Testimony of

The Honorable Patrick Leahy

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I want to welcome everyone to today's hearing on sovereign immunity and the protection of intellectual property. Thank you all for coming.

Today's hearing will focus on a pair of Supreme Court cases from 1999 and what they mean for our national system of intellectual property protection. I am referring to Florida Prepaid v. College Savings Bank and its companion case, College Savings Bank v. Florida Prepaid. The Court ruled in these cases that States and their institutions cannot be held liable for damages for patent infringement and other violations of the federal intellectual property laws, even though they can and do enjoy the full protection of those laws for themselves.

The Florida Prepaid cases were both decided by the same five-to-four majority of the justices. This slim majority of the Court threw out three federal statutes that Congress passed, unanimously, in the early 1990s, to reaffirm that the federal patent, copyright, and trademark laws apply to everyone, including the States. I should note that Senator Hatch was one the two principal sponsors of these statutes in the Senate, along with former Senator DeConcini.

About four months after the Court ruled in the Florida Prepaid cases, I introduced a bill that responded to the Court's decisions. The Intellectual Property Protection Restoration Act of 1999 was designed to restore federal remedies for infringements of intellectual property rights by States.

Today's hearing is overdue; it has been nearly three years since the Court issued its decisions in the Florida Prepaid cases. I believe that there is an urgent need for Congress to respond to those decisions, for two reasons.

First, the decisions opened up a huge loophole in our federal intellectual property laws. If we truly believe in fairness, we cannot tolerate a situation in which some participants in the intellectual property system get legal protection but need not adhere to the law themselves. If we truly believe in the free market, we cannot tolerate a situation where one class of market participants have to play by the rules and others do not. As Senator Specter said in August 1999, in a floor statement that was highly critical of the Florida Prepaid decisions, they "leave us with an absurd and untenable state of affairs," where "States will enjoy an enormous advantage over their private sector competitors."

This concern is not just abstract. Consider this. In one recent copyright case, the University of Houston was able to avoid any liability by invoking sovereign immunity. The plaintiff in that case, a woman named Denise Chavez, was unable to collect a nickle in connection with the University's alleged unauthorized publication of her short stories. Now, just a short time later, another public university funded by the State of Texas is suing Xerox for copyright infringement.

The second reason why Congress should respond to the Florida Prepaid decisions is that they raise broader concerns about the roles of Congress and the Court. Over the past decade, in a series of five-to-four decisions that might be called examples of "judicial activism," the current Supreme Court majority has overturned federal legislation with a frequency unprecedented in American constitutional history. In doing so, the Court has more often than not relied on notions of State sovereign immunity that have little if anything to do with the text of the Constitution.

Some of us have liked some of the results; others have liked others; but that is not the point. This activist Court has been whittling away at the legitimate constitutional authority of the federal government. At the risk of sounding alarmist, this is the fact of the matter: We are faced with a choice. We can respond -- in a careful and measured way -- by reinstating our democratic policy choices in legislation that is crafted to meet the Court's stated objections. Or we can run away, abdicate our democratic policy-making duties to the unelected Court, and go down in history as the incredible shrinking Congress.

Just last week, the Court decided to intervene in another copyright dispute, to decide whether Congress went too far in 1998, when we extended the period of copyright protection for an additional twenty years. Many of us on the Committee cosponsored that legislation, and it passed unanimously in both Houses. A decision that the legislation is unconstitutional could place further limits on congressional power.

In November of last year, I introduced the Intellectual Property Protection Restoration Act of 2001, S.1611, which builds on my earlier proposal. I am proud to have the House leaders on intellectual property issues, Representatives Coble and Berman, as the principal sponsors of the House companion bill, H.R. 3204. Our approach has garnered broad support from such organizations as the American Bar Association, the American Intellectual Property Law Association, the Intellectual Property Owners Association, the International Trademark Association, the Professional Photographers of America Association, and the Chamber of Commerce.

This bill has the same common-sense goal as the three statutes that Senator Hatch championed a decade ago and the Supreme Court overturned: To protect intellectual property rights fully and fairly. But the legislation has been re-engineered, after extensive consultation with constitutional and intellectual property experts, to ensure full compliance with the Court's new jurisprudential requirements.

Most importantly, our bill presents States with a choice. It creates reasonable incentives for States to waive their immunity in intellectual property cases, but it does not oblige them to do so. States that choose not to waive their immunity within two years after enactment of the bill would continue to enjoy many of the benefits of the federal intellectual property system; however, like private parties that sue States for infringement, States that sue private parties for infringement could not recover any money damages unless they had waived their immunity from liability in intellectual property cases.

This arrangement is clearly constitutional. Congress may attach conditions to a State's receipt of federal intellectual property protection under its Article I intellectual property power just as Congress may attach conditions on a State's receipt of federal funds under its Article I spending

power. Either way, the power to attach conditions to the federal benefit is part of the greater power to deny the benefit altogether. And no condition could be more reasonable or proportionate than the condition that in order to obtain full protection for your federal intellectual property rights, you must respect those of others.

I hope we can all agree on the need for corrective legislation. A recent GAO study confirmed that, as the law now stands, owners of intellectual property have few or no alternatives or remedies available against State infringers - just a series of dead ends. I commend Senator Hatch for initiating that GAO study when he was Chairman of the Committee.

We need to assure American inventors and investors, and our foreign trading partners, that as State involvement in intellectual property becomes ever greater in the new information economy, U.S. intellectual property rights are backed by legal remedies. I want to emphasize the international ramifications here. American trading interests have been well served by our strong and consistent advocacy of effective intellectual property protections in treaty negotiations and other international fora. Those efforts could be jeopardized by the loophole in U.S. intellectual property enforcement that the Supreme Court has created.

I look forward to hearing from our witnesses, and again thank you all for coming.

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