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Report to the Honorable Orrin G. Hatch, Ranking Minority Member, Committee on the Judiciary, U.S. Senate

September 2001

INTELLECTUAL PROPERTY

State Immunity in Infringement Actions

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Contents

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United States General Accounting Office
Washington, DC 20548

September 25, 2001

The Honorable Orrin G. Hatch
Ranking Minority Member
Committee on the Judiciary
United States Senate

Dear Senator Hatch:

Intellectual property—which includes federally granted patents, trademarks, and copyrights—is often owned or used by state governmental entities, such as public institutions of higher education. Until recently, state entities that made unauthorized use of, or "infringed," the intellectual property of others were subject to lawsuits in federal court. In June 1999, however, the U.S. Supreme Court held that states were not subject to such suits, striking down a federal law that would have taken away a state's right to claim immunity under the Eleventh Amendment of the U.S. Constitution when sued in federal court for patent infringement. In *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999), the Court said that the Congress had not shown a pattern of state infringement or an absence of state remedies that would have justified the need for such a law. Since the *Florida Prepaid* decision—which applies to trademarks and copyrights as well as patents—some intellectual property owners have voiced concerns that they no longer have adequate remedies if a state commits infringement.

You requested that we conduct a study of state immunity in intellectual property infringement actions, focusing on issues raised in the *Florida Prepaid* decision as well as the current concerns of the intellectual property community. Specifically, you asked us to (1) determine the extent to which states have been accused of intellectual property infringement, (2) identify the alternatives or remedies available to protect intellectual property owners against state infringement after the *Florida Prepaid* ruling, and (3) obtain the views of the intellectual property

community[1] on what states should and could do, if anything, to protect the rights of intellectual property owners against infringement. As agreed with your office, we reviewed infringement accusations—through both lawsuits and matters dealt with out of court—that had been made against the states since January 1985. In looking at potential remedies, we focused on current state law. Among other steps, we reviewed legal databases and sent survey questionnaires to the 50 state attorneys general, the 37 state bar associations with intellectual property sections, and 140 state institutions of higher education. Appendix I provides more details on our scope and methodology.

Results in Brief

While the precise number is difficult to determine, few accusations of intellectual property infringement appear to have been made against the states either through the courts or administratively. Through an analysis of the published case law and a survey of the states, we identified 58 lawsuits that had been active since January 1985 in either a state or federal court in which a state was a defendant in an action involving the unauthorized use of intellectual property. The federal courts—which have exclusive jurisdiction over patent and copyright infringement cases—heard 47 of these cases in which the state was a defendant, or less than 0.05 percent of the nearly 105,000 intellectual property cases filed in federal district courts during this period. Additional accusations have been dealt with out of court, but these also appear to be few in number. Of the 99 state institutions of higher education that responded to our surveys, for example, 35 said they had not dealt with any accusations at all since January 1985 and 42 said that they had dealt with 5 or fewer.

Intellectual property owners appear to have few proven alternatives or remedies against state infringement available if they cannot sue the states for damages in federal court, based on information provided to us by the intellectual property community and our own analysis. States are not seen as likely to waive their immunity voluntarily and, in some cases, their own laws may prohibit them from doing so. An intellectual property owner

[1] In a broad sense, the term "intellectual property community" encompasses entities or individuals from the governmental, nonprofit, and private sectors that are involved in the ownership, use, or administration of patents, trademarks, copyrights, and trade secrets. For purposes of this report, we focused on the United States Patent and Trademark Office and Copyright Office; attorneys general, institutions of higher education, and other entities within the states that own or use intellectual property; associations that represent intellectual property owners or interests; intellectual property attorneys; and legal scholars.

might be able to obtain an injunction against a state official in federal court to stop the ongoing infringement, but the state would not have to pay damages. It is too early to tell whether actions for damages can be brought in state court. However, such actions face problems because (1) federal law provides that patent and copyright infringement cases can be heard only in federal court, (2) a lawsuit might have to be brought under some state-recognized cause of action—such as a taking of property without just compensation—that has yet to be subjected to judicial review and is thus unproven in the context of intellectual property infringement, or (3) a state may be immune from suit in its own courts.

The intellectual property community is divided on what, if anything, states should and could do to protect the rights of intellectual property owners against state infringement. Some believe that nothing more needs to be done, saying states seldom infringe and, when they do, take remedial action such as obtaining a license or reaching a monetary settlement. They also believe that an intellectual property owner still has the ability to obtain an injunction in federal court against an infringing state employee and can attempt a suit for damages in state court under some alternative legal theory. They also say that, if suits in state court prove not to be possible, the fault lies with the federal government and its preemption statute, not the states. Others in the intellectual property community, believing that the available remedies are too uncertain in view of the risks, disagree and say that the Congress should enact new legislation. The proposals for such new legislation include new attempts to abrogate Eleventh Amendment immunity or requiring the states to waive their immunity in return for participating in and receiving certain rights under the federal intellectual property system.

We provided the Copyright Office and the United States Patent and Trademark Office (USPTO) with a draft of our report for review and comment. Both agencies expressed their continuing concerns over the state immunity issue. They see the current situation as inequitable and believe legislative action is warranted. The USPTO also said that (1) 58 lawsuits "seems like a substantial number" and does not mean "a pattern of infringement does not exist" and (2) the report's conclusions rely on anecdotal information from state officials who "may have an incentive to under-report accusations made against state entities." Moreover, the USPTO said there is no division within the intellectual property community about what needs to be done and that a federal legislative solution "seems especially appropriate given the absence of any viable alternative remedy against state infringement." Regarding the USPTO's comments about the number of accusations identified, our report makes

no conclusions about whether the 58 lawsuits and the matters dealt with out of court that we identified would constitute a pattern of infringement. Our report does not rely solely on information provided by state officials. It also draws from our analysis of the available case law, information provided by state bar associations that had intellectual property sections, and discussions with the intellectual property community as a whole. We do not offer any views on whether the positions taken by others are accurate. We also note, in the conclusions section of our report, that it is too early to determine what impact the *Florida Prepaid* decision will have on the federal intellectual property system. Regarding the comments about what needs to be done to address the state immunity issue, our report makes clear that the intellectual property community is divided in its opinions, with the states generally believing nothing needs to be done and others believing legislative action is needed to correct an inequitable situation.

Background

Historically, state governments have sued and been sued by others in federal court for intellectual property infringement just like any other owner or user of intellectual property. The landscape changed dramatically in June 1999, however, when the Supreme Court ruled in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank* that states could claim immunity under the Eleventh Amendment to the U.S. Constitution when sued in federal court for infringement.

Intellectual Property and Infringement

The term "intellectual property" is commonly used to refer to four types of intangible property—patents, trademarks, copyrights, and trade secrets. Patents are granted and trademarks are registered by the USPTO within the Department of Commerce, while copyrights are registered by the Copyright Office within the Library of Congress. Only the federal government issues patents and registers copyrights, while trademarks may also be registered by states that have their own registration laws. Trade secrets—which are not addressed in this report—are governed by state law.

Anyone who uses the intellectual property of another without proper authorization is said to have "infringed" the property. Traditionally, an intellectual property owner's remedy for such unauthorized use would be a lawsuit for injunctive and monetary relief. Federal law provides that lawsuits for patent and copyright infringements must be brought in federal court. Trademark suits for federally registered trademarks may be brought in either federal or state court.

Eleventh Amendment Immunity and *Florida Prepaid*

In the 1980s, the Congress grew concerned that some states were claiming that the Eleventh Amendment to the U.S. Constitution[2] provided them immunity when sued for intellectual property infringement in federal court. Moreover, the Supreme Court ruled in 1985 that, to abrogate such immunity, Congress must "mak(e) its intention unmistakably clear in the language of the statute."[3] In response to these concerns, the Congress in the early 1990s passed "clarification" laws for patents,[4] trademarks,[5] and copyrights[6] to provide that states (1) could commit infringement and (2) could be sued for infringement in federal court. The reasoning behind these laws was that the states should be subject to the same rules as other users of intellectual property if they desired to be protected by those rules.

In 1994, College Savings Bank, a New Jersey corporation, brought a federal suit against the Florida Prepaid Postsecondary Education Expense Board, a state agency, for infringing College Savings' patent for certain certificates of deposit/annuity contracts. When Florida Prepaid asserted that it was immune to the suit under the Eleventh Amendment, College Savings Bank argued that such a defense was no longer valid because the state's immunity had been abrogated by the Patent and Plant Variety Remedy Clarification Act. The federal district court and court of appeals agreed with College Savings Bank and held the act to be valid. However, the U.S. Supreme Court disagreed with the lower courts and struck down the act in June 1999 in its *Florida Prepaid* decision.

Following a line of cases begun in 1996,[7] the Supreme Court reiterated that the Congress did not have the authority to abrogate a state's Eleventh Amendment immunity under the powers given the legislative branch under Article I of the U.S. Constitution. The Court said that the Congress did

[2] The Eleventh Amendment of the U.S. Constitution states that "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."

[3] *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 242 (1985).

[4] Patent and Plant Variety Protection Remedy Clarification Act (P.L. 102-560, enacted Oct. 28, 1992).

[5] Trademark Remedy Clarification Act (P.L. 102-542, enacted Oct. 27, 1992).

[6] Copyright Remedy Clarification Act (P.L. 101-553, enacted Nov. 15, 1990).

[7] *Seminole Tribe of Fla v. Florida*, 517 U.S. 44 (1996).

have authority under the due process clause of the Fourteenth Amendment to abrogate state immunity, but in this instance it did not show that the states (1) had engaged in a pattern of infringement or (2) did not have suitable remedies of their own. Finding that the legislative history contained no such evidence, the Court ruled that the Congress' attempt to abrogate Eleventh Amendment immunity in patent infringement cases did not meet the requirements of the Fourteenth Amendment and that, consequently, the patent clarification act was invalid.

The Supreme Court's decision in *Florida Prepaid* dealt with patent infringement. However, based on a companion case involving unfair competition[8] decided by the Supreme Court on the same day as *Florida Prepaid* and its action in a copyright infringement case remanded and later decided by the Fifth Circuit Court of Appeals in February 2000,[9] it is generally believed that the *Florida Prepaid* decision applies to all forms of federally protected intellectual property.

Some members of the intellectual property community have raised concerns over the ramifications of *Florida Prepaid*. Specifically, they find the current situation to be unfair, because states—which themselves are owners of intellectual property—benefit from the protection of the federal intellectual property laws but do not have to be bound by them. Furthermore, these members say there is no effective remedy for state infringement of patents and copyrights if the states cannot be sued in federal court. These concerns were the topic of a discussion group convened by the USPTO on March 31, 2000, that included the USPTO, the Copyright Office, attorneys and associations representing various interests within the intellectual property community, legal scholars, and state officials. They also were the subject of a hearing on June 27, 2000, by the Subcommittee on Courts and Intellectual Property, House Committee on the Judiciary, that included the USPTO, the Copyright Office, and two legal scholars.

An analysis of state ownership of intellectual property was beyond the scope of this report. However, appendix II provides a summary of patents, trademarks, and copyrights owned by state institutions of higher

[8] *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999).

[9] *University of Houston v. Chavez*, 517 U.S. 1184 (1996), remanded in light of *Seminole Tribe*, and *rev'd. en banc*, *Chavez v. Arte Publico Press*, 204 F.3d 601 (5th Cir, 2000).

education, based on the information available from the USPTO and the Copyright Office.

Infringement Accusations Against States Have Been Few

Based on the best data available, accusations against the states for intellectual property infringement appear to be few. The precise number cannot be determined because not all accusations result in lawsuits; those that do will not always be in a published decision; and those that do result in a published decision are not always identifiable as involving accusations of intellectual property infringement or state defendants.

Our analysis of published case law and surveys of the states identified 58 lawsuits since January 1985 alleging infringement or unauthorized use of intellectual property by state entities. Forty-seven of these lawsuits against states were brought in federal court, accounting for less than 0.05 percent of all federal intellectual property lawsuits filed during the period reviewed, while 11 had been brought in state court. Twenty-seven of the 58 infringement lawsuits—23 federal and 4 state—had been decided in favor of the state defendants or dismissed.

The states appear to resolve more accusations of infringement out of court than through lawsuits. However, these instances also appear to be few in number. Of the 99 state institutions of higher education that returned our surveys, for example, 35 said they had not dealt with any accusations at all since January 1985 and 42 said they had dealt with 5 or fewer.

Infringement Accusations Against States Can Be Difficult to Identify

Identifying all past accusations of intellectual property infringement against the states over any period is difficult, if not impossible, because there are no summary databases providing such information. The published case law is an incomplete record, because (1) both the federal and state courts report only those cases in which decisions were rendered and (2) state courts usually report only appellate decisions. Thus, lawsuits that were dropped or settled by any court prior to a decision as well as those decided by state trial courts might not appear in the published case law.[10] Furthermore, accusations that are made through such mechanisms

[10] Two exceptions would be (1) cases where some matter (e.g., a motion to dismiss on Eleventh Amendment grounds) was appealed to and decided by an appellate court and (2) separate actions (e.g., a request for a declaratory judgment on the validity of a patent) conducted in federal court during the course of the underlying lawsuit that made reference to that lawsuit. Even in these cases, however, there may be little information on the particulars of the referenced lawsuit.

as cease-and-desist letters that were resolved administratively without a lawsuit being filed would not appear in the published case law.

It is also difficult to identify lawsuits for which the underlying accusations appear to be claims of infringement, but the lawsuits themselves were brought under some other cause of action.[11] For example, a lawsuit that involves a contract dispute might also include an accusation of unauthorized use of intellectual property. Similarly, a lawsuit in state court over what appears to be an accusation of patent or copyright infringement might have been brought under some state-recognized cause of action.

Even where infringement lawsuits can be identified, it is not always possible to determine whether one of the parties was a state entity that could claim immunity. For example, some organizations that have the name of the state in their own title (e.g., California Institute of Technology) are not state entities while other organizations not carrying the state name (e.g., Auburn University) are nevertheless entities of the state. Moreover, not all state entities qualify for Eleventh Amendment immunity. For example, some Pennsylvania universities generally considered to be public institutions are only quasi-state entities for litigation purposes and do not have immunity in federal courts. Similarly, the community colleges in some states could have Eleventh Amendment immunity while those in other states might not. In still other cases, a particular entity's ability to claim immunity may be unknown.

Because of the difficulties in identifying accusations of infringement against the states through the case law, we supplemented our search with surveys to state attorneys general and state institutions of higher education.[12] Attorneys general were selected because they are the primary legal authorities in the executive branches of their respective states. State institutions of higher education were selected because they are among the most significant state entities in terms of ownership and use of patents, trademarks, and copyrights. Our surveys asked for information on both lawsuits and matters resolved out of court since January 1985. Thirty-six of the 50 attorneys general (about 72 percent) and 99 of the 140

[11] The term "cause of action" refers to the basis (e.g., breach of contract, trespass, etc.) under which a plaintiff seeks relief.

[12] For purposes of this report, the term "state institutions of higher education" includes colleges, universities, and affiliated associations. Appendix I provides additional details on how the institutions of higher education were identified for participation in our surveys.

institutions of higher education (about 71 percent) responded to our survey.[13]

The survey responses offered no assurance that we had identified all the accusations of infringement or unauthorized use of intellectual property made against the states, as the respondents themselves did not always have such information. The state attorneys general are not necessarily informed of accusations of infringement against other state entities (see app. III, tables 9, 25, and 28). Similarly, legal representatives from some state institutions of higher education we contacted told us that, while they generally could identify the few lawsuits to which they had been parties, they did not always have formal mechanisms for identifying actions dealt with administratively. In order to respond to our requests, some attorneys general and state institutions of higher education told us that they had had to research detailed case files or rely on the collective memory of staff. Even these were a problem in researching accusations beyond recent years, as the files were not organized for such a search and the current staff may not have been in place since January 1985.

Few Infringement Lawsuits Have Been Brought Against States

We identified a total of 58 lawsuits involving accusations of the unauthorized use of intellectual property that were active at some time since January 1985, and where state entities were the defendants (see table 1 and app. IV, table 47). These included (1) lawsuits where the stated cause of action was infringement of a patent, trademark, or copyright, (2) requests for declaratory judgments,[14] and (3) lawsuits brought under some cause of action other than infringement but where the state nevertheless appears to have been accused of the unauthorized use of intellectual property.

[13] Some of the survey responses covered more than one institution; thus, the 99 responses provided information on 113 separate institutions surveyed, or about 81 percent of the 140 institutions.

[14] A declaratory judgment declares the rights of the parties or expresses the opinion of the court on a question of law, without ordering anything to be done. For example, a party who wishes to use a product or process patented by another can ask a federal court for a declaratory judgment that the patent is invalid.

Table 1: Intellectual Property Lawsuits Active in Federal or State Court Since January 1985 Where the Defendants Were State Entities

	Number of lawsuits[a]						
				Status			
		Jurisdiction		Resolved by court		Dropped or settled by parties	Still active
Type of intellectual property	Total	Federal	State	Decided	Dismissed[b]		
Patent	21	17	4	3	4	10	4
Trademark	11	8	3	2	3	4	2
Copyright	19	16	3	5	6	7	1
Trademark and copyright	5	4	1	1	1	2	1
Patent and trademark	1	1	0	0	1	0	0
Patent and copyright	1	1	0	1	0	0	0
Total	**58**	**47**	**11**	**12**	**15**	**23**	**8**

[a]We did not consider separate actions—such as appellate court decisions on rulings made by the trial court—arising out of the same matter as separate cases except in those instances where lawsuits were filed in both federal and state court. For example, *Florida Prepaid* and *College Savings Bank* were Supreme Court decisions based on separate appeals out of the same lawsuit in federal district court. We treated these as one lawsuit. In four other cases, however, the same basic accusations resulted in separate lawsuits in both state and federal court. We treated these as eight separate lawsuits—four federal and four state.

[b]The cases dismissed were those against the state. The lawsuit may have proceeded against any codefendant(s).

Source: GAO analysis of case law and survey responses by state attorneys general and state institutions of higher education.

Forty-seven of the 58 lawsuits that we identified were brought in federal court. In analyzing these cases, we noted the following:

- Twenty states were involved in one or more lawsuits each. One state was a defendant in 10 suits, 2 were defendants in 5 each, 3 were defendants in 3 each, 4 were defendants in 2 each, and 10 were defendants in 1 each.
- Thirty-two of the lawsuits involved state institutions of higher education; the remaining 15 involved other entities of the states.
- Thirty-five of the lawsuits involved infringement actions, while the remaining 12 involved requests for declaratory judgments only.
- The defendant states were the prevailing party in all 23 lawsuits resolved by the courts. Ten lawsuits were decided, and 13 lawsuits were dismissed.
- Of the 13 lawsuits dismissed, 10 were dismissed because the state defendant was found to have Eleventh Amendment immunity. Of these, 6 were dismissed prior to and 4 were dismissed as part of or after the June 1999 *Florida Prepaid* and *College Savings Bank* decisions. The Eleventh Amendment was also raised in some other cases that were settled or still active. For example, the Court of Appeals for the Fifth Circuit found the

state to have immunity in *Chavez v. Arte Publico Press*.[15] The parties settled the case prior to a final decision by the district court to which the case had been remanded.

Of the 11 lawsuits heard in state court, we noted the following:

- Two states were defendants in three lawsuits each, and five states were defendants in one lawsuit each.
- Five of the lawsuits involved state institutions of higher education; the remaining six involved other entities of the states.
- Four of the lawsuits brought in federal court were also brought in state court. In three cases, the state actions were introduced after the federal court decided or dismissed the federal lawsuits against the states. In the fourth case, the federal action was introduced after the state court dismissed the state lawsuit against the state.
- The state was the prevailing party in the four cases resolved by state courts—two by rendering a decision and two by dismissing the action.[16]
- Of the two lawsuits dismissed, one was because the court said it lacked jurisdiction on what was essentially a copyright infringement claim, and one was because the court determined the state was not a party to the unauthorized use of intellectual property.

We identified an additional 42 lawsuits—36 federal and 6 state—active in federal or state court since January 1985 where the state was a plaintiff[17] (see app. IV, table 48). While a complete analysis of such cases was beyond the scope of our review, we include them to provide additional information on the extent to which states are involved in litigating intellectual property infringement suits.

The lawsuits against states also appear to be few in number when compared to the number of infringement lawsuits against all defendants. Statistics accumulated by the Administrative Office of the U.S. Courts show 104,898 district court cases were filed from fiscal year 1985 through

[15] See footnote 9.

[16] As discussed later in this report, there is one active state case where the state supreme court said that the case can proceed under the state-recognized cause of action—a taking without just compensation—pursued by the plaintiff.

[17] We identified one lawsuit in which the defendant had filed a counterclaim for infringement against the state. Upon the state's motion, the court found that the state did not give up its Eleventh Amendment immunity in filing its own lawsuit.

fiscal year 2000 that involved protected property rights for patents, trademarks, and copyrights (see app. V, table 49). Thus, the 47 federal cases we identified accounted for 0.045 percent of all the federal lawsuits filed over this period that involved possible intellectual property infringements. We did not identify state court statistics that could be used for comparison.

States Handle Most Accusations Without a Lawsuit Being Filed

During our visits to three states, state officials acknowledged that they were more likely to handle an accusation of intellectual property infringement administratively than to be the defendant in a lawsuit. They said the reason was that they do not intentionally infringe or misuse the property of others and, when confronted with an infringement accusation, they investigate the matter thoroughly. If they find no infringement, they say they advise the complaining party and provide their rationale. If they do find a potentially infringing use, they say they attempt to make amends by ceasing such use, obtaining a license, or reaching some type of monetary settlement.

The state officials noted that it was very difficult for them to identify matters they had resolved administratively, as these matters can arise and be dealt with in different ways. One way they are accused of infringement is through a cease-and-desist letter, where the complainant advises the state entity of its ownership of a particular property, the nature of the state's unauthorized use, the actions required of the state entity, and the consequences if such actions are not taken. Not all notifications to the state are this formal, however, nor are they necessarily written. Similarly, the state's response may vary depending on the circumstances. In some cases, the state provides a rationale for the use of the property, does not receive a response from the complainant, and eventually considers the matter dropped. In other cases, the state may take some remedial action, although not necessarily the action requested.

We asked the state attorneys general and state institutions of higher education that we surveyed to estimate the number, within specific ranges, of infringement accusations made against the states since January 1985 that had been dealt administratively without a lawsuit being filed. Six of the 36 attorneys general responding to our request said they had identified no such matters handled by their states while another 12 said that they did not know if their states had dealt with any accusations at all. Of the 18 attorneys general that did identify such matters, 11 identified between 1 and 5 matters each, 4 identified between 6 and 10, 1 identified between 11 and 15, and 2 identified between 16 and 30 (see app. III, table 11).

Thirty-five of the 99 state institutions of higher education that responded to our request said that they identified no accusations of intellectual property infringement dealt with out of court, while 10 said that they did not know if they had dealt with any. Of the 54 that did identify such matters, 42 said they had dealt with between 1 and 5 each, 4 said that they had dealt with between 6 and 10, 7 said that they had dealt with between 11 and 15, and 1 said that it had dealt with between 16 and 30 (see app. III, table 29).

Others we contacted within the intellectual property community agreed that most infringement accusations are resolved out of court. For example, the Software & Information Industry Association (SIIA)—an association of software companies that, among other things, works to protect the intellectual property of its members—said in June 2001 that it had surveyed its records and identified 77 matters involving state entities over the past 6 years. They noted the following:

"We refer to these events as 'matters' because in the overwhelming majority of cases, no litigation actually results. Instead, after the SIIA learns of a possible infringement, it contacts the infringing entity to request an audit of its existing software, and attempts to bring that entity into compliance with the law. Normally, the entity will then pay a penalty and a license fee for the number of unauthorized copies it is using…"

Representatives from the SIIA told us that, while they agree that state institutions of higher education are significant users of intellectual property, there are many other users in the state also, particularly in regard to software. The association noted that, of the 77 infringement matters it identified, about 50 percent involved state institutions of higher education while the rest involved state hospitals, bureaus, public service commissions, and other instrumentalities.

Intellectual Property Owners Have Few Alternatives or Remedies Against State Infringement

According to the state officials, legal scholars, and other members of the intellectual property community we contacted, few alternatives or remedies appear to remain after *Florida Prepaid* for intellectual property owners who believe that a state has infringed their property. A state cannot be sued in federal court for damages except in the unlikely event the state waives its Eleventh Amendment immunity. If the state cannot be sued for damages, the only other alternative in federal court would be to obtain an injunction against the infringing state official. This is seen as an incomplete remedy because, while it might stop the person enjoined from continuing the infringement, the state would not be liable for monetary damages.

It is too early to tell whether the state courts provide adequate alternatives or remedies for state infringement after *Florida Prepaid*, as there have been so few lawsuits attempted in state court to date. However, many of the representatives of the intellectual property community whom we contacted did not see the state courts as a viable alternative. They said that a state court probably would not hear a patent or copyright infringement lawsuit because federal law requires such suits to be brought in federal court. Thus, for a patent or copyright lawsuit against any party to succeed in state court, the intellectual property owner would have to convince the court that damages were recoverable under some state-recognized cause of action—such as a taking of private property under a reverse eminent domain theory—which has yet to be tested in an intellectual property context and subjected to appellate court review. The representatives of the intellectual property community noted that, even if such causes of action were accepted in state court, they might not be of any value against a state infringer because the state may have immunity in its own courts under state law.

Damages Are Not Available in Federal Court

As in attempting to enumerate past accusations of infringement against the states, identifying the alternatives and remedies available to an intellectual property owner who believes a state has committed infringement after *Florida Prepaid* is difficult, if not impossible, because (1) there are no databases showing this information, (2) the alternatives and remedies may vary by state and type of intellectual property, and (3) any alternatives or remedies that might be available are largely untested. To identify potential alternatives and remedies, we elicited the views of state officials, legal scholars, and other members of the intellectual property community. We also included questions on this subject in the surveys we sent to state attorneys general and state institutions of higher education as well as in separate questionnaires to the 37 state bar associations that we identified as having intellectual property sections.[18]

Many of the officials we contacted reiterated the general view that *Florida Prepaid* severely limits a plaintiff's ability to bring a lawsuit against a state for intellectual property infringement in federal court. Lawsuits seeking damages in federal court were seen as impossible unless the defendant states waived their immunity—an action they were not seen as likely to

[18] Twenty-one of the 37 bar associations actually responded to our surveys, a response rate of 57 percent.

take. The remaining alternative in federal court would be to obtain an injunction against the infringing state official, an action that might stop the continuing infringement but would not result in the state's reimbursing the intellectual property owner for past harm.

Waiver of Eleventh Amendment Immunity

We did not identify any infringement lawsuits in which state defendants had voluntarily waived their immunity in federal court. In the surveys we sent to state attorneys general, state institutions of higher education, and bar associations, we asked the respondents whether state entities had the right to waive immunity in federal court. The majority of respondents said that either the state entities did not have the authority to waive or these respondents did not know whether waiver was possible. Specifically, they noted the following:

- Four of the 36 attorneys general responding said that their states had the right to waive immunity, while 22 said there was no such right and 10 said they did not know if the state could waive immunity. Of the 22 respondents that said the state did not have the right to waive, 6 cited their state constitutions as the prohibiting authority while 5 cited state statutes, 7 cited case law, 3 cited some other authority, and 1 did not provide an authority (see app. III, tables 13 and 15),
- Twelve of the 99 state institutions of higher education responding said that they had the right to waive immunity, whereas 58 said there was no such right, 20 did not know, and 9 did not answer the question. Twenty of the 58 respondents that said they could not waive immunity cited their state constitutions as the prohibiting authority while 2 cited state statutes, 9 cited case law, 14 cited some other authority, and 3 did not respond (see app. III, tables 31 and 33).
- Five of the 21 bar associations responding said that their states had the right to waive immunity, while 6 said there was no such right and 10 said they did not know. Three of the 6 respondents that said their states could not waive immunity cited their state constitutions as the prohibiting authority, 1 cited state statutes, and 2 cited case law (see app. III, tables 36 and 38).

Members of the intellectual property community have noted that states have no incentive to waive Eleventh Amendment immunity in federal court. In the three states we visited, state officials said they would not waive immunity. They noted that, as discussed above, they do not infringe knowingly and make every effort to resolve any infringement that does occur. They said that, if subjected to a lawsuit, they thus would disagree with the accusation and would not give up any possible defense—including Eleventh Amendment immunity—that would allow them to

avoid expensive and unnecessary litigation. Similarly, we discussed this issue with private attorneys who noted that an attorney representing the state would have to raise the immunity defense and that not doing so might present a question of malpractice.

We did identify two lawsuits decided since the *Florida Prepaid* decision in which the federal district courts found a "constructive waiver" on the part of the state defendants.[19]

Injunctions Against State Officials

Many of the state officials and other members of the intellectual property community we contacted believed that, even after the *Florida Prepaid* decision, it was possible to get an injunction in federal court to prevent an ongoing infringement by a state entity. The federal injunction theory is based on the premise that, although the state itself cannot be sued for infringement in federal court, an intellectual property owner can get an injunction against the infringing state official.[20]

The federal court injunction remedy may have its own limitations. Generally, the plaintiff would not be entitled to any monetary damage for past harm from the state itself. Another problem, according to one attorney we contacted, is that an injunction in the past normally would be granted in the course of a federal infringement suit for damages. Because there would be no separate federal action for damages if the state had immunity, the plaintiff might still have to go through an expensive and protracted lawsuit to obtain the injunction without any expectation that damages would be paid.

The respondents to our surveys had mixed or no opinions on the value of the federal injunction as an alternative or remedy. When asked if they agreed that an intellectual property owner could get an injunction against

[19] The two cases we identified were *New Star Lasers, Inc. v. Regents of the University of California* , 63 F.Supp.2d 1240 (E.D. Cal., 1999), a patent case decided in August 1999, and *T. Michael McGuire v. Regents of the University of Michigan*, No. 2: 99CV1231, Sept. 21, 2000, 2000 WL 1459435 (S.D., Ohio), a trademark case decided in September 2000. The district courts found that the university defendants waived their right to immunity when they applied for and received the patent and the trademark that were the source of the controversy.

[20] This premise is based on the decision in *Ex Parte Young*, 209 U.S. 123 (1908), in which the Supreme Court followed what it said was the established doctrine that "a suit against individuals for the purpose of preventing them as officers of a State from enforcing an unconstitutional enactment to the injury of the rights of the plaintiff, is not a suit against the State within the meaning of that [the Eleventh] Amendment."

a state employee for infringement in federal court, 5 of the 36 attorneys general responding to our surveys said they "strongly agree," while 7 said they "somewhat agree," 4 were neutral on the subject, 1 would "somewhat disagree," 4 said they "strongly disagree," and 15 had no opinion (see app. III, table 16). We also queried the bar associations on this issue. Among the 21 responding, 3 said they "strongly agree," 5 said they "somewhat agree," 1 was neutral on the subject, 5 would "somewhat disagree," 3 said they "strongly disagree," and 4 had no opinion (see app. III, table 39).

Other Options

When asked for their opinions on whether alternatives or remedies were available in federal court other than an infringement suit where a state had waived its immunity or an injunction against a state official, most survey respondents either said there were no other options or had no opinion. Among the 36 attorneys general that responded, 1 said that any other alternatives or remedies were available in federal court, while 11 said there were none and 24 said they had no opinion (see app. III, table 17). Seven of the 21 bar associations responding said there may be some other alternative or remedy in federal court, while 7 said there were not and 7 said they had no opinion (see app. III, table 40).

Alternatives and Remedies in State Court Are Unproven and Speculative

If the federal courts are unavailable, the other potential forum for pursuing a lawsuit against a state for damages would be the state courts. While this is an option for trademarks, many of those we contacted saw little chance of success with infringement-type actions in state court for patents and copyrights because of federal judicial preemption and an absence of state-recognized causes of action. Furthermore, even if infringement suits can be brought in state court, it may not be possible to bring them against states that have governmental immunity shielding them from suit in their own courts.

We asked both the attorneys general and the intellectual property sections of state bar associations about the possibility of bringing infringement suits in state court. Ten of the 36 attorneys general that responded said that infringement lawsuits could be brought in their state courts, while 5 said they could not and 21 had no opinion (see app. III, table 18). Seven of the 21 bar associations that responded said such suits could be brought in their state courts, while 7 said they could not, 6 had no opinion, and 1 did not respond to the question (see app. III, table 41).

Federal Judicial Preemption for Patents and Copyrights

The first hurdle to bringing an intellectual property infringement action against a state in state court is federal judicial preemption in patent and copyright cases. Section 1338 of Title 28 of the U.S. Code gives the federal

district courts "original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks." Section 1338 further provides that "Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases."

The exclusive jurisdiction of the federal courts may be an insurmountable bar to a plaintiff who would seek a remedy for patent and copyright infringement in state court, regardless of whether the defendant was a state or a private party. Representatives from the intellectual property community that we contacted repeatedly brought up this problem as a reason why these cases would not be heard in state court. Seven of the 36 attorneys generals and 16 of the 21 bar associations that responded to our surveys saw federal judicial preemption as such an impediment (see app. III, tables 20 and 43).

Federal judicial preemption is a problem only for patents and copyrights, as state courts are able to hear trademark cases. However, the federal courts traditionally have served as the preferred forum. An attorney who specializes in trademark cases noted that trademark actions generally have been brought in federal court in the past because (1) most trademarks are federally registered; (2) suits on federally registered trademarks can address interstate infringements; (3) infringement suits are easier to bring in federal court because the burden of proof shifts to the other party if the trademark owner can prove that the mark is registered with the USPTO; and (4) federal courts are seen as more convenient because the federal judges are experienced in these types of actions and the law is uniform nationwide.

Eight attorneys general said that trademark infringement suits were possible in their state courts and 7 bar associations believed the state could be sued for trademark infringement in state court (see app. III, tables 18, 19, 41, and 42).

No Proven State Cause of Action for Patents and Copyrights

Because patent and copyright infringement suits must be brought in federal court, an intellectual property owner wishing to bring a suit in state court for the unauthorized use of intellectual property—regardless of whether the defendant is a state—would have to bring the case under some cause of action other than infringement. This second hurdle to bringing an intellectual property infringement action against a state creates two problems for the property owner. First, he or she must pursue a cause of action that the court will recognize as appropriate and that is capable of providing the relief the property owner is seeking. Second, the

claim must not be such that the court will find the suit is, in effect, an infringement action and dismiss it for lack of jurisdiction.

Many of the state officials and representatives of the intellectual property community we contacted provided a number of possible causes of action that intellectual property owners might pursue in state court. One option that was posited, for example, was a "taking" under a reverse eminent domain, or "inverse condemnation" theory. Under this cause of action, the intellectual property owner would claim that the state had "taken" the property—much as it takes real property for road right-of-way or construction projects—and that the property owner is entitled to just compensation as provided by the Fifth Amendment to the U.S. Constitution. One of the potential problems with this cause of action is that it generally has been applied in the context of real estate or other tangible property rather than to intangible property such as patents and copyrights.

Another suggested cause of action was breach of contract. Under this theory, the intellectual property owner would argue that the state was not abiding by the terms of an agreement between the state and the property owner. A potential problem with this cause of action is that it requires the court to find that a contract existed between the parties. Also, any damages awarded may be limited to those provided by the contract.

A third cause of action noted as possible was some type of tort action against the state for injury or damages caused by the state's unauthorized use of the intellectual property.[21] One of the problems seen with pursuing a tort cause of action is the property owner would in essence be bringing the same type of case that would be brought in an infringement action. Thus, even though the legal theory might be one that was appropriate and could result in compensation for damages, a state court might dismiss it for lack of jurisdiction because of federal judicial preemption.

In the surveys we sent to state attorneys general and bar associations, we asked for opinions on alternative legal theories that might be pursued in state court. Three of the 36 attorneys general that returned our surveys said there was no theory under which a property owner could obtain damages and 20 had no opinion. Of the 13 that advanced one or more

[21] A tort is a private or civil wrong based on a personal duty owed to the defendant other than a duty created by contract.

theories, the most common were a taking, such as reverse eminent domain, tort, and contract. Other theories included an action before a state claims commission or board, unfair competition, conversion,[22] and trespass to chattel (see app. III, table 21).

Seventeen of the 21 bar associations that returned our surveys advanced at least one theory for a state cause of action for state infringement of intellectual property, while 2 said no theory was applicable and 2 had no opinion. As with the attorneys general, the most common causes of action suggested were a taking, such as reverse eminent domain, tort, or contract. Other suggestions included criminal law, trade secret misappropriation, and unfair competition (see app. III, table 44).

We also asked the state attorneys general and bar associations whether they believed damages could be recovered against their states if a property owner could obtain a judgment against the state in state court for unauthorized use of intellectual property. Of the 36 attorneys general that returned our surveys, 5 said damages definitely would be allowed, 6 said they probably would be allowed, 1 said recovery was as likely as not, 3 said damages probably would not be allowed, 1 said that they definitely would not be allowed, 17 had no opinion, and 3 did not respond to the question (see app. III, table 22). Of the 21 bar associations that returned our surveys, 1 believed damages definitely would be allowed, 8 said they probably would be allowed, 1 said recovery was as likely as not, 2 said damages probably would not be allowed, and 9 had no opinion (see app. III, table 45).

Many of the state officials and representatives of the intellectual property community we contacted noted that the use of state-recognized causes of action in patent and copyright cases was unproven and speculative. They said that (1) there is little or no experience with pursuing these causes of action in intellectual property cases, (2) the appropriateness and applicability of such causes of action might vary state-by-state, and (3) the likelihood of success of such causes of action can not be known until decisions involving their use in intellectual property cases have been reviewed by the appellate courts.

[22] Conversion is the wrongful appropriation of another's property to one's own use, enjoyment, or purpose.

Some members of the intellectual property community also noted that, even if these causes of action were successful, they would not necessarily allow recoveries similar to those in federal court. They pointed out, for example, that federal copyright law provides for statutory damages for infringement. In state court, the property owner might have to prove actual damages. Also, states would differ in how infringement cases would be brought in state court, requiring the intellectual property owners and attorneys to be familiar with multiple jurisdictions.

Few lawsuits accusing the states of the unauthorized use of intellectual property appear to have been brought in state court. To determine the legal theories that have been used in the past in such cases, however, we analyzed each of the 11 intellectual property cases we identified above as having been brought in state court since January 1985. Table 2 shows the causes of action pursued and the results achieved in each of these cases.

Table 2: Causes of Action Pursued and Results in Intellectual Property Lawsuits Brought in State Court Since January 1985

Case number	Type of property	Cause of action			Result
		Taking	Contract	Other	
1	Patent	X			Summary judgment to state. State was not involved in taking.
2	Patent	X			Settled after decision that case was filed in wrong state court.
3	Patent	X			Active. Federal circuit court of appeals and state supreme court said case could continue under taking theory.
4	Patent		X		Active, awaiting appeal of a related case in federal court.
5	Trademark	X			Decision for state because (1) state had not waived immunity and (2) trademark did not qualify for taking under state law.
6	Trademark			X[a]	Settled prior to decision.
7	Trademark			X[b]	Dismissed. State was not a contributory infringer.
8	Copyright		X		Settled prior to decision.
9	Copyright		X[c]		Dismissed. Court lacked jurisdiction because of federal preemption.
10	Copyright		X		Active, awaiting decision on motion that case should have been filed in federal court.
11[d]	Copyright, trademark		X[e]		Settled prior to decision.

[a]Causes of action included common law trademark infringement, improper use of a trade name, and dilution of a trade name.

[b]Cause of action was trademark infringement.

[c]Also cited as causes of action were unfair competition and conversion (appropriating the property on another for one's own beneficial use).

[d]Case originally was brought in federal court, but was dismissed because state had Eleventh Amendment immunity. It was then filed in state court.

[e]Also cited as causes of action were misappropriation of literary property and violation of state consumer protection act. The plaintiff also sought an injunction and a declaratory judgment on the issue of ownership of the intellectual property.

Source: GAO analysis of cases identified through (1) case law analysis and (2) surveys completed by state attorneys general and state institutions of higher education.

Overall, these cases appear to do little to determine the availability of state causes of action for unauthorized use of intellectual property by states. We identified 11 cases in total, and these involved only 7 different states. Of the 11 cases, 4 were decided by the courts, while 4 were settled by the parties. Another three cases remain active, but in only one of these has a state appellate court ruled that the case can proceed under the state-

recognized cause of action—a taking without just compensation—pursued by the plaintiff.[23]

Immunity in State Court

A third hurdle to bringing an infringement action in state court against a state is the state's governmental immunity in its own courts. This type of immunity differs from Eleventh Amendment immunity in that, within state law, the state is sovereign and usually cannot be sued unless it has given its permission to be sued. State law varies from state to state on the issue of governmental immunity depending on each state's constitution, specific statutes, or judicial interpretation.

Eight of the 36 attorneys general who responded to the surveys said that state governmental immunity would be an impediment to state court infringement actions. Three others saw state law as an impediment, and one said the case law was not developed in this area. Two attorneys general saw no impediments. Not all of the attorneys general responded to the question on impediments (see app. III, table 20).

The state bar representatives also saw state governmental immunity as a problem in suing a state for infringement in its own courts. Thirteen of the 21 bar associations that responded to our surveys said state governmental immunity would be an impediment to suing their states for infringement in state court. In addition, two bar associations saw state law and one saw federal case law as impediments to bringing such suits. Only one bar association said there were no impediments, while two said they did not know. Like the attorneys general, not all bar associations responded to the question on impediments (see app. III, table 43).

The ability to sue a state in its own courts varies among the states. A Washington official, for example, said the state allows suits for contracts, takings, and torts against the state in its own courts. In Texas, on the other hand, officials said that, in most cases, a plaintiff would have to obtain approval from the state legislature in order to sue the state and be paid damages.

[23] In his dissent to the decision in *Florida Prepaid*, Justice Stevens cited this state case (*Jacobs Wind Electric Co. v. Florida Dept. of Trans.*, 626 So. 2d 1333 (1993)) and questioned whether a state lawsuit pursued under a takings remedy could overcome federal judicial preemption. He noted that there was "good reason to believe a well-motivated court may have misinterpreted federal law."

In still other cases, the states have given approval to being sued by establishing special courts that will hear actions against the state. New York, for example, has established a Court of Claims that can hear claims against the state. New York law limits such actions, however, to those cases where the state was performing a ministerial, as opposed to a protected discretionary, function.

The Intellectual Property Community Is Divided on What Should and Could be Done to Protect Against State Infringement

The intellectual property community is divided on what states should and could do, if anything, to protect the rights of intellectual property owners against state infringement after *Florida Prepaid*. Some state officials say that nothing more needs to be done because there is no demonstrated problem, as evidenced by the small number of infringement accusations made against them in the past and their willingness to investigate and take corrective action when they are made aware of a potentially infringing use. They also note that, if intellectual property owners are not satisfied with the states' response to accusations of infringement, they can still obtain a federal injunction or pursue a lawsuit for damages in state court under some state-recognized cause of action. They say that, if the state remedies are considered inadequate, the blame lies not with the states but with the federal government, which preempts state courts from hearing patent and copyright infringement cases. They see no reason for new federal legislation—except possibly for the removal of federal judicial preemption—saying that state immunity is an inherent right of the states that provides an important defense against groundless lawsuits.

Others in the intellectual property community we contacted say that, while it is true there has not been a substantial number of cases of infringement by the states, this is because the states previously were of the opinion they could be sued for damages in federal court—a situation that no longer exists. They point to what they see as the essential unfairness of a state's being able to sue others but not being subject to suits themselves. An injunction in federal court is not an answer, they say, because it would not result in an award of damages and the litigation necessary to obtain the injunction could itself be expensive and protracted. They do not see the state courts as a viable alternative because of federal preemption and the lack of proven state causes of action.

Some members of the intellectual property community believe additional federal legislation is needed. The proposals range from again attempting to take away a state's right to Eleventh Amendment immunity in intellectual property suits—seen as unlikely in view of the *Florida Prepaid* decision—to requiring a state to waive immunity in return for the right to own

intellectual property, protect those rights in federal court, or receive certain federal funds or benefits.

Some State Officials Believe That Nothing Needs to be Done

Some of the state officials we contacted said there was no reason for intellectual property owners to be overly concerned about the *Florida Prepaid* decision. They said that states had not engaged in a pattern of infringement in the past—as evidenced by the small number of lawsuits that had been brought against the states and the even smaller number that had been successful—and that states were not likely to commit more infringements now just because they knew they could not be sued for damages in federal court.

Some state officials we contacted noted that the states have strong policy motivations not to commit intellectual property infringement, as they are governmental authorities committed to protecting and preserving the rights of their citizens. In this regard, some officials from state institutions of higher education pointed to internal and state policies that prohibit employees and students from making unauthorized use of privately held property. They said that, as both major users and owners of intellectual property, the institutions are familiar with the laws governing the use of intellectual property and spend considerable effort ensuring that employees and students are aware of the allowable uses, obtain necessary approval and licenses, etc. Moreover, because the institutions are in the position of having to defend their own properties against infringement, the officials said they are closely attuned to the need to avoid the additional time and resources necessary to litigate or otherwise resolve potential cases of infringement.

One example of how states say they have reacted to the *Florida Prepaid* decision was provided by an attorney from a state attorney general's office. This attorney said that his office had received inquiries concerning whether the state still needed to obtain licenses to use the intellectual property of others. He said that his office responded that nothing had changed, that the state intended to abide by the intellectual property laws, and that state entities would need to continue doing what was necessary to ensure that they do not commit infringement. This attorney, who had successfully argued an Eleventh Amendment defense in a federal suit against a state institution of higher education, said that he believed the states actually have an even higher interest in not infringing after *Florida Prepaid*. He noted that the Supreme Court had based its decision largely on the states' not having committed a substantial number of infringements in the past and that, if they now began to commit such infringements, the

Congress would have a basis for pursuing new legislation to abrogate Eleventh Amendment immunity.

The state officials also noted that the scope of the Eleventh Amendment is relatively narrow. As discussed above, for example, certain state institutions of higher education may not qualify for Eleventh Amendment immunity because of the way they are funded or organized within the state. Also, many of the attorneys general, state institutions of higher education, and bar associations that responded to our surveys pointed out that immunity under the Eleventh Amendment was not available to such state-related entities and instrumentalities as counties and municipalities, associations and foundations affiliated with state universities, certain state employees, and others within their states (see app. III, tables 12, 30, and 35). Similarly, the state officials noted that the state's business often was carried out through contractors and licensees and that these entities could be sued in federal court if they committed infringement.

Some state officials also said *Florida Prepaid* did not present a problem because proper safeguards are in place to protect intellectual property owners even in those cases where the state may have infringed. For example, officials from the state institutions of higher education pointed to their procedures, as discussed above, for investigating any accusation made against the institutions. They said these procedures were intended to ensure that the institutions abide by the law, fulfill their contractual obligations, and take corrective actions—such as ceasing the infringing use, obtaining a license or other permission, or reaching some type of monetary settlement—whenever potentially infringing uses are identified. If the property owner was not satisfied with the state's response, he or she could still (1) seek an injunction against an infringing state official in federal court or (2) attempt a lawsuit in state court.

Some state officials also said that any inability to bring an infringement action in state court is the fault of the federal government, not the states, and should not be used as a reason for abrogating the states' rights to Eleventh Amendment immunity from lawsuits in federal court. They said that, if the federal government wants to consider new legislation concerning Eleventh Amendment immunity, it may wish to consider revoking the federal judicial preemption law and allowing the state courts and legislatures to develop remedies of their own.

Some members of the intellectual property community agree with the states that there may be no heightened risks of state infringement after *Florida Prepaid*. Their primary argument is that the number of past cases

of state infringement has been so few. However, they also point to policy reasons. An article published in June 2000 by Peter S. Menell, Professor of Law at the University of California at Berkeley and Director of the Berkeley Center for Law and Technology, discussed some of the policy and practical reasons that state infringements may not increase.[24] Professor Menell noted that the states were subject to social, bureaucratic, and economic constraints that would discourage them from infringing. Furthermore, Professor Menell said that property owners might be able to take certain actions on their own—such as establishing formal contractual relationships with state entities or choosing to limit access through trade secrecy or encryption.

When asked why they need Eleventh Amendment immunity from intellectual property lawsuits in federal court if they do not infringe, some state officials said that immunity can act as a hedge against frivolous or meritless lawsuits. Moreover, they said that, if the states had already investigated the complaints and taken the necessary action, there was no need to be drawn into expensive and time-consuming lawsuits with persons who did not understand the intellectual property laws or refused to believe the states had not infringed.

Others in the Intellectual Property Community See Potential Problems

Other members of the intellectual property community believe that the *Florida Prepaid* decision does create problems, pointing to what they say is the unfairness of the current situation and the significant risks that intellectual property owners face. They consider the situation to be unfair because states can own federally protected intellectual property and sue infringers in federal court but cannot be sued for infringement themselves. They believe the risks are significant because the state can infringe the intellectual property of others with impunity.

The positions of those who are dissatisfied with the Supreme Court's decision in *Florida Prepaid* have been addressed in both the discussion group convened by the USPTO in March 2000 and the hearing in July 2000 before the Subcommittee on Courts and Intellectual Property, House Committee on the Judiciary. In the House hearing, the Under Secretary for

[24] *Economic Implications of State Sovereign Immunity from Infringement of Federal Intellectual Property Rights*, Loyola of Los Angeles Law Review, Number 4, Volume 33 (June 2000); pp.1399-1466.

Intellectual Property and Director of the USPTO summarized the basic concerns for patent and trademark owners as follows:

> "We view the present, post-*Florida Prepaid* situation as very inequitable. States and state institutions are active participants in the federal intellectual property system, with extensive patent and trademark holdings. Yet, while they enjoy all the rights of an intellectual property plaintiff, they are shielded from significant financial liability as intellectual property defendants."

At the same hearing, the Register of Copyrights noted that the states are among the most significant holders and users of copyrights. She referred to the current state of affairs as "unjust and unacceptable." She also said that "It is only logical that in the current legal environment, without an alteration to the status quo, infringements by States are likely to increase."

Many of the intellectual property community representatives we contacted agreed with these views. While they acknowledged that there had been few infringement lawsuits against states in the past, they also believed that the small number of such lawsuits in the record before the Supreme Court did not accurately portray the actual number or significance of accusations that had been made against the states. In this regard, they noted that (1) the record before the Supreme Court was not a complete analysis of the lawsuits that had been filed against the states; (2) the record also did not consider matters dealt with out of court, which are believed to be more numerous than those resolved through lawsuits; (3) even if accusations of infringement are few in number, they can be quite significant to the intellectual property owners involved; and (4) infringement lawsuits may be few, but they are complicated and can be quite expensive to both plaintiffs and defendants.

The intellectual property community representatives said that, in the past, the states considered themselves to be subject to infringement suits in federal court and had an incentive not to infringe the intellectual properties of others. They questioned whether the states would be as cautious now, knowing that they cannot be sued for damages. The representatives said that of particular concern were matters such as those the states might have resolved administratively in the past. If the state so chooses, the state can refuse to do anything, with the only threat being that the property owner might wage an expensive and protracted trial in federal court to obtain an injunction or in state court with the hope that the court would award damages under some as-yet-unproven state law theory.

The intellectual property community also is concerned with the effect of the *Florida Prepaid* decision on international relations in the area of intellectual property. In his July 2000 testimony before the House Subcommittee on Courts and Intellectual Property, the Director of the USPTO noted that it would be difficult for the United States to promote the enforcement of intellectual property rights worldwide if states could not be sued in federal court for infringement. The Director said that "When we criticize another country for having financial penalties against patent, trademark, and copyright infringers that are too low, that country may point out that we have no financial penalties at all when the infringer is a state university, hospital, prison, or government office."

Some in the Intellectual Property Community Believe Federal Legislation Is Needed

Some representatives of the intellectual property community believe that federal legislation is required to resolve the problems they say have been created by the *Florida Prepaid* decision. Generally, they would prefer legislation similar to the law abrogating Eleventh Amendment immunity in patent cases that was struck down by the decision. They anticipated, however, that any such legislation would have problems surviving Supreme Court review unless the Congress can create a record showing a pattern of infringement accusations against the state and an absence of state remedies.

Members of the intellectual property community offered other legislative alternatives. One noted, for example, that state immunity could be abrogated through an amendment to the U.S. Constitution. However, he also believed that this was unlikely to happen because, even if the members of Congress could agree on such an amendment, the states would have no incentive to ratify it.

Other members of the intellectual property community believed that federal legislation offering or requiring some type of waiver of immunity by the states might resolve the issue. Since states would not have an incentive to waive immunity on their own, federal law would have to provide the incentive. Some of the options presented were as follows:

- The waiver could be tied to the federal grant of intellectual property rights. Under this scenario, the state would have to agree to waive its right to claim Eleventh Amendment immunity if sued for infringement in order for the state to be granted or otherwise own federal patents, trademarks, or copyrights.
- The waiver could be tied to the right to sue in federal court. Under this scenario, the state would not have the right to sue a party for infringement

of its own intellectual property in federal court unless the state had previously waived its Eleventh Amendment right not to be sued in federal court by others.

- The waiver could be tied to the receipt of federal funds. Under this scenario, a state would waive its right to claim Eleventh Amendment immunity if sued in federal court as a condition for receiving certain federal funds. One such conditional waiver, for example, might be under the Patent and Trademark Laws Amendments of 1980, as amended (commonly known as the Bayh-Dole Act), where certain federal contractors and grantees are allowed to retain ownership of and profit from inventions created through federally funded research projects. Another suggestion was made that would tie waivers in copyright suits to federal library grants.

In the July 2000 hearing before the House Subcommittee on Courts and Intellectual Property, the Director of the USPTO and the Register of Copyrights discussed potential legislation to require state waiver of immunity under the Eleventh Amendment in exchange for some federal grant of right or funding. Two other options discussed in the hearing were (1) giving the government the right to sue the infringer on behalf of the property owner and (2) providing statutory authority to sue an infringing state official. The legislation allowing the government to sue on behalf of the property owner would prevent the state from claiming immunity under the Eleventh Amendment, since the federal government is not a "person" within the meaning of the Amendment. Legislation setting out the right to obtain a federal injunction against an infringing state official was seen as adding credibility to the injunction's being a viable alternative in federal court for a property owner seeking a remedy against a state.

If the Congress decides that legislation is needed to allow states to be sued for intellectual property infringement, the Congress may also want to make clear that states are treated as being capable of committing infringement of federally protected intellectual property. The *Florida Prepaid* decision has left this unclear. As discussed above, the Congress amended the patent, copyright, and trademark laws in the early 1990s after some states began seeking Eleventh Amendment immunity from infringement lawsuits and the Supreme Court ruled in 1985 that an unequivocal expression of congressional intent was required to abrogate state immunity. [25] In the clarification acts that followed, the Congress

[25] *Atascadero State Hosp. v. Scanlon*, *supra.*

added (1) language that made it clear that states are among those that are capable of committing patent, trademark, and copyright infringement and (2) provisions that stated an explicit intent to eliminate states' immunity from suit in federal court for such infringement.

In *Florida Prepaid*, the court held that the Patent and Plant Variety Protection Remedy Clarification Act could not be sustained. The act did not contain a saving clause.[26] Thus, all clarifying provisions—including those expressing the Congress' intent that states are subject to being infringers of federally protected intellectual property—may have been lost. Although the state officials and representatives of the intellectual property community did not raise this issue, allowing infringement lawsuits against states would seem to be of little value if the states are not capable of committing infringement.

Conclusions

It is too early to determine what impact the *Florida Prepaid* decision will have on the federal intellectual property system. Relatively few accusations of infringement against states appear to have been made in the past, and there is no way to ascertain whether the states will be less diligent now that they know they cannot be sued for damages in federal court. At the same time, however, the incidence of overall infringements has little meaning to an intellectual property owner concerned that his or her individual property is at risk. Moreover, few proven alternatives or remedies appear to be available to a property owner when a state does commit infringement—particularly if patent and copyright infringement suits cannot be brought in state court—and any compensation for damages may fall short of what the property owner might have achieved previously.

The intellectual property community, which includes states, is divided on what, if anything, needs to be done to resolve the issues raised by the *Florida Prepaid* decision. Generally, the states see no reason to do anything, since there has been no pattern of infringement in the past. Others in the intellectual property community disagree and would like the Congress to pass legislation similar to that in effect prior to the *Florida Prepaid* decision. Some have proposed requiring the states to waive their Eleventh Amendment immunity in exchange for rights received under the

[26] As used here, a saving clause allows for the preservation of portions of an act if other portions are held to be unconstitutional.

federal intellectual property system or to receive certain federal funds. If the Congress does consider legislation, it may want to clarify that states are subject to federal intellectual property law and, as such, are still capable of committing infringement.

Agency Comments and Our Evaluation

We provided the Copyright Office and the USPTO with a draft of this report for their review and comment. Both the Copyright Office and the USPTO agree that it is too early to determine the impact of the *Florida Prepaid* decision. The Copyright Office concurred with our findings that there were few examples of states being accused of intellectual property infringement, noting that until recently states "had good reason to believe they were subject to the full range of remedies if they infringed a copyright." The Copyright Office also noted, however, that the states may no longer feel so constrained and that the "behavior of [S]tate employees with regard to the use of intellectual property is only just beginning to evolve." In addition, the Copyright Office said that, while the states and their employees generally are law-abiding, it nevertheless was concerned that the legal remedies available after *Florida Prepaid* were insufficient to ensure that the states would respect the copyright laws. Thus, the Copyright Office believed that Congress should "consider other legislative responses, such as providing incentives to [S]tates to waive their immunity voluntarily by conditioning the receipt of a gratuity from the Federal Government on such waiver."

The USPTO commented that our report is accurate in stating that the intellectual property community is concerned over the decision in *Florida Prepaid* and what it sees as an inequitable situation. The USPTO said the inequity "skews our system of intellectual property protection, because the penalties in place to discourage infringement do not apply to state entities." However, the USPTO said that our finding that "infringement accusations against states have been few" does not mean "a pattern of infringement does not exist." The USPTO noted that (1) 58 lawsuits "seems like a substantial number" given that "state entities constitute only a tiny fraction of the total number of parties using intellectual property" and (2) many more accusations against states are handled through administrative processes and never reach court. The USPTO also expressed a concern that we based many of our conclusions on "anecdotal evidence" provided by state attorneys general and institutions of higher education that "may have an incentive to under-report accusations made against state entities."

In addition, the USPTO said that there was no division within the intellectual property community about what should and could be done to protect the rights of intellectual property owners except for a disagreement between the states, which it refers to as "a small subsection," and the rest of the community. The USPTO said the report placed "disproportionate emphasis" on the views of state attorneys general and state institutions of higher education but gave "short shrift to responses from the intellectual property community." The USPTO noted that it would be "more accurate to characterize the intellectual property community as strongly desiring a legislative solution to the perceived problem…but differing as to what statutory approach to take." The USPTO also said that a legislative solution "seems especially appropriate given the absence of any viable alternative remedy against state infringement."

Regarding the USPTO's comments about a pattern of infringement, we believe our characterization of the number of accusations identified as "few" is accurate. To put the 58 lawsuits in context, we show in the report that there were nearly 105,000 district court cases filed from fiscal year 1985 through fiscal year 2000 that involved protected property rights for patents, trademarks, and copyrights. We reach no conclusions as to whether these 58 lawsuits would or would not constitute a pattern of infringement. As to the USPTO's point that many other accusations are handled administratively, we make this same point in our report and provide statistics from the states indicating that these are few in number also.

The USPTO was concerned that we based many of our conclusions on "anecdotal evidence" provided by the states themselves. While it is true we obtained information from state attorneys general and state institutions of higher education through surveys, we note in the report that we used these as a "supplement" in identifying accusations of infringement. We also conducted an extensive analysis of the case law. Moreover, we sent surveys to each state bar association that had intellectual property sections and conducted site work in three states with extensive involvement in the intellectual property system. We also sought assistance from national associations representing intellectual property attorneys and attorneys general, as well as other attorneys and associations representing intellectual property owners. In addition, we sought and obtained input from both the USPTO and the Copyright Office. We do not offer any views on whether the positions taken by others are accurate.

Regarding the USPTO's comment that there is no division within the intellectual property community about what needs to be done to protect

against state infringement, we disagree. The intellectual property community includes state officials, and we do not give a disproportionate emphasis to the views of state officials. Rather, we present a balanced discussion in our report by showing that (1) some state officials believe that nothing needs to be done, (2) others in the intellectual property community see potential problems, and (3) some in the intellectual property community believe federal legislation is needed. Again, we obtained views from all segments of the intellectual property community, of which the states are an integral part.

Finally, we know of no statistics that would support the USPTO's contention that the states comprise a "tiny fraction" of those who use intellectual property or "a small subsection of the community." The USPTO and the Copyright Office do have some statistics on the states' ownership of intellectual property, and we include that information in appendix II of our report.

The USPTO and Copyright Office comments are included in their entirety in appendix VI and appendix VII, respectively.

We conducted our work from August 2000 through August 2001 in accordance with generally accepted government auditing standards. Appendix I contains the details of our scope and methodology.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will send copies to the Chairman, Senate Committee on the Judiciary; the Chairman and Ranking Minority Member, Subcommittee on Courts, the Internet, and Intellectual Property, House Committee on the Judiciary; the Acting Under Secretary of Commerce for Intellectual Property and Acting Director of the United States Patent and Trademark Office; and the Register of Copyrights. The

report is also available on GAO's home page at http://www.gao.gov. If you have any questions about this report, please call me at (202) 512-3841. Key contributors to this report are listed in appendix VIII.

Jim Wells
Director, Natural Resources
and Environment

Appendix I: Scope and Methodology

As requested, we conducted a review of state Eleventh Amendment immunity in intellectual property infringement actions, focusing on issues raised by the U.S. Supreme Court's June 1999 decision in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627 (1999). Our objectives were to (1) determine the extent to which states have been accused of intellectual property infringement, (2) identify the alternatives or remedies available to protect intellectual property owners against state infringement after the *Florida Prepaid* ruling, and (3) obtain the views of the intellectual property community on what states should and could do, if anything, to protect the rights of intellectual property owners against infringement.

To identify past infringement accusations against the states, we searched for lawsuits as well as matters dealt with out of court that had been active since January 1, 1985. The year 1985 was chosen as a starting point because this was the year the Supreme Court ruled that, to abrogate Eleventh Amendment immunity, the Congress must make its intentions unmistakably clear in the language of the statute. In identifying lawsuits, we selected those for which there appeared to be some underlying accusation of infringement or unauthorized use of intellectual property, including declaratory judgment actions. In the case of multiple actions (an infringement lawsuit, a declaratory judgment, a motion to dismiss, etc.) on the same underlying dispute, we considered all such actions as part of the same case except instances where (1) the state was both a plaintiff and defendant in separate actions filed in one or more jurisdictions and (2) separate cases were filed in both federal and state court. While we focused primarily on lawsuits where the state was a defendant, we also obtained data on those lawsuits where the state was a plaintiff as a means to determine the extent to which they had taken advantage of the laws protecting intellectual property owners against infringement.

In identifying matters dealt with out of court, we included any accusation where the underlying issue was the potentially unauthorized use of intellectual property. While we included formal accusations, such as those made through cease-and-desist letters, we also included less formal accusations, such as those made orally. Because we had to obtain all of the information on matters dealt with out of court from the states themselves, we did not ask for identification of individual accusations but rather on the range of all such accusations since January 1985.

We used three methods to obtain information on lawsuits and matters dealt with administratively. First, we analyzed the case law from each of the 50 state court systems and the federal court system, using

commercially-available legal databases. To do this, we searched for all cases in which an issue of infringement appeared to have been raised and one of the parties involved a state entity. We found that this method could not identify all accusations because some (1) lawsuits were dropped because they were abandoned or settled, (2) lawsuits were still active, (3) lawsuits had been decided by state trial courts, and (4) matters had been dealt with administratively, without a lawsuit being filed, are not included in published case law. Moreover, in some cases it was difficult to determine whether a party to a lawsuit was actually a state entity eligible for Eleventh Amendment immunity or whether there was an accusation of infringement in the underlying case.

We supplemented our work on identifying accusations of infringement by sending surveys to state attorneys general and state institutions of higher education. We chose attorneys general because, as the chief legal representatives of the states, they would be in the best position to provide information on state law and matters that affect state entities. We chose state institutions of higher education because they tended to be the state entities most likely to own and use intellectual property.

We sent surveys to the 50 state attorneys general and received responses from 36, or 72 percent, of them. The 14 attorneys general who did not respond to our surveys were from Alabama, California, Colorado, Idaho, Illinois, Missouri, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Utah, Virginia,[1] and West Virginia. In the case of California, we did obtain information during a site visit that addressed some the issues covered by the survey, even though the attorney general did not return the survey.

In identifying state institutions of higher education for participation in our survey, we concentrated on those that actually owned intellectual

[1] The Virginia attorney general did not respond to the attorney general survey, but did send a letter responding to the institutions of higher education survey.

property.[2] In this regard, the U.S. Patent and Trademark Office (USPTO) provided us with a listing of U.S. colleges, universities, and associations of colleges and universities that had utility patents in force as of December 31, 1999.[3] "In force" patents are those for which the patent term has not expired and required maintenance fees have been paid. For purposes of our report, the term "state institutions of higher education" includes state colleges and universities and associations affiliated with such state colleges and universities. We reviewed the USPTO listing of 370 institutions and associations and, based on information available to us, eliminated all duplicates, private institutions, consortia, and publicly supported institutions where representatives told us that because of the way they were funded or their relationship to the state they did not qualify for Eleventh Amendment immunity. From the resulting universe of 150 institutions and associations, we mailed surveys to 140. We did not mail surveys to 10 institutions and associations because we could not determine whether or not they were publicly supported, and we did not have sufficient information to contact them. We received 99 completed surveys. These 99 completed surveys represented a total of 113 of the 140 institutions and associations since some of these entities pooled their responses. Because those survey responses covering more than one institution and/or association provided summary information for all institutions and/or associations being reported on, the results in this report are based on the 99 survey responses we received. We also received some information in the survey responses for institutions that were not in our universe. Our response rate was 81 percent of those who received our survey in the mail or 75 percent of the universe.

We also gathered information on accusations of intellectual property infringement against the states during site visits to three states—California, Florida, and Texas. We judgmentally selected these states

[2] There are numerous entities within a state government (such as an agency, board, bureau, commission, department, hospital, or university) that could potentially own intellectual property. We decided to focus on state institutions of higher education for several reasons: (1) the USPTO maintained patent data that could be used to potentially identify such institutions, (2) previous Copyright Office work examining state immunity issues had focused on 4-year state colleges and universities, and (3) officials from the USPTO and the Copyright Office cited state institutions of higher education when discussing the extent of state holdings of intellectual property in July 27, 2000, testimony on the immunity issue before the Subcommittee on Courts and Intellectual Property, House Committee on the Judiciary.

[3] A utility patent is a patent of any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.

because they are among the largest owners and users of intellectual property, have significant case activity and legal precedents regarding intellectual property infringement or Eleventh Amendment immunity, and were known to have varying state laws on waiver of state governmental immunity and access to state courts. We interviewed assistant attorneys general and intellectual property attorneys, including members of the intellectual property sections of the state bar associations in Texas and California. The Florida Bar does not have a separate intellectual property section. In addition, we interviewed general counsels at the University of Texas, Texas A&M University, the University of Houston, the University of Florida, Florida State University, the University of South Florida, and the University of California.

For each of the lawsuits that were identified through surveys and site visits, we attempted to obtain the necessary citations so that we could review the cases independently. To obtain a better perspective on the relationship of state intellectual property infringement lawsuits to all infringement lawsuits, we obtained statistical information from the Administrative Office of the U.S. Courts and reviewed guidelines and interviewed cognizant officials from the federal court system to determine how such cases are reported.

To determine what alternatives and remedies that respondents believed were available after the *Florida Prepaid* decision, we included questions to this effect on the surveys to the attorneys general and, to a lesser extent, state institutions of higher education. We also sent separate surveys to the intellectual property law sections of the 37 state bar associations that had such sections.[4] We chose intellectual property sections of state bar associations for surveys because we believed the attorneys who were members of these sections would be most knowledgeable in intellectual property law in their states and would be in a position to discuss the immunity issue as it affects potential plaintiffs in infringement suits against states. Of the 37 bar associations that received our surveys, 21 completed them in whole or in part and returned them to us.

[4] We use the word "section" to include those sections, committees, etc., that were specifically designated by the bar association as focusing on intellectual property or referred to us by bar association officials as being the group within the bar most capable of addressing intellectual property issues.

To obtain further information on alternatives and remedies, as well as on what the intellectual property community believes should and could be done to protect intellectual property owners, we relied on site visits, our review of published documentation, and discussions with other individuals and groups in the intellectual property community. For example, we met with legal scholars from state universities that had studied the Eleventh Amendment immunity and intellectual property issue and, in some cases, had testified before the Congress and published law review articles. We also discussed immunity issues with USPTO and Copyright Office officials, associations that focus on intellectual property issues (including the American Intellectual Property Law Association, the American Bar Association, and the International Trademark Association), intellectual property attorneys, and others (such as the National Association of Attorneys General and the Software & Information Industry Association). In addition, we reviewed testimony and related documentation on the issue of Eleventh Amendment immunity and intellectual property from a July 27, 2000, hearing before the Subcommittee on Courts and Intellectual Property, House Committee on the Judiciary; a special panel assembled by the USPTO in March 2000; and a workshop held by the National Academies of Science in April 2001. We also reviewed other documentation such as the briefs filed and decisions rendered in *Florida Prepaid* and related cases.

We reviewed S.1835, a bill introduced on October 29, 1999, by Senator Patrick J. Leahy—then the Ranking Minority Member and now the Chairman of the Senate Committee on the Judiciary—proposing legislation that would have required states acquiring a patent, trademark, or copyright to waive their rights to immunity in federal court in an intellectual property infringement suit during the terms of these properties. This bill was not acted upon and expired at the end of the 106th Congress. We did not attempt to determine the effect this proposal could have had on the Eleventh Amendment immunity and intellectual property issue, as this was beyond the scope of our review.

We did not independently verify the information contained in the survey responses, although we did check the citations provided to ensure that the cases or other legal references met the criteria we had established. We also analyzed and edited the surveys for internal consistency. We drew no conclusions about why some of our surveys were not returned, although we did make followup efforts to ensure the surveys were returned and the provided information was complete and to clarify certain information.

To provide perspective on the states' participation in the intellectual property system, we developed partial statistics on state ownership of federally issued or registered patents, trademarks, and copyrights. We were unable to develop a complete statistical database because (1) USPTO and the Copyright Office do not maintain their databases in such a way that these data can be readily extracted and (2) as discussed elsewhere in this report, it is not always possible to determine a state entity's affiliation with a state for Eleventh Amendment purposes. The data that we did accumulate were developed as follows:

- The data on patents were developed by first having the USPTO provide a listing of U.S. colleges, universities, and associations of colleges and universities that had utility patents in force as of December 31, 1999. We selected from this list those entities that were state-supported, based on our analysis of the institutions' web pages, other Internet sites on higher education, and the responses to our surveys. We included in our data only those patents issued.
- The data on trademarks resulted from our search of the USPTO's trademark database to identify trademarks owned by those institutions identified as state-supported institutions of higher education. This process was similar to the process used to identify patents. We included statistics on trademarks registered as well as those pending because, unlike patents, such data are provided in USPTO's publicly available databases. The statistics provided were as of February 2001.
- The Copyright Office provided the statistics on copyrights, using data taken from a detailed analysis of its own databases for use in congressional hearings. These statistics were provided by state, rather than by individual institution; thus, we could not compare the included institutions for each state with those identified in our patent and trademark analysis. We also did not independently verify the provided data. According to Copyright Office officials, the statistics do not include "serials" (newspapers, magazines, etc.). Only those copyrights registered with the Copyright Office between January 1, 1978, and December 31, 1999, are included in the statistics.

We conducted our work from August 2000 through August 2001 in accordance with generally accepted government auditing standards.

Appendix II: Intellectual Property Owned by State Institutions of Higher Education

Table 3: Federally Issued Patents Owned by State Institutions of Higher Education and In Force as of December 31, 1999, Aggregated by State[a,b]

State	Patents
Alabama	198
Alaska	13
Arizona	140
Arkansas	106
California	2,297
Colorado	173
Connecticut	85
Delaware	0
Florida	613
Georgia	327
Hawaii	68
Idaho	0
Illinois	206
Indiana	220
Iowa	473
Kansas	127
Kentucky	114
Louisiana	161
Maine	2
Maryland	171
Massachusetts	144
Michigan	761
Minnesota	393
Mississippi	52
Missouri	109
Montana	31
Nebraska	158
Nevada	7
New Hampshire	3
New Jersey	94
New Mexico	129
New York	381
North Carolina	448
North Dakota	29
Ohio	538
Oklahoma	107
Oregon	165
Pennsylvania	0
Rhode Island	0
South Carolina	112
South Dakota	7

State	Patents
Tennessee	104
Texas	1,065
Utah	286
Vermont	20
Virginia	304
Washington	280
West Virginia	7
Wisconsin	583
Wyoming	15
Totals	**11,826**

[a]USPTO statistics were for utility patents only. A utility patent is a patent of any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.

[b]The information provide by USPTO included statistics for some institutions we later found not to have Eleventh Amendment immunity. We adjusted the statistics in this table accordingly.

Source: GAO analysis of USPTO data.

Table 4: Federally Registered Trademarks Owned by State Institutions of Higher Education as of February 2001, Aggregated by State[a]

State	Pending	Registered	Total Trademarks
Alabama	15	53	68
Alaska	2	12	14
Arizona	22	59	81
Arkansas	5	74	79
California	38	119	157
Colorado	13	22	35
Connecticut	3	7	10
Delaware	0	0	0
Florida	53	94	147
Georgia	11	121	132
Hawaii	7	11	18
Idaho	0	1	1
Illinois	13	53	66
Indiana	14	47	61
Iowa	16	77	93
Kansas	13	36	49
Kentucky	5	36	41
Louisiana	8	11	19
Maine	9	0	9
Maryland	16	10	26
Massachusetts	11	7	18
Michigan	29	109	138
Minnesota	9	22	31

State	Pending	Registered	Total Trademarks
Mississippi	10	21	31
Missouri	5	44	49
Montana	2	0	2
Nebraska	21	19	40
Nevada	1	16	17
New Hampshire	3	6	9
New Jersey	10	15	25
New Mexico	9	22	31
New York	21	25	46
North Carolina	13	86	99
North Dakota	2	18	20
Ohio	56	209	265
Oklahoma	6	61	67
Oregon	12	22	34
Pennsylvania	22	41	63
Rhode Island	0	0	0
South Carolina	6	39	45
South Dakota	9	1	10
Tennessee	5	20	25
Texas	45	206	251
Utah	10	17	27
Vermont	0	11	11
Virginia	13	59	72
Washington	29	58	87
West Virginia	10	5	15
Wisconsin	20	39	59
Wyoming	2	13	15
Totals	**654**	**2,054**	**2,708**

[a]Institutions we found not to have Eleventh Amendment immunity are not included on this table.

Source: GAO analysis of USPTO data.

Table 5: U.S. Copyrights Registered in the Names of State Institutions of Higher Education from January 1, 1978, through December 31, 1999, Aggregated by State[a]

State	Registrations
Alabama	169
Alaska	72
Arizona	182
Arkansas	92
California	626
Colorado	340
Connecticut	50
Delaware	212

State	Registrations
Florida	1,416
Georgia	1,670
Hawaii	81
Idaho	115
Illinois	2,941
Indiana	857
Iowa	1,835
Kansas	153
Kentucky	95
Louisiana	1,036
Maine	34
Maryland	685
Massachusetts	62
Michigan	1,598
Minnesota	1,515
Mississippi	83
Missouri	703
Montana	38
Nebraska	97
Nevada	24
New Hampshire	47
New Jersey	871
New Mexico	776
New York	3,066
North Carolina	1,078
North Dakota	63
Ohio	973
Oklahoma	108
Oregon	154
Pennsylvania	2,484
Rhode Island	27
South Carolina	562
South Dakota	19
Tennessee	146
Texas	966
Utah	437
Vermont	47
Virginia	1,002
Washington	1,047
West Virginia	66
Wisconsin	1,194
Wyoming	405
Totals	**32,319**

[a]The Copyright Office data did not include serials. The Copyright Office defines serials "…as works issued or intended to be issued in successive parts bearing numerical or chronological designations and intended to be continued indefinitely." For example, newspapers, magazines, newsletters, and journals are serials.

Source: Copyright Office.

Appendix III: Responses to Selected Questions From GAO Surveys Sent to State Attorneys General, State Institutions of Higher Education, and Intellectual Property Law Sections of State Bar Associations

Attorneys General

Lawsuits

Table 6: Does the Attorney General's office provide legal representation when a state entity is a party to an infringement lawsuit?

Response	States responding[a]
Yes, in all cases	6
Yes, in most cases	11
Yes, in some cases	9
Never	8
No response	2
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Table 7: When the Attorney General does not represent the state in an infringement lawsuit, which, if any, of the following provide such representation?

Response	States responding[a]
Counsel of the state entity involved in the lawsuit	16
Private counsel retained by the Attorney General's Office or the state entity involved in the lawsuit	27
Other:	
Counsel for state contractor	1
State risk management agency	1
Not specified	1
The Attorney General always represents the state in infringement lawsuits.	2

[a]As many responses per state as apply.

Source: GAO surveys to state attorneys general.

Table 8: To how many infringement lawsuits has your state or any state entity been a party since January 1, 1985?

Lawsuits identified per state[a]	Number of states	Total lawsuits identified
14	1	14
6	1	6
3	1	3
2	1	2
1	4	4
0	18	0
Did not have information available	9	0
No response	1	0
Total	**36**	**29**

[a]Includes lawsuits where the state was either plaintiff or defendant.

Source: GAO surveys to state attorneys general.

Matters Dealt With Administratively

Table 9: To your knowledge, how often is the Attorney General's office informed when infringement allegations against the state are disposed of by another state entity without a lawsuit being filed?

Response	Number responding[a]
Always	7
Most of the time	6
About half of the time	2
Some of the time	3
Never or almost never	2
Do not know	15
No response	1
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Table 10: Who represents your state in cases where a state entity has been accused of infringement without a lawsuit having been filed?

Response	Number responding[a]
Attorney General's office	19
Counsel for state entity accused of Infringement	15
Private counsel retained by the Attorney General or the state entity involved in the action	8
Other:	
State risk management agency	1
Affected agency or administrative tort claims office	1
Not specified	1
Do not know	4

[a]Some states provided more than one response.

Source: GAO surveys to state attorneys general.

Table 11: Since January 1, 1985, about how many times has your state or any state entity been accused of infringement without a lawsuit having been filed?

Response	Number responding[a]
None	6
1-5	11
6-10	4
11-15	1
16-30	2
More than 30	0
Do not know	12
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Alternatives and Remedies in Federal Courts

Table 12: In your opinion, which, if any, of the following entities in your state can claim state sovereign immunity as a defense to an infringement lawsuit in federal court?

Response	Number responding[a]
State agencies	32
State colleges and universities	29
County governments and/or county agencies	1
Municipal governments and/or municipal agencies	1
Other local governments and/or agencies	1
Foundations that are affiliated with colleges and universities and are set up to own and manage some of the colleges' or universities' intellectual property	6
Associations, such as a university athletic association, that have their own sources of funding but own and manage some of the colleges' or universities' intellectual property	4
State employees acting in their official capacities	29
State employees acting in their individual capacities	4

[a]As many responses per state as apply.

Source: GAO surveys to state attorneys general.

Table 13: Do state entities in your state have the right to waive sovereign immunity as a defense to an infringement lawsuit brought in federal court?

Response	Number responding[a]
Yes	4
No	22
Do not know	10
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Table 14: Which of the following is the authority that permits state entities to waive sovereign immunity as a defense to an infringement lawsuit brought in federal court? (Question was for those answering "Yes" to the question in table 13)

Response	Number responding[a]
State constitution	0
State statute	1
Case law	1
Other:	
Counterclaim to state suit	1
Policy; only Deputy Attorney General can agree to waiver	1
Total	**4**

[a]As many responses per state as apply.

Source: GAO surveys to state attorneys general.

Table 15: Which of the following is the authority that prevents state entities from waiving sovereign immunity as a defense to an infringement lawsuit brought in federal court? (Question was for those answering "No" to the question in table 13)

Response	Number responding[a]
State constitution	6
State statute	5
Case law	7
Other:	
Not specified	3
No response	1
Total	**22**

[a]Highest authority cited per state.

Source: GAO surveys to state attorneys general.

Table 16: Apart from any type of suit for damages, to what extent do you agree or disagree that an owner of intellectual property can obtain an injunction in federal court against an employee of your state who infringes on the property in question while acting within the scope of his or her authority?

Response	Number responding[a]
Strongly agree	5
Somewhat agree	7
Neutral	4
Somewhat disagree	1
Strongly disagree	4
No opinion	15
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Table 17: In your opinion, other than pursuing an infringement lawsuit or obtaining an injunction, does an intellectual property owner have any cause of action in federal court if your state infringes on the owner's property?

Response	Number responding[a]
Yes	1
No	11
No opinion	24
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Alternatives and Remedies in State Court

Table 18: In your opinion, if a property owner believes one of your state agencies or entities has infringed on his or her intellectual property, can the property owner bring an infringement lawsuit in any of your state courts?

Response	Number responding[a]
Yes	10
No	5
No opinion	21
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Table 19: For which, if any, of the following types of intellectual property, can an infringement lawsuit against the state be brought in any of your state courts? (Question was for those answering "Yes" to the question in table 18)

Response	Number responding[a]
Patent	3
Trademark	8
Copyright	3
None of the above	1
No opinion	1

[a]As many responses per state as apply.

Source: GAO surveys to state attorneys general.

Table 20: Which, if any, of the following are impediments to bringing an infringement lawsuit against your state in any of your state courts? (Question was for those answering "Yes" to the question in table 18)

Response	Number responding[a]
Federal preemption	7
State's right to claim sovereign immunity in state court	8
State law	3
Other:	
Case law not developed	1
No impediments	2
No opinion	0

[a]As many responses per state as apply.

Source: GAO surveys to state attorneys general.

Table 21: Assume that an infringement lawsuit could not be brought against the state in any of your state courts. In your opinion, under which of the following alternative legal theories might an intellectual property owner bring a lawsuit against the state in any of your state courts for unauthorized or improper use of intellectual property?

Response	Number responding[a]
Taking, such as reverse eminent domain	7
Tort	7
Contract	10
Criminal law	1
Other:	
Claim with state claims commission or board	2
Unfair competition	1
Unfair trade and consumer protection	1
False advertising	1
Declaratory judgment	1
Conversion	1
Trespass to chattel	1
None of the above	3
No opinion	20

[a]As many responses per state as apply.

Source: GAO surveys to state attorneys general.

Table 22: If an intellectual property owner could obtain a judgment against your state in state court for unauthorized or improper use of intellectual property under any of the theories identified in the previous question, how certain, in your opinion, is it that the plaintiff would or would not be allowed to recover damages?

Response	Number responding[a]
Definitely would be allowed to recover damages	5
Probably would be allowed to recover damages	6
Just as likely to be allowed to recover damages as not	1
Probably would not be allowed to recover damages	3
Definitely would not be allowed to recover damages	1
No opinion	17
No response	3
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

Table 23: How strongly do your agree or disagree that, post *Florida Prepaid*, an intellectual property owner will not be able to recover damages from an entity of your state for intellectual property infringement?

Response	Number responding[a]
Strongly agree	2
Somewhat agree	4
Neutral	1
Somewhat disagree	2
Strongly disagree	3
Too early to tell	3
No opinion	21
Total	**36**

[a]One response per state.

Source: GAO surveys to state attorneys general.

State Institutions of Higher Education

Lawsuits

Table 24: Who among the following provides your legal representation when your college, university or university system is a party to an infringement lawsuit?

Response	Number responding[a]
State Attorney General's office	49
Private counsel retained by the Attorney General's office	26
General counsel or equivalent for the college, university or university system	45
General counsel or equivalent for the entity accused of infringement	10
Private counsel retained by the college, university or university system	53
Other:	
Private counsel retained by private foundation or corporation owning intellectual property from university	3
City corporation counsel	1
Not specified	1

[a]As many responses per institution as apply.

Source: GAO surveys to state institutions of higher education.

Table 25: To your knowledge, how often is your state's Attorney General's office informed when your college, university or university system is a party to an infringement lawsuit?

Response	Number responding[a]
Always	52
Most of the time	4
About half of the time	0
Some of the time	5
Never or almost never	22
Do not know	7
No response	9
Total	**99**

[a]One response per institution.

Source: GAO surveys to state institutions of higher education.

Table 26: To how many infringement lawsuits has your college, university, or university system been a party since January 1, 1985?

Lawsuits identified per institution[a]	Number of institutions	Total lawsuits identified
12	1	12
8	1	8
5	1	5
4	1	4
3	4	12
2	6	12
1	8	8
0	71	0
Did not have information available	4	0
Did not respond	2	0
Total	**99**	**61**

[a]Includes lawsuits where the institution was either plaintiff or defendant.

Source: GAO surveys to state institutions of higher education.

Matters Dealt With Administratively

Table 27: Who among the following provides legal representation when your college, university or university system has been accused of infringement without a lawsuit having been filed?

Response	Number responding[a]
State Attorney General's Office	26
Private counsel retained by the Attorney General's Office	14
General counsel or equivalent for the college, university or university system	67
General counsel or equivalent for the entity accused of infringement	12
Private counsel retained by the college, university or university system	40
Other:	
Private counsel retained by private foundation or corporation owning intellectual property from university	2

[a]As many responses per institution as apply.

Source: GAO surveys to state institutions of higher education.

Table 28: To your knowledge, how often is your state's Attorney General's office informed when your college, university or university system has been accused of infringement without a lawsuit having been filed?

Response	Number responding[a]
Always	19
Most of the time	12
About half of the time	0
Some of the time	10
Never or almost never	39
Do not know	11
No response	8
Total	**99**

[a]One response per institution.

Source: GAO surveys to state institutions of higher education.

Table 29: Since January 1, 1985, about how many times has your college, university, or university system been accused of infringement without a lawsuit having been filed?

Response	Number responding[a]
None	35
1-5	42
6-10	4
11-15	7
16-30	1
More than 30	0
Do not know	10
Total	**99**

[a]One response per institution.

Source: GAO surveys to state institutions of higher education.

Alternatives and Remedies in Federal Court

Table 30: In your opinion, which, if any, of the following entities in your college, university or university system can claim state sovereign immunity as a defense to an infringement lawsuit in federal court?

Response	Number responding[a]
The college, university or university system as a whole	82
A specific college or university within the university system	58
A foundation set up to own and manage intellectual property for the college, university or university system	6
An association, such as a university athletic association, that has its own sources of funding	2
College, university, or university system employees acting in their official capacities	72
College, university or university system employees acting in their individual capacities	7
Other (not specified):	1
None of the above	5

[a]As many responses per institution as apply.

Source: GAO surveys to state institutions of higher education.

Table 31: Does your college, university or university system have the right to waive sovereign immunity as a defense to an infringement lawsuit brought in federal court?

Response	Number responding[a]
Yes	12
No	58
Do not know	20
No response	9
Total	**99**

[a]One response per institution.

Source: GAO surveys to state institutions of higher education.

Table 32: Which of the following is the authority that permits state entities to waive sovereign immunity as a defense to an infringement lawsuit brought in federal court? (Question was for those answering "Yes" to the question in table 31)

Response	Number responding[a]
State constitution	4
State statute	5
Case law	3
Other:	
Contract or agreement	2
Attorney General decision	1
Not specified	1
Total	**16**

[a]As many responses per institution as apply.

Source: GAO surveys to state institutions of higher education.

Table 33: Which of the following is the authority that prevents state entities from waiving sovereign immunity as a defense to an infringement lawsuit brought in federal court? (Question was for those answering "No" to the question in table 31)

Response	Number responding[a]
State constitution	20
State statute	12
Case law	9
Other:	
Attorney General decision	4
Only legislature can authorize	5
Not specified	5
No response	3
Total	**58**

[a]Highest authority cited per institution.

Source: GAO surveys to state institutions of higher education.

Table 34: How strongly do you agree or disagree that, post *Florida Prepaid*, an intellectual property owner will not be able to recover damages from your college, university or university system for intellectual property infringement?

Response	Number responding[a]
Strongly agree	4
Somewhat agree	11
Neutral	10
Somewhat disagree	10
Strongly disagree	10
Too early to tell	16
No opinion	26
No response	12
Total	**99**

[a]One response per institution.

Source: GAO surveys to state institutions of higher education.

Intellectual Property Law Sections of State Bar Associations

Alternatives and Remedies in Federal Court

Table 35: To your knowledge, which of the following entities in your state can claim state sovereign immunity as a defense to an infringement lawsuit in federal court?

Response	Number responding[a]
State agencies	17
State colleges and universities	15
County governments and/or county agencies	8
Municipal governments and/or municipal agencies	8
Other local governments and/or agencies	6
Foundations that are affiliated with colleges or universities and are set up to own and manage some of the colleges' or universities' intellectual property	3
Associations, such as a university athletic association, that have their own sources of funding but own and manage some of the colleges' or universities' intellectual property	2
State employees acting in their official capacities	13
State employees acting in their individual capacities	3
Other:	
All agencies and arms of state except state-created agencies with independent proprietary powers	1
None of the above	3

[a]As many responses per state as apply.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 36: Do state entities in your state have the right to waive sovereign immunity as a defense to an infringement lawsuit brought in federal court?

Response	Number responding[a]
Yes	5
No	6
Do not know	10
Total	**21**

[a]One response per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 37: Which of the following is the authority that permits state entities to waive sovereign immunity as a defense to an infringement lawsuit brought in federal court? (Question was for those answering "Yes" to the question in table 36)

Response	Number responding[a]
State constitution	1
State statute	2
Case law	4
Total	**7**

[a]As many responses per state as apply.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 38: Which of the following is the authority that prevents state entities from waiving sovereign immunity as a defense to an infringement lawsuit brought in federal court? (Question was for those answering "No" to the question in table 36)

Response	Number responding[a]
State constitution	3
State statute	1
Case law	2
Total	**6**

[a]Highest authority cited per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 39: Apart from any type of suit for damages, to what extent do you agree or disagree that an owner of intellectual property can obtain an injunction in federal court against an employee of your state who infringes on the property in question while acting within the scope of his or her authority?

Response	Number responding[a]
Strongly agree	3
Somewhat agree	5
Neutral	1
Somewhat disagree	5
Strongly disagree	3
No opinion	4
Total	**21**

[a]One response per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 40: In your opinion, other than pursuing an infringement lawsuit or obtaining an injunction, does an intellectual property owner have any cause of action in federal court if your state infringes on the owner's property?

Response	Number responding[a]
Yes	7
No	7
No opinion	7
Total	**21**

[a]One response per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Alternatives and Remedies in State Court

Table 41: In your opinion, if a property owner believes one of your state agencies or entities has infringed on his or her intellectual property, can the property owner bring an infringement lawsuit in any of your state courts?

Response	Number responding[a]
Yes	7
No	7
No opinion	6
No response	1
Total	**21**

[a]One response per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 42: For which, if any, of the following types of intellectual property, can an infringement lawsuit against the state be brought in any of your state courts? (Question was for those answering "Yes" to the question in table 41)

Response	Number responding[a]
Patent	0
Trademark	7
Copyright	1
None of the above	0
No opinion	0

[a]As many responses per state as apply.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 43: Which, if any, of the following are impediments to bringing an infringement lawsuit against your state in any of your state courts?

Response	Number responding[a]
Federal preemption	16
State's right to claim sovereign immunity in state court	13
State law	2
Other: Federal case law	1
No impediments	1
Do not know	2

[a]As many responses per state as apply.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 44: Assume that an infringement lawsuit could not be brought against the state in any of your state courts. In your opinion, under which of the following alternative legal theories might an intellectual property owner bring a lawsuit against the state in any of your state courts for unauthorized or improper use of intellectual property?

Response	Number responding[a]
Taking, such as reverse eminent domain	12
Tort	8
Contract	5
Criminal law	2
Other:	
Trade secret misappropriation	2
Infringement of a state-registered trademark	1
Unfair competition	3
Deceit	1
Conversion	1
None of the above	2
No opinion	2

[a]As many responses per state as apply.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 45: If an intellectual property owner could obtain a judgment against your state in state court for unauthorized or improper use of intellectual property under any of the theories identified in the previous question, how certain, in your opinion, is it that the owner would or would not be allowed to recover damages?

Response	Number responding[a]
Definitely would be allowed to recover damages	1
Probably would be allowed to recover damages	8
Just as likely to be allowed to recover damages as not	1
Probably would not be allowed to recover damages	2
Definitely would not be allowed to recover damages	0
No opinion	9
Total	**21**

[a]One response per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Table 46: How strongly do you agree or disagree that, post *Florida Prepaid*, an intellectual property owner will not be able to recover damages from an entity of your state for intellectual property infringement?

Response	Number responding[a]
Strongly agree	7
Somewhat agree	5
Neutral	0
Somewhat disagree	3
Strongly disagree	1
Too early to tell	1
No opinion	3
No response	1
Total	**21**

[a]One response per state.

Source: GAO surveys to intellectual property sections of state bar associations.

Appendix IV: Intellectual Property Lawsuits Involving States and Active at Any Time Since January 1985

Table 47: Status of Lawsuits Where State Was a Defendant Since January 1985

Status	Patent	Trademark	Copyright	Trademark and copyright	Patent and trademark	Patent and copyright	Total
Federal court:							
Infringement:							
Decided	1	1	5	1	0	1	9
Dismissed	3	1	5	1	1	0	11
Dropped/settled	4	2	6	1	0	0	13
Still active	0	1	0	1	0	0	2
Total infringements	**8**	**5**	**16**	**4**	**1**	**1**	**35**
Declaratory judgment:							
Decided	1	0	0	0	0	0	1
Dismissed	1	1	0	0	0	0	2
Dropped/settled	5	1	0	0	0	0	6
Still active	2	1	0	0	0	0	3
Total declaratory judgments	**9**	**3**	**0**	**0**	**0**	**0**	**12**
Total federal court	**17**	**8**	**16**	**4**	**1**	**1**	**47**
State court:							
Decided	1	1	0	0	0	0	2
Dismissed	0	1	1	0	0	0	2
Dropped/settled	1	1	1	1	0	0	4
Still active	2	0	1	0	0	0	3
Total state court	**4**	**3**	**3**	**1**	**0**	**0**	**11**
Total state and federal court	**21**	**11**	**19**	**5**	**1**	**1**	**58**

Source: GAO analysis of federal and state case law; responses to GAO's questionnaires to state attorneys general and state institutions of higher education.

Table 48: Status of Lawsuits Where State Was a Plaintiff Since January 1985

Status	Patent	Trademark	Copyright	Trademark and copyright	Patent and trademark	Patent and copyright	Total
Federal court:							
Infringement:							
Decided	6	1	1	1	0	1	10
Dismissed	1	0	0	0	0	0	1
Dropped/settled	12	2	3	0	0	0	17
Still active	3	2	0	0	0	0	5
Total infringements	**22**	**5**	**4**	**1**	**0**	**1**	**33**
Declaratory judgment:							
Decided	0	1	0	0	0	0	1
Dismissed	0	0	1	0	0	0	1
Dropped/settled	0	0	0	0	0	0	0
Still active	1	0	0	0	0	0	1
Total declaratory judgments	**1**	**1**	**1**	**0**	**0**	**0**	**3**
Total federal court	**23**	**6**	**5**	**1**	**0**	**1**	**36**
State court:							
Decided	0	1	0	0	0	0	1
Dismissed	1	0	0	0	0	0	1
Dropped/settled	3	0	0	0	0	0	3
Still active	0	1	0	0	0	0	1
Total state court	**4**	**2**	**0**	**0**	**0**	**0**	**6**
Total state and federal court	**27**	**8**	**5**	**1**	**0**	**1**	**42**

Source: GAO analysis of federal and state case law; responses to GAO's questionnaires to state attorneys general and state institutions of higher education.

Appendix V: Federal District Court Cases Involving Intellectual Property

Table 49: Federal District Court Cases Involving Protected Property Rights (Copyright, Patent, and Trademark) During the 16-Year Period of Fiscal Years 1985 Through 2000

	Type of intellectual property			
Fiscal Year	Copyright	Patent	Trademark	Total number of cases
1985	2,113	1,155	2,144	5,412
1986	2,198	1,105	2,378	5,681
1987	1,994	1,129	2,395	5,518
1988	2,265	1,224	2,545	6,034
1989	2,251	1,162	2,452	5,865
1990	2,075	1,236	2,418	5,729
1991	1,795	1,171	2,220	5,186
1992	2,080	1,474	2,276	5,830
1993	2,588	1,553	2,419	6,560
1994	2,828	1,617	2,457	6,902
1995	2,417	1,723	2,726	6,866
1996	2,263	1,840	2,925	7,028
1997	2,258	2,112	3,189	7,559
1998	2,082	2,218	3,448	7,748
1999	2,093	2,318	3,831	8,242
2000	2,050	2,484	4,204	8,738
Total	**35,350**	**25,521**	**44,027**	**104,898**

Source: Administrative Office of the U.S. Courts.

Appendix VI: Comments From the United States Patent and Trademark Office

Under Secretary of Commerce For Intellectual Property and
Director of the United States Patent and Trademark Office
Washington, DC 20231
www.uspto.gov

SEP - 5 2001

Mr. Jim Wells
Director, Natural Resources and Environment
General Accounting Office
Washington, DC 20548

Dear Mr. Wells:

This is in response to your letter dated August 23, 2001, inviting the United States Patent and Trademark Office (USPTO) to comment on the draft Report by the General Accounting Office (GAO) entitled Intellectual Property: State Immunity in Infringement Actions (GAO-01-811). We appreciate the opportunity to offer these comments.

As the draft report accurately states, the Supreme Court's 1999 decisions in the *Florida Prepaid* cases raise significant concerns for the intellectual property community. Intellectual property owners believe that the current situation is inequitable. State institutions profit from federally protected intellectual property and are permitted to bring suit to protect their own intellectual property, but are shielded from monetary liability as defendants. This inequity skews our system of intellectual property protection, because the penalties in place to discourage infringement do not apply to state entities.

Although the GAO uncovered only fifty-eight lawsuits brought against states for intellectual property infringement since 1985, for the following reasons, this finding does not necessarily lead to the conclusion that a pattern of state infringement does not exist:

First, the GAO erroneously assumes that fifty-eight lawsuits would not qualify as evidence of a pattern of infringement. While the draft report acknowledges the extreme difficulty of identifying all past accusations of intellectual property infringement, the GAO did not adequately qualify its ultimate conclusion that "infringement accusations against states have been few." Given that state entities constitute only a tiny fraction of the total number of parties using intellectual property, fifty-eight lawsuits implicating state entities as defendants seems like a substantial number.

From 1985 until 1999, the states were thought to be liable for damages for infringing third-party intellectual property. Because of this potential liability, state entities had every reason to avoid infringement, to negotiate settlements or to enter into licensing arrangements. Too little time has elapsed since the 1999 *Florida Prepaid* decisions for the GAO to gauge whether immunity from suits for damages has led to states relaxing their standards for the use of intellectual property. In addition, based on self-reporting by state attorneys general and institutions of higher learning, the GAO found that most state

entities handle accusations of intellectual property infringement through administrative processes. If the majority of such accusations are handled through such processes, then the fifty-eight cases filed in court represent only a small number of the total accusations against states.

Finally, the GAO bases many of its conclusions on anecdotal evidence from state attorneys general and attorneys representing state institutions of higher learning. This self-reporting may create a conflict of interest, because states currently can avoid liability for damages for intellectual property infringement. As a result, state officials may have an incentive to under-report accusations made against state entities.

One of the GAO's three tasks in preparing this draft report was to obtain the views of the intellectual property community on this situation. The resulting report gives short shrift to responses from the intellectual property community, placing disproportionate emphasis on the views of state attorneys general and institutions of higher learning. The draft report concludes that "the intellectual property community is divided on what should and could be done to protect against state infringement." For the sake of accuracy, it must be noted that the only "division" in the intellectual property community is that between state entities, which comprise only a small subsection of the community, and the bulk of the community. The USPTO has been examining the concerns arising from the *Florida Prepaid* decisions since 1999. The USPTO has participated in an informal discussion group on the cases with private industry, the Copyright Office, and both House and Senate staff and hosted a conference on this topic on March 31, 2000. We are not aware of any such division among that community as to the need for a statutory remedy. Based on these discussions, we feel that it is more accurate to characterize the intellectual property community as strongly desiring a legislative solution to the perceived problem of state immunity in infringement actions but differing as to what statutory approach to take.

In the view of the IP community, a Federal legislative solution seems especially appropriate given the absence of any viable alternative remedy against state infringement. The GAO draft report lists a number of speculative legal theories under which an intellectual property owner might be able to seek monetary damages in state courts. Even if a court were to allow a plaintiff to proceed under one of these theoretical causes of action, the procedural tools and remedies available under our Federal intellectual property laws would not apply in such suits. The intellectual property laws of the United States have been carefully crafted to provide appropriate incentives to authors and inventors. Forcing an intellectual property owner to resort to untested legal theories in order to remedy an infringement damages the integrity of the U.S. intellectual property system.

Once again, thank you for the opportunity to participate with the GAO and its staff on this project. I request that the GAO revise the draft report so as to place in proper context the statements made by state attorneys general and institutions of higher learning and more thoroughly reflect the input provided by other members of the intellectual property community. The USPTO is committed to working with the Administration and Congress to ensure that States and state entities are liable, in some form, for money damages when

they infringe federally protected intellectual property. At the same time, we are committed to respecting the U.S. Supreme Court's views of federalism and the majority's interpretation of the Eleventh Amendment and other Constitutional sovereign immunity doctrines.

Sincerely,

Nicholas P. Godici

Nicholas P. Godici
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of the United States Patent and Trademark Office

Appendix VII: Comments From the United States Copyright Office

August 28, 2001

Jim Wells
Director,
Natural Resources and Environment
U.S. General Accounting Office

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Washington, D.C.
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Dear Mr. Wells:

Thank you for the opportunity to comment on the draft version of the GAO's report on State immunity in intellectual property infringement actions. The ability of copyright owners to enforce their rights is central to the balance of interests in the Copyright Act. Threats to that balance, such as blanket immunity from damages for States, are of great concern to the Copyright Office.

On August 22, 2000 your staff met with us to discuss the study that would provide the factual basis for this report. During that meeting, we expressed the opinion that the study was likely to find few examples of States infringing intellectual property. We held that view because we recognized that from the enactment of the first Copyright Act in 1790 until the Supreme Court's decisions in June, 1999, States had good reason to believe that they were subject to the full range of remedies if they infringed a copyright. Therefore, we concluded that States would have carefully regulated the behavior of their employees to avoid the costly consequences of infringement.

This study was conducted over a period of time approximately twelve to eighteen months after the Supreme Court's June, 1999 decisions, which provided perhaps the broadest statement of State sovereign immunity in American history. We recognize that it takes time for Supreme Court decisions to be distributed, interpreted, and digested by not just the legal community but by the public in general. Given this time lag, we believe that the behavior of State employees with regard to the use of intellectual property is only just beginning to evolve. Further, we recognize that it can take a substantial amount of time for copyright owners to learn of infringing activity. Therefore, it is quite possible that there may already be infringing activity, spurred by a new lack of concern for the consequences of infringement, that has not yet been discovered by those whose rights are being violated. Moreover, as your report acknowledges, the public case law is an inadequate record of infringement litigation because it includes only reported cases, and the surveys of state attorneys general, universities and bar associations are limited by the inability of the respondents to identify all claims of infringement or even lawsuits alleging infringement by States or State entities. For these reasons, we are not surprised that this study has yielded relatively few examples of infringements by States. We would like to think that States and State

employees will respect the copyright laws despite the unavailability of any monetary remedy when they infringe, but we are concerned that in light of the Supreme Court's rulings in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank* and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, the available legal remedies will be insufficient to ensure that result.

We do not mean to suggest by this that we view States and their employees as anything but generally law-abiding. Indeed, we believe that the American public is generally law-abiding. However, recent experiences in the internet environment suggest that some segments of the public do not view copyright as sacrosanct. Further, logic dictates that if a class of people will not be held fully accountable for certain actions, they may be less likely to restrict themselves in those actions. As was written in Federalist No. 51, albeit in a different context, "[i]t may be a reflection on human nature, that such devices should be necessary to control the abuses of government....If men were angels, no government would be necessary. If angels were to govern men, neither external nor internal controls on government would be necessary."

In conclusion, we do not accept the proposition that because relatively little evidence of past infringements by States was identified by this study, copyright owners must or should endure future infringements without a proper and complete remedy. If the Supreme Court's decisions have effectively blocked Congress from directly abrogating the State's immunity, then Congress should consider other legislative responses, such as providing incentives to States to waive their immunity voluntarily by conditioning the receipt of a gratuity from the Federal Government on such waiver. Only in this way can the proper balance, and basic fairness, be restored.

Sincerely,

David O. Carson
General Counsel

Appendix VIII: GAO Contacts and Staff Acknowledgments

GAO Contacts

John P. Hunt, Jr., (404) 679-1822
Frankie Fulton, (404) 679-1805

Staff Acknowledgments

In addition to those named above, Carolyn Boyce, Bert Japikse, Gary Malavenda, Jonathan S. McMurray, Deborah Ortega, and Paul Rhodes made key contributions to this report.

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