jurisdiction by bringing a suit against a private party.¹⁰⁹

The pertinent question is, what checks are on the Federal Government as it elicits the states' voluntary consent to private lawsuit? In this regard it is helpful to understand why in *College Savings Bank*, the Supreme Court "expressly over-

Pennhurst State Sch. & Hosp. v. Halderman, 465 U.S. 89, 99 (1984) ("We have insisted . . . that the State's consent be unequivocally expressed."); *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 241 (1985) (stating that the "test for determining whether a State has waived its immunity from federal court jurisdiction is a stringent one").

107. See *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 682 (1999).

108. See, e.g., ALASKA STAT. § 09.50.250 (2001); FLA. STAT. § 768.28; 42 PA. CONS. STAT. ANN. §8522 (West 2001).

However, caution must be exercised in interpreting the language of a provision, and attention paid to whose interpretation will prevail. *E.g.*, *Great N. Life Ins. Co. v. Read*, 322 U.S. 47 (1994) (dismissing a case against an Oklahoma state officer for want of federal jurisdiction turning on the issue of how Oklahoma would interpret a state statute); *Florida Dep't of Health & Rehabilitative Servs. v. Florida Nursing Home Ass'n*, 450 U.S. 147 (1981) (holding no waiver of Eleventh Amendment immunity despite state statute expressing intent to "sue and be sued"). A state does not consent to suit by authorizing suits against it "in any court of competent jurisdiction." *Coll. Sav. Bank*, 527 U.S. at 676 (citing *Kennecott Copper Corp. v. State Tax Comm'n*, 327 U.S. 573, 577-79 (1946)). The Supreme Court has also "held that a State may, absent any contractual commitment to the contrary, alter the conditions of its waiver and apply those changes to a pending suit." *Coll. Sav. Bank*, 527 U.S. at 676 (citing *Beers v. Arkansas*, 61 U.S. (20 How.) 527 (1858)).

A number of states have expressed intention not to consent. See, e.g., W. VA. CONST. art. VI, § 35 ("The State of West Virginia shall never be made a defendant in any court of law or equity . . ."); ALA. CONST. art. I, § 14 (stating "[t]hat the State of Alabama shall never be made a defendant in any court of law or equity").

109. See *Georgia Dep't of Revenue v. Burke* (*In re Burke*), 146 F.3d 1313, 1318 (11th Cir. 1998) (holding that the state waived its Eleventh Amendment immunity by filing proofs of claim in bankruptcy proceedings), *cert. denied*, 527 U.S. 1043 (1999); *Clark v. Barnard*, 108 U.S. 436, 488 (1883) (stating that by voluntarily appearing in a federal interpleader action and prosecuting a claim to the fund in controversy, the State of Rhode Island voluntarily submitted to the federal court's jurisdiction). Note however, that a state plaintiff does not waive its sovereign immunity with respect to all plausible counterclaims. See *Woelffer v. Happy States of Am., Inc.*, 626 F. Supp. 499, 502 (N.D. Ill. 1985).

ruled" *Parden v. Terminal Railway*,¹¹⁰ and struck down a theory of constructive waivers (*Parden*-type waivers) as unconstitutional.¹¹¹ As discussed in the next section, the problems with *Parden*-type constructive waivers are that they became effective without a state's manifestation of consent, and that without *quid pro quo* for the state's waiver, the *Parden*-type waiver essentially amounts to abrogation without a constitutional basis. The subsequent subsection focuses upon conditional waivers.

1. *An Unconstitutional Attempt to Create Constructive Waivers of State Sovereign Immunity*

In *Parden*, employees of a railroad owned and operated by Alabama were permitted to sue the State under the Federal Employers' Liability Act ("FELA").¹¹² The suit was allowed even though no provisions in FELA specifically referred to the states, and furthermore, Alabama law expressly disavowed any such waiver.¹¹³ *Parden* held that FELA authorized suits against the states by virtue of its general provision subjecting to suit every railroad common carrier engaging in commerce between the several states.¹¹⁴

Calling *Parden* the "nadir" of its waiver and sovereign immunity jurisprudence,¹¹⁵ *College Savings Bank* resolved that the constructive waiver notion was ill conceived and expressly overruled *Parden*.¹¹⁶ There are two major concerns unmet in the *Parden*-type constructive waiver rendering these waivers invalid. First, with *Parden*-type waivers Congress may dislodge state immunity without leaving leeway for a state's manifestation of consent to the waiver.¹¹⁷ Justice Scalia noted:

There is a fundamental difference between a State's expressing unequivocally that it waives its immunity, and

110. *Parden v. Terminal Ry.*, 377 U.S. 184 (1964).

111. *See Coll. Sav. Bank*, 527 U.S. at 681.

112. *See Parden*, 377 U.S. at 196.

113. *See id.* at 192; *see also Coll. Sav. Bank*, 527 U.S. at 676-77.

114. *See Parden*, 377 U.S. at 192; *Coll. Sav. Bank*, 527 U.S. at 676-77.

115. *Coll. Sav. Bank*, 527 U.S. at 676-77.

116. *Id.* at 680.

117. *See Coll. Sav. Bank*, 527 U.S. at 680 ("The whole point of requiring a 'clear declaration' by the State of its waiver is to be certain that the State in fact consents to suit.").

Congress's expressing unequivocally its intention that if the State takes certain action it shall be deemed to have waived that immunity. In the latter situation, the most that can be said with certainty is that the State has been put on notice that Congress intends to subject it to suits brought by individuals. That is very far from concluding that the State made an 'altogether voluntary' decision to waive its immunity.¹¹⁸

The second concern is that the "asserted basis for constructive waiver is conduct that the State realistically could choose to abandon, that is undertaken for profit, that is traditionally performed by private citizens and corporations, and that otherwise resembles the behavior of 'market participants.'"¹¹⁹ The Court noted that "[i]n the sovereign-immunity context . . . '[e]venhandedness' between individuals and States is not to be expected: 'The constitutional role of the States sets them apart from other employers and defendants.'"¹²⁰ The majority opinion distinguished *Parden*-type constructive waivers, which impermissibly attempt to exact a waiver from a state's otherwise lawful activity, from the "fundamentally

118. *Id.* at 680-81. Justice Scalia equated state sovereign immunity with the right to trial by jury in criminal cases, both being constitutionally protected. *See id.* at 682. He noted that the classic description of a waiver of a constitutional right is the "intentional relinquishment or abandonment of a known right or privilege," and that courts indulge "every reasonable presumption" against such waivers. *Id.* at 682 (quoting *Johnson v Zerbst*, 304 U.S. 458, 464 (1938) and *Aetna Ins. Co. v. Kennedy ex rel. Bogash*, 301 U.S. 389, 393 (1937), respectively).

119. *See Coll. Sav. Bank*, 527 U.S. at 684. In *College Savings Bank*, the private party ("Bank") had to compete with the state entity ("Board") for customers to buy certificates of deposit designed to finance college costs. *See id.* at 627. Assume, arguendo, that had the Board been a private entity, the Bank would have been successful on the merits. As such, it seems unfair that the Board could engage in behavior that would be off-limits to any other private entity. The Bank's argument was that since the State of Florida, as the Board, was not acting as a regulator of the marketplace, but as a regular participant within it, the Board should be held to the same liabilities as any other participant. *See id.* at 685. The so-called "market participant" exception is a doctrine usually evoked by states in response to accusations of violating the judicially created dormant Commerce Clause restrictions, and which should be limited to that area of jurisprudence, according to the majority in *College Savings Bank*. *See id.* at 685. "In contrast, a suit by an individual against an uncontesting State is the very evil at which the Eleventh Amendment is directed — and it exists whether or not the State is acting for profit, in a traditionally 'private' enterprise, and as a 'market participant.'" *Id.*

120. *Id.* at 685-86 (quoting *Welch v. Texas Dep't of Highways and Public Transp.*, 483 U.S. 468, 477 (1987)).

different" situation where the Federal Government conditionally offers a gift or gratuity and exacts a waiver of sovereign immunity from a state in return.¹²¹

Referring to Congress's attempt to subject states to private lawsuit in the TRCA, Justice Scalia noted that "[i]n the present case . . . what Congress threatens if the State refuses to agree to its condition is not the denial of a gift or gratuity, but a sanction: exclusion of the State from otherwise permissible activity."¹²² *Quid pro quo* applies to conditional waivers: the Federal Government may ask the states to give up their immunity to private lawsuit in return for some benefit that the Federal Government has the power to bestow.

2. *Case Studies of Conditional Waivers: Four Different Article I Powers Congress has Used to Conditionally Waive State Sovereignty*

To facilitate comparison between the contexts in which conditional waivers have been found, the following cases have been categorized in terms of benefit flowing from a particular grant of authority to Congress through Article I of the Constitution.

a. *Compact Clause*¹²³

*Petty v. Tennessee-Missouri Bridge Commission*¹²⁴ has been cited as support for the proposition that Congress can request that States waive their sovereignty in return for federal benefits.¹²⁵ Indubitably, all the justices in *Petty* agreed

121. See *id.* at 686 (distinguishing *Parden*-type waivers from the circumstances of *Petty v. Tennessee-Missouri Bridge Comm'n*, 359 US 275 (1959) and *South Dakota v. Dole*, 483 U.S. 203 (1987)).

122. *Id.* at 687.

123. U.S. CONST. art. I, § 10, cl. 3 ("No State shall, without the Consent of Congress . . . enter into any Agreement or Compact with another State . . .").

124. 359 U.S. 275 (1959).

125. See, e.g., *Bell Atlantic-Pennsylvania, Inc. v. Pennsylvania PUC*, 107 F. Supp. 2d 653, 660 (E.D. Pa. 2000) (stating that support for conditional waivers is found in *College Savings Bank's* approving discussions of the decisions in *Petty* and *Dole*); *Bell Atl. Md., Inc. v. MCI Worldcom, Inc.*, 240 F.3d 279, 317 (4th Cir. Md. 2001) (dissenting opinion) (citing both *Petty* and *Dole* as endorsements by the Supreme Court of validity of conditional waivers); *Entergy Ark., Inc. v. Nebraska*, 68 F. Supp.2d 1093, 1102 (D. Neb. 1999); *New Star Lasers, Inc. v. Regents of the Univ. of Cal.*, 63 F. Supp. 2d 1240, 1243 (E.D. Cal. 1999); *McGuire v. Regents of the Univ. of Mich.*, 2000 WL 1459435, at *4 (S.D. Ohio Sept. 21, 2000).

that Congress could condition its consent of interstate compacts.¹²⁶ Dicta suggest that Congress could even insist "upon a provision waiving immunity from suit in the federal courts as the price of obtaining its consent to the Compact."¹²⁷ The issue, however, was not so much about whether Congress could place a condition on its consent, but whether a particular provision in the compact amounted to a waiver, as the following explains.

In *Petty*, the States of Missouri and Tennessee sought to build a bridge across the Mississippi River.¹²⁸ A compact was prepared by the two States conferring authority to a bi-state commission for building the bridge and operating ferries across the river.¹²⁹ The Constitution mandates that "No State shall, without the Consent of Congress . . . enter into any Agreement or Compact with another State."¹³⁰ The compact *as it was submitted* to Congress contained a clause in which the bi-state commission had the power "to contract, to sue and be sued in its own name."¹³¹ When Congress gave its consent to the compact, it reserved "the jurisdiction of the federal courts to act in any matter arising under the compact over which they have jurisdiction by virtue of the fact that the Mississippi is a navigable stream and that interstate commerce is involved."¹³²

126. The majority stated that "Congress must exercise national supervision through its power to grant or withhold consent, or to grant it under appropriate conditions." *Petty*, 359 U.S. at 282 n.7. The dissent similarly explained that "[t]he constitutional requirement of consent by Congress to a Compact between the States was designed for the protection of national interests by the power to withhold consent or to grant it on condition of appropriate safeguards of those interests." *Id.* at 288 (dissenting opinion).

127. *Id.* at 288 (dissenting opinion).

128. *See id.* at 277.

129. *See id.*

130. U.S. CONST. art. I, § 10, cl. 3. In *Petty*, Justice Douglas explained that "[t]he States who are parties to the compact by accepting it and acting under it assume the conditions that Congress under the Constitution attached." *Petty*, 359 U.S. at 281-82. Justice Douglas elaborated that Congress's Constitutional power to condition agreements by the states serves a national interest to which Congress is more naturally suited to look after. *Id.* at 282 n.7.

131. *Petty*, 359 U.S. at 277.

132. *Id.* at 281. Congress approved the compact in 1949. *See id.* at 280. No doubt exists that Congress "conditioned" its acceptance of the compact on the states' agreement to Congress's terms. *See id.* at 282. The crux of the matter, and what divided the Court in *Petty*, was to what extent did Congress intend to "reserve the jurisdictions" of the federal courts?

After an accident resulting in the death of her husband, Naomi Petty brought suit for negligence against the bi-state commission in federal court.¹³³ The basis for suing in federal court was that Naomi Petty claimed that the "sue and be sued" clause in the compact amounted to a waiver of state immunity.¹³⁴

Under state law such a clause did not authorize private suit for negligence against the bi-state commission.¹³⁵ The issue before the Court was whether the meaning of the "sue and be sued" clause should be determined using federal or state law.¹³⁶ *Petty* held that Congress reserved this question for the federal courts to resolve using federal law to interpret the compact and not state law.¹³⁷ The Court's interpretation was that "sue and be sued" constituted a waiver of immunity to private lawsuit.¹³⁸

Thus, in *Petty*, the Court determined that Congress did not impose upon the states the condition that they waive their immunity from private lawsuit.¹³⁹ Instead, Congress reserved the right of federal courts to resolve disputes arising over the meaning and effect of the compact and to retain their jurisdiction over cases involving navigable waters and interstate commerce.¹⁴⁰

Is this a revisionist interpretation of *Petty*? Perhaps not. First, in the dissent, Justices Frankfurter, Harlan, and Whitaker noted that were it not for the "sue and be sued" clause in the compact, the case would not have been heard in the federal courts despite the fact that the commission was operating a vessel on navigable water and in interstate commerce.¹⁴¹ Their key objection to the majority opinion was that

133. *See id.* at 276. Naomi Petty was the wife of Faye R. Petty, who had been an employee of the Tennessee-Missouri Commission. *See id.* Mr. Petty died after being trapped in the pilothouse of the Commission's ferryboat as it sank after colliding with another boat. *See id.* Naomi Petty was the Administratrix of her husband's estate. *See id.*

134. The Federal District Court dismissed the complaint citing the Commission's immunity as a state entity, and the Eighth Circuit affirmed. *See id.* at 276.

135. *See id.* at 279.

136. *See id.*

137. *See Petty*, 359 U.S. at 279-83.

138. *See id.* at 282-83.

139. *See id.* at 279-83.

140. *See id.*

141. *See id.* at 288 (Frankfurter, J., dissenting). The dissent believed that

state law should have been used to interpret the "sue and be sued" clause.¹⁴² Second, Justices Black, Clark, and Stewart concurred in the opinion of the Court "with the understanding that we do not reach the constitutional question as to whether the Eleventh Amendment immunizes from suit agencies created by two or more States under state compacts which the Constitution requires to be approved by the Congress."¹⁴³ Thus, for six Justices, the chief issue in *Petty* was merely whose authority is used to interpret a bi-state compact, not whether state immunity applied.¹⁴⁴

b. Commerce Clause

The Commerce Clause gives Congress authority to regulate interstate commerce.¹⁴⁵ For example, in 1934 Congress began regulating interstate telephone service,¹⁴⁶ in part to protect American consumers from AT&T's emerging monopoly.¹⁴⁷ The following "telephone" cases illustrate certain circumstances where the Federal Government may give states an opportunity to participate in the regulation of a commercial activity, but in doing so states remain accountable by waiving their immunity to certain private lawsuits.

The telephone cases came about as result of the Tele-

the Eleventh Amendment precluded a federal forum for this case from the outset since it involved only a tort claim. *See id.*

142. *See id.* Keeping in mind that the dissent thought this case should not have been in a federal forum to begin with, it would seem very odd for them not to address the fact Congress was allowed to "waive" state immunity by its approval of the compact—if that is what the majority opinion stood for. The dissent was more focused on the issue of whether or not the states had the prerogative to interpret the "sue and be sued" provision for themselves. *Id.*

143. *Petty*, 359 U.S. at 283.

144. States can waive immunity through contractual obligations. *See Beers v. Arkansas*, 61 U.S. (20 How.) 527, 529 (1858). So if the suability clause is interpreted as a waiver of immunity, then the bi-state commission should have been subject to suit. But Congress did not condition its approval on the "sue and be sued" clause being present in the compact. *See Petty*, 359 U.S. at 277. In other words, the private lawsuit against the bi-state commission in *Petty* was allowed to proceed, not because Congress had mandated it per se, but because the states' were contractually obliged.

145. U.S. CONST. art I, § 8, cl. 3.

146. Communications Act of 1934, ch. 652, 48 Stat. 1064 (codified as amended in scattered sections of 47 U.S.C.A. (West 1991 & Supp. 2000)).

147. *See Michael Kerf & Damien Geradin, Controlling Market Power in Telecommunications: Antitrust vs. Sector-Specific Regulation: An Assessment of the United States, New Zealand and Australian Experiences*, 14 BERKELEY TECH. L.J. 919, 936 (1999).

communications Act of 1996 ("Telecommunications Act").¹⁴⁸ Consequent to AT&T's dismantling, the Telecommunications Act established baseline rules for companies entering the telecommunications field.¹⁴⁹ Section 252 of the Telecommunications Act sets forth provisions under which incumbent telecommunications carriers work out agreements with new carriers.¹⁵⁰ These agreements are subject to approval or rejection by state commissions.¹⁵¹ But when a state commission "fails to act out its responsibility", then the Federal Communications Commission may exert its authority.¹⁵²

In *MCI Telecommunication Corp. v. Public Service Commission*, the Tenth Circuit was the first federal court of appeals to hold that a state entity, here the Utah Public Service Commission, had conditionally waived its sovereign immunity by conducting arbitrations as authorized by section 252 of the Telecommunications Act.¹⁵³ Since *MCI Telecommunications* was decided, "at least 14 district courts and three of four circuit courts to address this issue have concluded that a state commission's participation in the arbitration scheme established under the Act effectuates a non-verbal voluntary waiver of the state commission's [sovereign] immunity"¹⁵⁴

Unlike the Fifth, Seventh, and Tenth Circuits, the Fourth Circuit in *Bell Atlantic Maryland, Inc. v. MCI WorldCom, Inc.*, declined to find that a state commission had waived its immunity by participating in the administration of the Telecommunications Act.¹⁵⁵ But according to the Fourth Circuit, this was only because section 252 merely provides "for federal court review of State commission determinations,

148. Telecommunications Act of 1996, Pub. L. No. 104-104, 110 Stat. 56 (codified in scattered sections of 47 U.S.C.A. (West Supp. 2000)).

149. See *MCI Telecomms. Corp. v. Pub. Serv. Comm'n*, 216 F.3d 929, 933 (10th Cir. 2000) (citing Deonne L. Bruning, *The Telecommunications Act of 1996: The Challenge of Competition*, 30 CREIGHTON L. REV. 1255, 1258 (1997)).

150. See 47 U.S.C.A. § 251(c)(1); *MCI Telecomms.*, 216 F.3d at 933.

151. See *MCI Telecomms.*, 216 F.3d at 933.

152. See 47 U.S.C.A. § 251(e)(5); *MCI Telecomms.*, 216 F.3d at 934.

153. See *MCI Telecomms.*, 216 F.3d at 938-39.

154. *MCI Telecomms. Corp. v. N.Y. Tel. Co.*, 134 F. Supp. 2d 490, 497 (N.D.N.Y. 2001). See, e.g., federal circuit court decisions: *AT&T Communs. v. BellSouth Telecomms. Inc.*, 238 F.3d 636 (5th Cir. 2001); *MCI Telecomms. Corp. v. Illinois Bell Tel. Co.*, 222 F.3d 323 (7th Cir. 2000); *MCI Telecomms. Corp. v. Pub. Serv. Comm'n*, 216 F.3d 929 (10th Cir. 2000).

155. See *Bell Atl. Md., Inc. v. MCI WorldCom, Inc.*, 240 F.3d 279 (4th Cir. 2001).

but it does not provide that the State commission thereby agrees to be named as a party . . . or that it waives its Eleventh Amendment immunity.”¹⁵⁶ In other words, the problem was one of putting the states on notice and eliciting their consent to waive immunity, not that Congress could not enact a conditional waiver.

c. *Spending Clause*¹⁵⁷

In *South Dakota v. Dole*, Chief Justice Rehnquist noted that incident to the spending power, “Congress may attach conditions on the receipt of federal funds, and has repeatedly employed the power to ‘further broad policy objectives by conditioning receipt of federal moneys upon compliance by the recipient with federal statutory and administrative directives.’”¹⁵⁸ Moreover, the scope of the spending power to the “general welfare” is construed broadly. That is, through the spending power and conditional grants, Congress may authorize expenditures for meeting objectives that are beyond Article I’s enumerated legislative fields.¹⁵⁹

In *Dole*, the Supreme Court put forth a test (“*Dole* test”) to assess whether Congress’s use of conditional spending exceeded general constitutional requirements.¹⁶⁰ Although the condition in *Dole* did not include a waiver of state sovereignty, the *Dole* test nonetheless remains the best approximation of the Court’s criteria for analyzing grants conditioned on such a waiver.¹⁶¹ Subsection (i) explains the *Dole* test, and

156. *Id.* at 290. It is very possible that the Fourth Circuit would have gone along with the other circuits had Congress only been more clear that it was using a conditional waiver basis to retain federal court jurisdiction. *See id.* at 293-94 (“[W]e have searched in vain for any statement of congressional intent to condition a State utility commission’s participation in the Telecommunications Act’s regulatory scheme on the waiver of its constitutionally predicated sovereign immunity.”).

157. U.S. CONST. art I, § 8, cl. 3 (“Congress shall have Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States.”).

158. *South Dakota v. Dole*, 483 U.S. 203, 296 (1987) (quoting *Fullilove v. Klutznick*, 448 U.S. 448, 474 (1980)). *Accord* *New York v. United States*, 505 U.S. 144, 166-67 (1992) (holding that although Congress cannot directly compel state legislative or regulatory action, it can induce behavior by putting conditions on grants).

159. *See Dole*, 483 U.S. at 207; *United States v. Butler*, 297 U.S. 1, 66 (1936).

160. *See Dole*, 483 U.S. at 207-08, 211.

161. *See Berman et al.*, *supra* note 105, at 1131. Berman et al. are somewhat critical of the *Dole* test, at least where it impacts upon conditional waiver the-

subsection (ii) presents a number of circuit court decisions in which conditional waivers of sovereignty were upheld in a conditional spending context.

i. *The Dole Decision*

In 1984, Congress directed the Secretary of Transportation to withhold a percentage of federal highway funds, which were otherwise allocable, from States having a minimum drinking age of under twenty-one years.¹⁶² At the time, South Dakota allowed individuals nineteen years of age and older to purchase certain alcoholic beverages.¹⁶³ South Dakota brought suit in the United States District Court requesting a declaratory judgement that the spending condition violated constitutional limitations on the congressional exercise of the spending power.¹⁶⁴ The Constitution empowers Congress to "lay and collect Taxes, Duties, Imposts, and Excises, to pay the Debts and provide for the common Defense and general welfare of the United States."¹⁶⁵

In *Dole*, the Court did not address the issue of whether Congress could set a national minimum drinking age directly.¹⁶⁶ Furthermore, it was clear that Congress could attach conditions to the receipt of federal funds.¹⁶⁷ The issue was whether Congress could indirectly set a national minimum drinking age by attaching a condition to federal funds without contradicting the Twenty-First Amendment.¹⁶⁸ The importance of *Dole* is that the Court explicated a five-part test which can be used to analyze the validity of any conditions Congress attaches to the receipt of federal funds.¹⁶⁹ The test is presented below.

ory. *See id.* at 1143.

162. *See Dole*, 483 U.S. at 205.

163. *See id.*

164. *See id.* South Dakota argued that the Twenty-First Amendment was the major "constitutional limitation" which made Congress's spending condition invalid. *Id.* The Twenty-First Amendment to the United States Constitution imparts to the states the right to regulate the sale of alcohol within their own borders. *See* U.S. CONST. amend. XXI.

165. U.S. CONST. art. I, § 8, cl. 1.

166. *See Dole*, 483 U.S. at 206.

167. *See id.* at 207.

168. *Id.* at 206-07. The Court held that it was a valid exercise of its spending power for Congress to condition a state's receipt of federal highway funds on the adoption of a minimum drinking age. *See id.* at 212.

169. *See id.* at 207-08, 211.

First, the exercise of the spending power must be in pursuit of the general welfare.¹⁷⁰ Second, Congress must condition the states' receipt of federal funds unambiguously, enabling the states to exercise their choice knowingly, cognizant of the consequences of their participation (the "voluntariness" limitation).¹⁷¹ Third, there must be a relationship between the conditions on the grant and the federal interest in promoting national projects or programs (the "germaneness" limitation).¹⁷² Fourth, the conditions must not be barred by other constitutional provisions.¹⁷³ Finally, the conditions must not be so "coercive as to pass the point at which 'pressure turns into compulsion.'"¹⁷⁴

ii. *Waiving Sovereignty as a Condition on Spending: The "Spending Cases"*

In 1986, Congress enacted a general provision declaring that state recipients of federal financial assistance will not be immune to suits if found in violation of federal anti-discrimination statutes.¹⁷⁵ This provision in section 1003 of the Rehabilitation Act Amendments of 1986 states:

A State shall not be immune under the Eleventh Amendment of the Constitution of the United States from suit in Federal court for a violation of section 504 of the Rehabilitation Act of 1973 [29 U.S.C. § 794], title IX of the Education Amendments of 1972 [20 U.S.C. § 1681 et seq.], the Age Discrimination Act of 1975 [42 U.S.C. § 6101 et seq.], title VI of the Civil Rights Act of 1964 [42 U.S.C. § 2000d

170. *See id.* at 207.

171. *See id.* This limitation on the spending power was first elucidated in *Pennhurst State Sch. & Hosp. v. Halderman*, 451 U.S. 1, 17 (1981). *See Dole*, 483 U.S. at 207.

172. *See Dole*, 483 U.S. at 207-08.

173. *See id.* at 208.

174. *Id.* at 211 (citing *Steward Mach. Co. v. Davis*, 301 U.S. 548, 590 (1937)). The majority opinion in *Dole* suggested that this limitation only comes into play in "some circumstances" where the effect of withholding the benefit surpasses the point of "encouragement" to get the states to conform to desired national agenda. *Id.* at 211. In *Dole*, the loss South Dakota would suffer by not enacting the suitable minimum drinking age for consumption of alcohol would be relatively mild, i.e., the loss of "5% of the funds otherwise obtainable under specified highway grant programs." *Id.*

175. Rehabilitation Act Amendments of 1986 § 1003, 42 U.S.C. § 2000d-7 (1994).

et seq.], or the provisions of any other Federal statute prohibiting discrimination by recipients of Federal financial assistance.¹⁷⁶

The Supreme Court appeared to give tacit approval to section 1003's conditional waiver of state immunity in *Lane v. Pena*, in which the Court held that section 1003 did not waive the Federal Government's sovereign immunity.¹⁷⁷ Thereafter, Federal Courts of Appeal from the Fourth, Fifth, Seventh, Eighth, and Ninth Circuits all found that section 1003 conferred a valid conditional waiver for violation of one or another of the anti-discrimination acts enumerated in the text of section 1003.¹⁷⁸ It is interesting to note only one circuit was poised to analyze the waiver in terms of the *Dole* test, but the state entity merely argued that "it is constitutionally impossible for Congress to require the States to waive the Eleventh Amendment as a condition of receiving federal funds," and did not supply evidence for analysis under the *Dole* test.¹⁷⁹

Noting that language of section 1003 of the Rehabilitation Act "tracks precisely" with that in section 1403 of the In-

176. 42 U.S.C. § 2000d-7(a)(1) (1994).

177. See *Lane v. Pena*, 518 U.S. 187, 200 (1996). The Court stated: "Given the care with which Congress responded to our decision in *Atascadero* by crafting an unambiguous waiver of the States' Eleventh Amendment immunity in § 1003, it would be ironic indeed to conclude that that same provision 'unequivocally' establishes a waiver of the Federal Government's sovereign immunity . . ." *Id.* In *Atascadero*, the Court found that a general authorization for suit, as in a federal statute providing remedies for "any recipient of Federal assistance," still "falls far short of manifesting a clear intent" that a conditional waiver of state sovereign immunity is present when a state accepts funds under the federal program. See *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 245-47 (1985).

178. See *Litman v. George Mason Univ.*, 186 F.3d 544 (4th Cir. 1999) (Title IX), *cert. denied*, 528 U.S. 1181 (2000); *Pederson v. La. State Univ.*, 213 F.3d 858, 876 (5th Cir. 2000) (Title IX); *Cherry v. Univ. of Wis. Sys. Bd. of Regents*, 265 F.3d 541 (7th Cir. 2001) (Title IX); *Stanley v. Litscher*, 213 F.3d 340 (7th Cir. 2000) (Rehabilitation Act); *Jim C. v. United States*, 235 F.3d 1079, 1080, (8th Cir. 2000) (section 504 of the Rehabilitation Act); *Clark v. California*, 123 F.3d 1267, 1271 (9th Cir. 1997), *cert. denied*, 524 U.S. 937 (1998) (section 504 of the Rehabilitation Act). A decision by the Eleventh Circuit that found a conditional waiver, *Sandoval v. Hagan*, 197 F.3d 484 (11th Cir. 1999), was reversed in *Alexander v. Sandoval*, 532 U.S. 275 (2001), which held that Title VI does not confer a private right of action, and that in this context section 1003 of the Rehabilitation Act was not relevant since it applied only to violations of federal statutes, but did not create new rights.

179. See *Litman*, 186 F.3d at 552-53.

dividuals with Disabilities Education Act ("IDEA"),¹⁸⁰ the Eighth Circuit found a conditional waiver to be inherent in the IDEA.¹⁸¹ But having already found the IDEA valid on the basis of Congress's abrogation power under Section 5 of the Fourteenth Amendment,¹⁸² the Eighth Circuit did not undertake to further analyze the merits of the conditional waiver in terms of the *Dole* test.

d. *Patent Clause*¹⁸³

In *New Star Lasers, Inc. v. Regents of the University of California*, a federal district court allowed an action to go forward which sought a declaration of invalidity on a patent held by the Regents of the University of California ("Regents"), despite the Regents' motion to dismiss on the basis of the Regents' sovereign immunity as a state entity.¹⁸⁴ Explaining that a patent constitutes a "gift or gratuity," the district court found that the PRCA constitutes a clear and unmistakable waiver,¹⁸⁵ which the Regents presumably knew of when they acquired the patent in question.¹⁸⁶ This decision is somewhat problematic in that there is nothing in the PRCA that explicitly states that as a condition upon receiving a fed-

180. The IDEA "provides federal money to assist state and local agencies in educating handicapped children, and conditions such funding upon a State's compliance with extensive goals and procedures." *Bd. of Educ. v. Rowley*, 458 U.S. 176, 179 (1982).

181. *See Little Rock Sch. Dist. v. Mauney*, 183 F.3d 816, 831-32 (8th Cir. 1999); *accord Bd. of Educ. v. Kelly E.*, 207 F.3d 931, 935 (7th Cir. 2000), *cert. denied*, 531 U.S. 824 (2000).

182. *See Mauney*, 183 F.3d at 831.

183. U.S. CONST. art. I, § 8, cl. 3.

184. *See New Star Lasers, Inc. v. Regents of the Univ. of Cal.*, 63 F. Supp. 2d 1240 (E.D. Cal. 1999). The plaintiff did not raise *Ex parte Young*, 209 U.S. 123 (1908), as a way to avoid state immunity. *See id.* at 1242 n.1.

185. This was found despite the fact the PRCA was not sufficient to abrogate state sovereign immunity. *See supra* notes 33, 45-50 and accompanying text.

186. *See New Star Lasers*, 63 F. Supp. 2d at 1244-45. The court stated that it "can conceive of no other context in which a litigant may lawfully enjoy all the benefits of a federal property or right, while rejecting its limitations." *Id.* The district court purported to be following the "common sense understanding" of the *Petty*, *Dole*, and *College Savings Bank* decisions. *Id.*

A similar argument had been previously advanced by Judge Newman of the Federal Circuit in *Genentech, Inc. v. Regents of the University of California*, 143 F.3d 1446, 1453 (Fed Cir. 1998), but this decision was vacated by the U.S. Supreme Court, *Regents of the Univ. of Cal. v. Genentech, Inc.*, 527 U.S. 1031 (1999), and the case settled out of court. *See Marcia Barinaga, Genentech, UC Settle Suit for \$200 Million*, 286 SCIENCE 1655 (1999).

eral patent, a State is deemed to have waived its sovereign immunity.¹⁸⁷ In fact, a more narrow reading of *New Star Lasers* suggests that the court would only have found a waiver in the context of a declaratory judgment action where the state entity "capitalized on [the] uncertainty [of patent validity or invalidity] by threatening, but never consummating, infringement litigation."¹⁸⁸

III. IDENTIFICATION OF THE LEGAL PROBLEM

The objective of this comment is to propose a way by which Congress might enact a constitutionally sound statutory scheme that conditions the receipt of patent rights upon a state's waiver of sovereign immunity from private lawsuit. The goal of the following analysis is to identify concerns that arise out of the use of conditional waivers by Congress to achieve national objectives in patent law.

The analysis is broken down into four subsections. First, general problems facing the use of conditional waivers by Congress are presented. Second, the comment analyzes general arguments regarding reasons to permit conditional waivers. The third subsection addresses the reasoning that some courts use to find conditional waivers permissible without a consideration of the *Dole* test, and explains why meeting the *Dole* test is requisite for trading patent rights for a conditional waiver in a patent law context. The final subsection

187. However, the PRCA was explicit in conveying the congressional intent to abrogate state sovereignty. For example, a provision of the PRCA states in part:

Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under section 271, or for any other violation under this title.

35 U.S.C. § 296(a) (1992).

188. *New Star Lasers*, 63 F. Supp. 2d at 1244. The court continued: "Amenability to a suit challenging the validity of a patent thus is not only a *quid pro quo*—it is an integral part of the patent scheme as a whole." *Id.*

The reasoning in *New Star Lasers* was adopted in *McGuire v. Regents of the University of Michigan*, in which a suit was allowed to proceed for declaratory relief that plaintiff had not infringed or diluted a federally registered trademark held by a state entity. See *McGuire v. Regents of the Univ. of Mich.*, 2000 WL 1459435 (S.D. Ohio Sept. 21, 2000).

seeks to address more specifically how the *Dole* test may be met in these circumstances.

IV. ANALYSIS

A. *The General Problems with Conditional Waivers*

The Supreme Court has “stressed . . . that abrogation of sovereign immunity upsets the fundamental constitutional balance between the Federal Government and the States . . . placing a considerable strain on the principles of federalism that inform Eleventh Amendment doctrine.”¹⁸⁹ While abrogation is permissible under Section 5 of the Fourteenth Amendment of the Constitution,¹⁹⁰ the Court prohibits Congress’s use of its Article I powers to abrogate sovereign immunity.¹⁹¹ Thus, the general argument against conditional waivers on federal grants made pursuant to Article I is that this procedure allows Congress to achieve indirectly what it cannot constitutionally achieve directly.¹⁹²

Even if this view was not convincing enough to carry the day,¹⁹³ the following arguments advanced in its support are useful for elucidating the concerns that may render a condi-

189. *Dellmuth v. Muth*, 491 U.S. 223, 227 (1989) (internal quotation marks and citations omitted).

190. See *Fitzpatrick v. Bitzer*, 427 U.S. 445, 456 (1976).

191. See *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 636 (1999); *Seminole Tribe v. Florida*, 517 U.S. 44, 72-73 (1996).

192. This is a particular incarnation of the doctrine of unconstitutional conditions which “holds that government may not grant a benefit on the condition that the beneficiary surrender a constitutional right, even if the government may withhold that benefit altogether.” See Kathleen M. Sullivan, *Unconstitutional Conditions*, 102 HARV. L. REV. 1415, 1415 (1989). This doctrine usually arises in the context of individual rights, not states’ rights. See Berman et al., *supra* note 105, 1130 n.459. However, “State sovereign immunity, no less than the right to trial by jury in criminal cases, is constitutionally protected.” *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 682 (1999). The Court recognizes the possibility of an illegitimate exercise of government power with respect to private rights. See *U.S. Term Limits, Inc. v. Thornton*, 541 U.S. 779, 829 (1995). The Court states: “As we have often noted, constitutional rights would be of little value if they could be . . . indirectly denied The Constitution nullifies sophisticated as well as simple-minded modes of infringing on constitutional protection.” *Id.* (internal quotation marks and citations omitted).

193. See cases cited *supra* notes 154, 178 and 181. Such decisions suggest that there is no general bar to Congress requesting that states waive sovereignty as a condition for receiving federal benefits.

tional waiver scheme impermissible when attached to the grant of patent rights.

1. *Coercion and Discrimination*

Some argue that conditional grants are harmful because of the pressure exerted on the beneficiary.¹⁹⁴ A state may be coerced to accept the condition placed on the federal benefit because the state has too much to lose should it not accept the conditioned benefit.¹⁹⁵ In such circumstances, the offer might be characterized as something other than a "benefit."¹⁹⁶

Recognizing that some states may depend more upon patents than others, a related concern is that conditional grants could lead to discrimination. For example, a law that denies patent rights to states that will not waive immunity, but allows patents to private entities and states waiving immunity, could be viewed as unconstitutionally discriminatory.¹⁹⁷

Another aspect of conditional waivers is that they are applicable only to states, even though patents are granted to both private and state entities. This raises the question of whether States should be treated differently than private citizens when both are seeking the same benefits.¹⁹⁸

Moreover, conditional waivers on patents result in a double whammy from the state perspective — not only do States stand to lose the benefit of patent ownership by not accepting the condition, but they face uncertain liability should they accept the condition.

2. *Germaneness*

Some cases have focused on the legislative process that

194. See Sullivan, *supra* note 192, at 1428-58, for a more thorough treatment of these concerns.

195. As a limitation expressed in *Dole*, coercion appears to be linked to the magnitude of the state's potential loss should the state not comply with the condition. See *South Dakota v. Dole*, 483 U.S. 203, 211 (1987).

196. See *Coll. Sav. Bank*, 527 U.S. at 697 (Breyer, J., dissenting) (arguing that a distinction between a federal benefit and a sanction cannot be drawn because when a state's relative dependence on a benefit is substantial enough, the state no longer has meaningful choice to accept or decline the offer).

197. See Berman et al., *supra* note 105, at 1149.

198. Although this particular concern was not voiced in the spending cases, cited *supra* note 178, even though federal assistance under those schemes is obtainable by either private or state "programs or activities."

generates the conditioned benefit, finding that as the national interest for the condition becomes less germane to the national interest for granting the benefit, the more likely that the condition should be invalidated.¹⁹⁹ This "germaneness" limitation is expressed in the *Dole* test.²⁰⁰

An analysis of the germaneness limitation is somewhat hampered in the context of exchanging patent rights for a waiver of state sovereignty, especially in an abstract discussion such as this, because it is not clear what level of judicial scrutiny should be applied. There are at least three approaches under which the Supreme Court might view the problem. Two of these approaches are found in *Dole*, while a third approach is exemplified in *Nollan v. California Coastal Commission*.²⁰¹

The majority opinion in *Dole* found that the imposed condition of raising the State's minimum drinking age "directly related to one of the main purposes for which the highway funds are expended – safe interstate travel."²⁰² The majority approach appears to focus on the national objectives that are sought in connection with the grant (e.g., safe highways), instead of a specific reason for the grant itself (money to build highways), and asks if the condition can be "reasonably calculated" to support one or more of the more general objectives. On the other hand, Justice O'Connor's dissent criticized the majority approach as giving Congress too much leeway to take advantage of its position as a source of federal gratuity.²⁰³ Her approach would require conditions to be linked to the specific uses of the grant.²⁰⁴

Justice O'Connor's approach to germaneness is influential because it appears to be more in-line with other decisions by the Court. Although these decisions were made in contexts other than the congressional use of spending power,

199. See Sullivan, *supra* note 192, at 1420.

200. See *Dole*, 483 U.S. at 207.

201. See *id.* at 208-09 (majority opinion); *Id.* at 213-14 (O'Connor, J., dissenting); *Nollan v. California Coastal Comm'n*, 483 U.S. 825 (1987).

202. See *Dole*, 483 U.S. at 208. See *infra* Part I.D.2.c for additional background on *Dole*.

203. See *Dole*, 483 U.S. at 217 (O'Connor, J., dissenting).

204. See *id.* at 216. O'Connor stated that when "Congress appropriates money to build a highway, it is entitled to insist that the highway be a safe one. But it is not entitled to insist as a condition . . . that the State impose . . . regulations in other areas of a State's social and economic life." *Id.*

they delineate the difference between a permissible condition on governmental power and an impermissible condition. For example, an alternative approach to illustrate the power of germaneness to determine when conditions become unconstitutional is found in *Nollan v. California Coastal Commission*.²⁰⁵

In *Nollan*, the Court "struck down a condition on a regulatory exemption as unconstitutional because not germane to state interests that would have justified denying the exemption."²⁰⁶ The dispute arose when owners of a beachfront property sought a building permit from the California Coastal Commission.²⁰⁷ The building permit was not denied altogether, even though it would have been a legitimate exercise of the State's police power to deny the permit, in order to preserve what was left of the public's visual access to the sea.²⁰⁸ Instead, a condition placed on the permit was that the property owner had to allow the public an easement so people could cross the property in order to walk along the beach.²⁰⁹ The reason for the easement was to allow easier public access to beach areas.²¹⁰ Indeed, the State could require such an easement, but the Constitution mandates compensation be made when doing so.²¹¹ The issue in *Nollan* was whether the State could condition the grant of the permit on the uncompensated surrender of the easement.²¹² The court held the condition invalid because of the "lack of nexus" between the reason for the condition and the reason for the building restriction which had to do with visual access.²¹³ The problem in these circumstances was that the purpose of the condition, even if serving a valid purpose, was accomplished without payment of compensation.²¹⁴ *Nollan* illustrates the concern that conditions can become invalid when they are imposed to circumvent constitutional restraints on what is normally accomplished directly — and that the germaneness test is an

205. 483 U.S. 825 (1987).

206. Sullivan, *supra* note 192, at 1463.

207. See *Nollan*, 483 U.S. at 828.

208. See *id.* at 836.

209. See *id.* at 828.

210. See *id.*

211. See *id.* at 831.

212. See Sullivan, *supra* note 192, at 1463.

213. See *Nollan*, 483 U.S. at 827.

214. See *id.*

indicator of when a condition operates as circumvention.

In *College Savings Bank*, Justice Scalia wrote that "recognizing a congressional power to exact constructive [*Parden*-type] waivers of sovereign immunity through the exercise of Article I powers would, also, as a practical matter, permit Congress to circumvent the antiabrogation holding of *Seminole Tribe*."²¹⁵ A conditional waiver offers a *quid pro quo* which was absent in *Parden*-type waiver, but nonetheless, the germaneness requirement mandates that the reason for the conditional waiver hew closely to the reason for which patents are granted.²¹⁶ Attempting to level the playing field between state and private marketplace entities via conditional waivers might be seen as means to achieve the objectives for having a patent system, but that is not a reason for which Congress grants patents.²¹⁷

B. *Reasons for Permitting Conditional Waivers*

The general principle behind conditional grants is that a broad power to confer a benefit includes the lesser power to withhold or condition that benefit.²¹⁸ General arguments are

215. *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 683 (1999).

216. Tenth Amendment concerns have also been voiced as a limit upon the expansive use of conditions. See *South Dakota v. Dole*, 483 U.S. 203, 210 (1987). In regard to the congressional use of the spending power, Professor Lynn A. Baker stated:

So long as Article I, which enumerates all the powers granted to Congress by the original Constitution is not interpreted to grant Congress plenary power to regulate the states directly, the Tenth Amendment's reservation to the states of all powers not delegated to the Federal Government has content and significance. But if the Spending Clause is simultaneously interpreted to permit Congress to seek otherwise forbidden regulatory aims indirectly through a conditional offer of federal funds to the states, the notion of 'a federal government of enumerated powers' will have no meaning.

Lynn A. Baker, *Conditional Federal Spending After Lopez*, 95 COLUM. L. REV. 1911, 1920 (1995) (footnote omitted).

217. In *College Savings Bank*, the Court refused to carve out a niche in the sovereign immunity doctrine to recognize a "market participant" exception. See *supra* notes 119, 120 and accompanying text.

218. Chief Justice Rehnquist, the author of the *Dole* opinion, is a proponent of this principle. For example, in *Posadas v. Tourism Co.*, the then-Justice Rehnquist for the Court wrote, with regard to a state's ability to regulate gambling, that the "greater power to completely ban casino gambling necessarily includes the lesser power to ban advertising of casino gambling . . ." *Posadas v. Tourism Co.*, 478 U.S. 328, 345-46 (1986). For additional references where

made below regarding the reasons why conditions amounting to a waiver of sovereignty should be permitted.

First, there is ample support that Congress may condition its grants to states,²¹⁹ and that it is also perfectly constitutional for a state to waive its immunity and consent to private lawsuit.²²⁰ To the extent Congress is clear that the proffered benefit entails a conditional waiver, the State has consented to suit by accepting the offer.²²¹ The conditional waiver is part of the bargained-for exchange.

Second, concerns over whether the conditions attached to federal grants amount to something more coercive than putting States to a "hard choice," may be valid as a concern.²²² But this is a reason to find a particular legislative scheme impermissible, not to disallow conditional waivers altogether.²²³ Whether withholding a benefit amounts to something akin to a penalty or not, requires knowledge of the particular circumstances of the state that is unwilling to accept the condition attached to the benefit.²²⁴ Thus, conditional waivers should be evaluated in the context in which they arise, and not discarded from the outset.

Finally, conditional waivers are required so that Con-

Chief Justice Rehnquist, as well as Justice Holmes have expounded upon this idea, see Sullivan, *supra* note 192, at 1441-42, 1459-60.

219. See *New York v. United States*, 505 U.S. 144, 166-67 (1992) (explaining that although Congress cannot directly compel state legislature or regulatory action, it can induce behavior by putting conditions on grants); *Dole*, 483 U.S. 203; *Petty v. Tennessee-Missouri Bridge Comm'n*, 359 U.S. 275 (1959).

220. See *Coll. Sav. Bank*, 527 U.S. 666, 675 (1999); *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 238 (1985); *Clark v. Barnard*, 108 U.S. 436, 447 (1883).

221. See Erwin Chemerinsky, *Protecting the Spending Power*, 4 CHAP. L. REV. 89, 104 (2000).

222. See *id.* at 102, 104.

223. See *Kansas v. United States*, 214 F.3d 1196, 1202 (D.C. Cir. 2000) (noting that the Supreme Court has never employed coercion to invalidate a funding condition, and that federal courts are reluctant to use it).

Hard choice or not, at least with conditioning grants, as opposed to congressional legislative fiat, the ultimate decision rests with citizens. Where Congress employs its Spending Power to attach conditions on the States' receipt of federal funding, then

as by any other permissible method of encouraging a State to conform to federal policy choices, the residents of the State retain the ultimate decision as to whether or not the State will comply. If a State's citizens view federal policy as sufficiently contrary to local interests, they may elect to decline a federal grant.

New York v. United States, 505 U.S. 144, 168 (1992).

224. See *Coll. Sav. Bank*, 527 U.S. at 697 (dissenting opinion).

gress may be able to ensure accountability for the States' use of the benefit received.²²⁵ If there are valid national objectives for Congress to exercise its powers to approve compacts, regulate interstate commerce, grant patents, and give out funds, then it is reasonable that the States receiving benefits from federal exercise conform their use of the benefits so as to not undermine those national objectives. Professor Chemerinsky argues that "[l]awsuits against a state are an obvious, essential way of accomplishing [accountability]. Preventing suits against States would allow them to take federal money and disregard the conditions that Congress constitutionally has the right to impose."²²⁶ As much could be said in other contexts where Congress has legitimate national objectives, such as granting an interstate compact or offering patents.

C. *Applicability of the Dole Test to Conditional Waivers in a Patent Context*

The *Dole* test limitations were presented in the context of a condition attached to an exercise of the spending power. Even so, the same limitations should apply to conditions attached to grants of patent rights, and even when the condition amounts to a waiver of sovereign immunity. It is not surprising that the *Dole* test was enunciated in the context of a conditional spending power exercise given the "vast resources" of the Federal Government and the states' increasing dependence on a federal source for state revenue.²²⁷ The reason that the *Dole* test should be considered is that the general problems with conditional waivers all inhere in the *Dole* test.

For example, as discussed in Part II.D.2, lower court decisions that found conditional waivers valid only barely touched upon the *Dole* test, if considering *Dole* at all. A major focus in these cases was whether the State had "knowingly and voluntarily" waived immunity²²⁸ or whether the condition

225. See Chemerinsky, *supra* note 221, at 104.

226. *Id.*

227. See *South Dakota v. Dole*, 483 U.S. 203, 217 (1987) (O'Connor, J., dissenting). Professor Baker argues that, for this reason, the Tenth Amendment should be narrowly interpreted to restrict the spending power, as Tenth Amendment concerns have more recently been applied to limit congressional power to regulate interstate commerce. See Baker, *supra* note 216, at 1920.

228. This was a concern in the telephone cases, cited *supra* note 154.

met the "clear statement" rule of *Atascadero*.²²⁹ However, these considerations are inculcated into the voluntariness limitation expressed in the *Dole* test.²³⁰ The point being that each limitation in the *Dole* test may only become an issue under circumstances where it is a close question whether that limitation would work to invalidate a particular use of a conditional waiver.²³¹ Ensuring that the limitations of the *Dole* test are met should work to ensure validity of a conditional waiver even in the context of the patent power.

D. *Meeting the Dole test When Attaching Conditional Waivers to Patents*

1. "General Welfare" Restriction

This restriction resides in Article 1, Section 8, Clause 1, and exists textually as a limit on how the Federal Government may tax and spend.²³² Since Congress has a direct grant of power to issue patents,²³³ and in light of the expansive interpretation given to the Necessary and Proper Clause concluding Section 8 of Article I,²³⁴ this limitation of the *Dole* test is not particularly pertinent.

2. *Voluntariness*

There are two essential components to determine whether states "exercise their choice knowingly, cognizant of the consequences."²³⁵ First, the conditional waiver must be unambiguous in order to put the states on notice.²³⁶ Second,

229. See the spending cases, cited *supra* notes 178, 181.

230. See *Dole*, 483 U.S. at 207. See also *infra* notes 235-50 and accompanying text.

231. A similar argument is made by Berman et al., *supra* note 105, at 1141. With reference to the IDEA cases, discussed *supra* note 181, Berman et al. describe the *Dole* test as "collapsing" into the particular focus of the *Atascadero* rule. However, unlike Berman et al.'s characterization of the *Dole* test as a precondition for *Atascadero*'s application, I believe that the clear-statement rule of *Atascadero* articulates one of the inherent limitations of the *Dole* test. See discussion *supra* Part IV.C.2.

232. See *United States v. Butler*, 297 U.S. 1, 66 (1936).

233. U.S. CONST. art. I, § 8, cl. 8.

234. See *McCulloch v. Maryland*, 17 U.S. (4 Wheat.) 316 (1819).

235. *Dole*, 483 U.S. at 207.

236. See *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 243, 247 (1985) (explaining that Congress must unequivocally express its intent to condition participation on a State's consent to waive its constitutional immunity).

there must be a mechanism to determine that the state, or state entity, has manifested its consent to be sued.²³⁷ As *College Savings Bank* made clear, both components must be present for a valid waiver.²³⁸

It follows that if a conditional waiver attached to issued patents is to meet the voluntariness limitation, the waiver must cover only the state entity that evidences its intent to consent. To explain: assume that Congress requires a state to enact a statute waiving immunity to patent infringement suits before one of its state entities may receive a patent.²³⁹ Passage of such a statute by the state clearly manifests the state's acceptance of the condition. But if Congress does not require the statute and merely states that acceptance of a patent works to effect a waiver of immunity, then even if the state entity may have waived its sovereign immunity by accepting a patent, this is hardly adequate to manifest the consent of other state entities or that of the state as a whole.

This understanding of the voluntariness limitation is met in lower court decisions that found valid conditional waivers. For example, in the telephone cases it was noted that the Telecommunications Act "does not mandate that a state commission participate in the arbitration process. If a state chooses not to participate in the Act, the Federal Communications Commission assumes the role of the state commission. However, if a state does choose to participate, the Act expressly provides that any aggrieved party to a state commission's determination may bring suit."²⁴⁰ Congress was "under no obligation to allow states to participate in the Act's regulatory scheme."²⁴¹ Congress met the voluntariness requirement by putting the conditional waiver in unambiguous statutory language,²⁴² and the state manifested its consent when it

237. See *id.* at 234 n.1; *Edelman v. Jordan*, 415 U.S. 651, 673 (1974); *Great N. Life Ins. Co. v. Read*, 322 U.S. 47, 54 (1944).

238. See *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 680-81 (1999). See quote from *College Savings Bank* *supra* in text accompanying note 118.

239. For the purpose of this hypothetical, it is also assumed that the other *Dole* test limitations are met.

240. *MCI Telecomms. Corp. v. N.Y. Tel. Co.*, 134 F. Supp. 2d 490, 497-98 (N.D.N.Y. 2001) (citation omitted).

241. *MCI Telecomms. Corp. v. Pub. Serv. Comm'n*, 216 F.3d 929, 938 (10th Cir. 2000).

242. See *id.* at 939 (quoting section 252(e)(4) of the Telecommunications Act

formed a commission and began arbitrating disputes.²⁴³ Similarly, the conditional waiver attached to the receipt of Title IX funding, and met the voluntariness requirement by limiting the scope of the waiver to those "programs or activities" that actually receive the funds.²⁴⁴

The conditional waiver attached to receipt of federal assistance under the IDEA is more problematic than the Title IX funding cases in the sense that the text of the IDEA does not explicitly limit liability to those state entities actually receiving funds.²⁴⁵ On the other hand, the scope of liability under the IDEA conditioned waiver can only be invoked when a state does not use the money in compliance with the federal goals and procedures associated in educating handicapped children.²⁴⁶ Thus Judge Easterbrook found that suit under the IDEA "is of course limited to enforcing the federal terms and conditions."²⁴⁷ As explained below the conditional waiver in IDEA is on firmer ground with respect to germaneness than the waiver in Title IX.²⁴⁸

which states that "[n]o State court shall have jurisdiction to review the action of a State commission in approving or rejecting an agreement under this section").

243. *See id.*

244. *See Litman v. George Mason Univ.*, 186 F.3d 544, 551, 553 (4th Cir. 1999), *cert. denied*, 528 U.S. 1181 (2000). While Title IX falls within the ambit of the general congressional notice of conditional waiver in section 1003 of the Rehabilitation Act, the language of Title IX itself limits the waiver to those education programs or activities receiving the federal financial assistance. *See* 20 U.S.C. § 1681(a); *Litman*, 186 F.3d at 551; *see also* *Jim C. v. United States*, 235 F.3d 1079, 1080 n.3 (8th Cir. 2000) (stating that in relation to acceptance of funds under section 504 of the Rehabilitation Act, the waiver only attaches to the program or activity receiving the funds leaving "unaffected both other state agencies and the State as a whole").

245. *See Berman et al.*, *supra* note 105, at 1142.

246. *See id.*

247. *See Bd. of Educ. v. Kelly E.*, 207 F.3d 931, 935 (7th Cir. 2000), *cert. denied*, 531 U.S. 824 (2000).

248. *See infra* Part IV.D.3.

Berman et al. distinguish three ways Congress might use the spending power to induce state immunity waivers, termed respectively, a usage limitation, a usage side-constraint, and an entity side-constraint. *See Berman et al.*, *supra* note 105, at 1139-40. A usage limitation is where Congress imposes limits on what or how distributed funds are actually used by the recipient. *See id.* A usage side-constraint imposes "side-constraints on the administration of the funded activity. Grants to fund an afterschool program, for example, might be disbursed on the condition that the afterschool program not [engage in forms of discrimination]." *Id.* at 1140. Most broad of the three, an entity side-constraint limits the activities of a funded entity unconnected with the particular administration of the funded activity. *See id.* Thus, the IDEA conditional waiver is

If the understanding of the voluntariness limitation expressed above is correct then the federal district court was off the mark in *McGuire v Regents of the University of Michigan*, which held that the University of Michigan waived its immunity to private lawsuit, pursuant to the TRCA, by owning trademarks.²⁴⁹ The TRCA, ruled as an impermissible attempt to abrogate state sovereign immunity in *College Savings Bank*, can hardly be said to contain an unambiguous conditional waiver inasmuch as nobody noticed it in *College Savings Bank*.²⁵⁰

3. Germaneness

As explained above, the court's approach to germaneness is varied.²⁵¹ Given this unpredictability, a conditional waiver cannot be faulted for meeting the most circumspect reading of the germaneness requirement. This would limit the scope of conditional waivers to only holding states accountable for how they use their own patents.²⁵² This is not satisfying to private patent holders because they want to sue a state for the states' infringement of privately-owned patents, even if the state's activity is otherwise lawful.

One solution is to follow the precedent of the cases finding a lawful conditional waiver under Title IX and section 504

characterized as a usage side-constraint, whereas the Title IX conditional waiver is more akin to an entity side-constraint. See *id.* at 1141.

These modes of using the spending power described by Berman et al. are characterizations made as part of the germaneness inquiry. Clearly, a usage limitation will meet a strict application of germaneness, whereas an entity side-constraint necessitates the acceptance of a broader standard of germaneness. Given the variety of circumstances under which Congress might use a conditional waiver, having a flexible interpretation of germaneness is convenient—with the caveat that as a less strict standard of germaneness is applied, a concomitant increased scrutiny should be applied in the areas of voluntariness and coercion.

249. See *McGuire v. Regents of the Univ. of Mich.*, 2000 WL 1459435, at *4 (S.D. Ohio Sept. 21, 2000).

250. In rejecting the *Parden*-type waiver under the TRCA, *College Savings Bank* noticed that the "statutory provision relied upon to demonstrate that Florida constructively waived its sovereign immunity is the very same provision that purported to abrogate it." *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 684 (1999). The same would be true with respect to a conditional waiver.

251. See *supra* Part IV.A.2.

252. This is Justice O'Connor's approach in *Dole*. See *South Dakota v. Dole*, 483 U.S. 203, 215-16 (1987) (O'Connor, J., dissenting).

of the Rehabilitation Act.²⁵³ Under these schemes, the condition is that the state "program or activity" receiving the funds cannot discriminate on the basis of sex or disability, which hardly is germane to the reason for which the money is given out. Presumably, anchoring the waiver scheme well within the requirements of the voluntariness limitation by limiting the scope of the waiver to only those programs and activities receiving the money, affords a more relaxed standard under the germaneness requirement, which is why these conditional waivers remain valid. In comparison, the IDEA cases indicate a tighter nexus between the reason the money was given out, and the basis for which the state could be sued,²⁵⁴ which should afford greater leniency when considering the voluntariness requirement. Thus, for conditional waivers on patents, one option might be to clearly restrict the scope of an immunity waiver to those state agencies actually owning patents, and hope for more lenient standard of germaneness from the courts.

Another problem implicit in germaneness is that a conditional waiver on patents must not be viewed as circumvention around existing constitutional restraints on Congress's ability to abrogate sovereign immunity.²⁵⁵ After all, individuals are already, at least in theory, protected against states' patent infringement via the Fourteenth Amendment. However, it seems apparent that conditional waivers under the *Dole* test need not meet every requirement perfectly. This is implicit in the majority's approach to germaneness in *Dole*, where the majority seemed willing to accept a more forgiving standard of germaneness as long as there was little or no coercion involved.²⁵⁶

The reasons the PRCA failed to abrogate state sovereignty could potentially befall a conditional waiver of indis-

253. See cases cited *supra* note 178.

254. The IDEA "provides federal money to assist state and local agencies in educating handicapped children, and conditions such finding upon a State's compliance with extensive goals and procedures." *Bd. of Educ. v. Rowley*, 458 U.S. 176, 179 (1982). It also confers a right of action upon a party alleging a violation of procedural and substantive rights that the Act guarantees, and explicitly provides that "a State shall not be immune under the eleventh amendment to the Constitution of the United States from suit in Federal court for a violation of this chapter." *Berman et al.*, *supra* note 105, at 1140.

255. See discussion *supra* Part IV.A.2.

256. See *Dole*, 483 U.S. at 209 n.3.

criminate scope: the PRCA subjected states to “expansive liability,” but “Congress did nothing to limit the coverage of the [PRCA] to cases involving arguable constitutional violations, such as where a State refuses to offer any state-court remedy for patent owners whose patents it had infringed.”²⁵⁷ Thus, a conditional waiver covering patent infringement should escape the reproof of circumventing existing constitutional provisions as long as the waiver is limited in its application. For example, the waiver might only attach where states do not enunciate their own remedies for infringement or, alternatively, the waiver might merely admit federal jurisdiction to lawsuits which solely seek to enjoin the states from engaging in patent infringement. Surely, asking a state to respect the patent rights of private entities that are protected under the Fourteenth Amendment is not too much to ask in return for receiving patent benefits.

4. *No Other Constitutional Provisions can Bar the Condition*

This limitation presents little problem, as there is nothing unconstitutional about a state voluntarily waiving its sovereignty.²⁵⁸

5. *Coercion*

Coercion was absent in *Dole* since states that refused to raise their minimum drinking age to twenty-one stood to lose only five percent of their otherwise allotted highway funds.²⁵⁹ But what if it had been twenty-five, fifty-one, or one hundred percent? The Court refused to address the issue.

State programs that do not consent to suits alleging discrimination stand to lose one hundred percent of their federal financial assistance under section 504 of the Rehabilitation Act, but apparently this is not coercive. *Jim C. v. United States* noted that the Arkansas Department of Education could avoid the waiver requirements of section 504 “simply by

257. *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 646-47 (1999).

258. *Coll. Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 670 (1999).

259. *See Dole*, 483 U.S. at 211.

declining federal education funds.²⁶⁰ The sacrifice of all federal education funds, approximately \$250 million or 12 per cent of the annual state education budget [for the year 1999-2001] . . . would be politically painful, but we cannot say that it compels Arkansas's choice."²⁶¹ So if Arkansas were to begin slashing its education budget, does the waiver condition in section 504 become increasingly coercive as the federal money represents a bigger piece of the overall budget?

How does one apply this view of coercion in the patent context? What seems unworkable is to try to find some percentage of patents to be withheld in case a state will not consent to a waiver. A conditional waiver only applicable to state entities that refuse to consent (the idea being that a state entity can only accumulate a certain percentage of a state's total patents) is also an ill-fitting solution. This is because one cannot expect state entities, by definition, to exist as distinct, independent entities apart from the state as a whole.²⁶²

This suggests that it would be a mistake to construct a conditional waiver scheme that threatens to withhold patents from states refusing to voluntarily waive sovereign immunity. On the other hand, it is also apparent that when a narrow reading of germaneness is adopted, the concern over coercion is lessened. For example, in *MCI Telecommunications Corp. v. Public Service commission*, coercion was not an issue.²⁶³ Congress was under no obligation to allow states to participate in the regulation of the telecommunications services.²⁶⁴ But in granting that opportunity to the States, Congress properly reserved a conditional waiver, limited in scope, that applied only when it became apparent that a state commission was incapable of effectively using its federal grant.²⁶⁵ Certainly patent grants are different than grants of regula-

260. *Jim C. v. United States*, 235 F.3d 1079, 1082 (8th Cir. 2000) (en banc), cert. denied, 121 S. Ct. 2591 (2001).

261. *Id.*

262. Sovereign immunity may be asserted on behalf of a state by any state entity that is in essence an arm of the state as a matter of federal law. See, e.g., *Streit v. County of Los Angeles*, 236 F.3d 552, 566 (9th Cir. 2001); *Pendergrass v. Greater New Orleans Expressway Comm'n*, 144 F.3d 342, 344 (5th Cir. 1998); *Mancuso v. New York State Thruway Auth.*, 86 F.3d 289, 293 (2d Cir. 1996).

263. See *MCI Telecomms. Corp. v. Pub. Serv. Comm'n*, 216 F.3d 929, 939 n.6 (10th Cir. 2000), cert. denied, 121 S. Ct. 1167 (2001).

264. See *id.* at 938.

265. See *id.*

tory power, particularly due to the fact that patents go to both private and public entities. Just the same, no state is likely to find a sympathetic ear when a conditional waiver scheme on patents has a limited scope of liability, and calls for the exercise of federal jurisdiction in the few circumstances where a state has demonstrated that it is likely to misuse its patents, or provide no remedies for violating the patent rights of others.

V. PROPOSAL

The following three part proposal presents a strategy for implementing a conditional waiver scheme attached to the grant of federal patents that meets the various limitations discussed in the previous section. Only the first part, part A, contains a mandatory, albeit for limited purposes, conditional waiver. Parts B and C work to instill predictability into the national patent system by requiring that a state receiving patents express exactly how other patentholders' rights are to be protected when infringed upon. In part B, states are encouraged to waive their sovereignty to private lawsuit. Part C is a default provision that comes into effect only when states are recalcitrant to choose one of the conditional waiver options in part B.

A. *Imposing Federal Jurisdiction Over Claims of Patent Misuse and Declaratory Relief Against State Patentholders*

Under the most circumspect reading of the germaneness limitation, the Federal Government may place conditions upon how states actually use a federal patent.²⁶⁶ Through explicit statutory text, Congress can put states on notice that receipt of a patent entails a waiver of sovereign immunity limited to the states' actual use of the patent. A mandate that the states refrain from engaging in conduct that amounts to patent misuse under federal law,²⁶⁷ can be used to

266. See *South Dakota v. Dole*, 483 U.S. 203, 215-16 (1987) (O'Connor, J., dissenting).

267. See, e.g., *Mercoird Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944) (stating that a patent is the "grant of a special privilege" which can be nullified by, for example, tying the purchase of non-patented goods to sales of the patented product).

limit the ways that states use their patent to be in-line with the objectives of a national patent system.²⁶⁸ Similarly, where a state capitalizes on the uncertainty of validity of its patent by threatening but never consummating infringement litigation, a state can be subjected to a declaratory judgement action.²⁶⁹

The concerns underlying coerciveness require that the result of an adverse decision against a state in patent misuse and declaratory judgement suits only work to render the patent either unenforceable or invalid. The most a state should be subject to "losing" under the conditional waiver is the benefit itself.

B. *Declaration by States of the Manner by Which Private Patentholders May Seek Redress for Patent Infringement*

Recognizing that giving predictability to how patent rights are to be maintained strengthens the federal patent system for the benefit of all patentholders, this part seeks to encourage states that receive federal patents to declare what remedies are available for state conduct amounting to patent infringement. States are encouraged to participate in this part, but patent grants will not be denied to a state refusing to make such a declaration under this part. Participation under this part requires action by a state body having authority to waive sovereign immunity, in order to ensure that a state can be held to its declaration.

A state body having appropriate authority shall enact a waiver of sovereign immunity consistent with one of the three options discussed below.

1. *General Waiver to Federal Jurisdiction*

This option requires that states waive immunity to federal jurisdiction over a patent infringement action brought by a private party against any state entity engaging in conduct alleged to give rise to the action. States might be able to elect

268. See Berman et al., *supra* note 105, at 1151-52.

269. See *New Star Lasers, Inc. v. Regents of the Univ. of Cal.*, 63 F. Supp. 2d 1240, 1244 (E.D. Cal. 1999). *New Star Lasers* held that under the current law a state can be subject to a declaratory judgment action. See *id.* This decision is problematic because the current patent law has no explicit provisions regarding a conditional waiver on the receipt of a patent as required under the voluntariness limitation.

to limit the recoverable damages under this option. For example, rather than subjecting the state to the panoply of damages available to private patent infringers, damages could be limited to those which the Federal Government allows when it receives an adverse judgement of patent infringement.²⁷⁰ Another possibility is to allow injunctive relief to the private party to by enabling it to enjoin the state entity from further infringement.

2. *Federal Jurisdiction Limited to State Entities that Have Received Patents*

This option requires that states consent to suit in federal court, but only for allegedly infringing activity by state entities that have actually received a federal patent. As in option 1, remedies upon an adverse judgement may be made limited in scope.

3. *Remedies Solely through State Courts or Agencies*

This option requires that states explicitly pronounce the causes of action that the courts will recognize for conduct that otherwise constitutes patent infringement by a state entity. Another possibility may be to allow states to create an agency to hear grievances. Some federal guidelines will have to be devised as to what might or might not be acceptable.

C. *Creation of a Federal Patent Oversight Committee for States Unwilling to Make a Declaration under Part B*

This part of the proposal is the "stick" that takes effect only if and when states take the benefits of patent grants without making a declaration under part B (non-electing states). It calls for the creation of a federal commission to achieve two purposes. The first purpose is to determine what, if any, remedies non-electing states make available to private patentees for state patent infringement, and make these determinations available to all inquiring parties interested in pursuing an action for infringement against a state entity from a non-electing state. The second purpose is to create a

270. Under certain circumstances private parties are subject to treble damages or attorneys fees. See 35 U.S.C. §§ 284, 285 (2001). In comparison, treble damages and attorneys fees cannot be recovered from the Federal Government. See 28 U.S.C. § 1498 (1994).

record of how aggrieved private parties fare under the non-electing state's system of compensating for its patent infringement, and make such records available to Congress. In this way, Congress will have evidence of any pattern of patent infringement by non-electing states. If such patterns emerge, Congress will have some basis for abrogating state sovereignty outright.²⁷¹ The cost for the creation and operation of the federal commission will be shared among all the entities participating in the federal patent scheme.

VI. CONCLUSION

The answer to the question posed in the title of this comment is a qualified "yes." Where the constitutional right of sovereign immunity is at stake in exchange for patent grants, the concerns over coercion are likely to invalidate a conditional waiver in patent law unless the waiver scheme meets a strict definition of germaneness. This may not be true for conditional waivers attached to other federal gifts or gratuities. The conferral of patents is different than, say, federal consent to a compact, or ceding regulatory control over a preempted field of interstate commerce, because patents are offered to both private and state entities. To use a grant of a patent alone as a basis to change the relationship between private citizens and states, that is, to "level the playing field," raises too many hurdles which fall under the guise of coerciveness.

The proposed regulatory scheme offers a compromise. It puts states on notice that where patents are received, states must accede to private lawsuits where their use of the patent exceeds the purpose of the federal grant.

Part II.C reviewed mechanisms by which private patentholders might be remedied for a state's patent infringement. These are largely untested, however, bringing uncertainty into the value of having a patent, which is adverse to national objectives. But requiring a state to forego its constitutional right of sovereign immunity for conduct unrelated to the ways by which it uses a federal benefit cannot work, even if that

271. See *Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 645-46 (1999). Part of the problem with the abrogation attempt under the PRCA was that Congress had not shown a pattern of state depredations. *Id.*

conduct amounts to patent infringement.²⁷² Putting aside the fact that the Supreme Court is unlikely to entertain a federally imposed tit-for-tat exchange of constitutional rights of sovereign immunity for patent infringement, the fact is that unless the state confers no remedy, infringement is not a constitutional violation.²⁷³ Thus, the proposed regulatory scheme encourages states to explicitly declare the remedies that exist, aiming towards predictability in patent law at a cost that is unlikely to convert the patent benefit into a penalty.

272. See discussion *supra* Part IV.

273. See *Florida Prepaid*, 527 U.S. at 645.
