

Testimony of
Mr. Paul Bender

February 27, 2002

Mr. Chairman, the Property Owners Remedy Alliance (PORA) welcomes the opportunity to present its views on your bill, S.1611, the "Intellectual Property Protection Restoration Act of 2001." PORA's members greatly appreciate your and Mr. Hatch's interest in this important issue, as well as the time and effort that Committee staff has devoted to crafting this important legislation.

PORA is an ad hoc group composed of a number of copyright-based companies and trade associations. Copyrights are at the core of the business of PORA's members. They market copies--or license the public performances--of millions of copyrighted works. They often sell or license works to States and their instrumentalities, which are prodigious users of copyrighted materials.

In 1990, with the support of many of PORA's current members, Congress passed the Copyright Remedy Clarification Act (CRCA) as a response to Supreme Court cases. The CRCA--and its subsequent patent and trademark counterparts--were enacted to redress the inequity of a situation where states as intellectual property owners may avail themselves of the full array of remedies as plaintiffs, but enjoy immunity to damage awards as defendants. In 1999, the Supreme Court moved the goalposts yet again in a series of sovereign immunity decisions that resulted in the Fifth Circuit's striking down the CRCA two years ago. The Supreme Court's decisions and their progeny have immunized States from damage awards when they infringe the federal intellectual property rights of others, while leaving them free to obtain all statutory remedies--including injunctions and damages--when their own intellectual property rights are violated. This is the exact same situation that existed in 1990. Thus, the reasons that we are here are not substantive so much as technical.

State immunity from money damage awards for copyright violations is of great concern to copyright owners--especially at a time when the digital revolution is dramatically increasing the scope and gravity of the piracy threat copyright owners face. PORA's members are grateful to the Committee for the responsiveness that it has shown in enacting prophylactic legislation in the past--such as the Digital Millennium Copyright Act, the NET Act and the Digital Theft Deterrence and Copyright Damages Improvement Act of 1999--to deal with new piracy threats caused by digital technology. PORA views S. 1611 as part and parcel of these legislative efforts.

We believe that an effective and constitutional sovereign immunity bill should have three components: (1) a provision that provides an incentive for states to voluntarily waive their immunity in exchange for access to the full remedies under the intellectual property system; (2) a provision abrogating state sovereign immunity for constitutional violations; and (3) codification of the Ex parte Young doctrine, which permits injunctions against state officials. S. 1611 contains all three of these important elements.

For this reason, we strongly support S. 1611. Additionally, We urge the Committee, however, to carefully consider strengthening the 'remedies bar' to preclude the award of injunctions or damages to non-waiving states. An amendment of this nature will strengthen the incentive for states to make themselves full and equal participants in the marketplace.

Testimony of Professor Paul Bender on behalf of the
Property Owners Remedy Alliance
Before the Senate Committee on the Judiciary
February 27th, 2002

Mr. Chairman, the Property Owners Remedy Alliance (PORA) welcomes the opportunity to present its views on your bill, S.1611, the "Intellectual Property Protection Restoration Act of 2001." PORA's members greatly appreciate your interest in this important issue, as well as the time and effort that you and your staff have devoted to crafting this important legislation. We also want to thank Senator Hatch for his long-standing interest in this issue, dating back to the original Copyright Remedy Clarification Act in the 101st Congress.

PORA is an ad hoc group composed of a number of copyright-based companies and trade associations. Its members include the American Society of Composers, Authors, and Publishers; Broadcast Music, Inc.; the Business Software Alliance; The McGraw-Hill Companies; the Motion Picture Association of America; National Music Publishers' Association; the Recording Industry Association of America; Reed Elsevier Inc.; the Software and Information Industry Association; the West Group; and AOL Time Warner Inc. PORA was formed in early 2000 in response to the Supreme Court's 1999 sovereign immunity decisions, *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank* and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*. These and other decisions have created a fundamentally unfair situation in which States remain immune from financial responsibility for any harm that their infringements cause to copyright owners, while at the same time being free to obtain all statutory remedies--including injunctions and damages--against those who trespass on their rights. The inequity of States being able to play by two sets of rules caused Congress to change the law in 1990, and these new decisions make it even more important that it does so today.

Copyrights are at the core of the business of PORA's members. They market copies--or license the public performances--of millions of copyrighted works. They often sell or license works to States and their instrumentalities, which are prodigious users of copyrighted materials. As a result, State immunity from money damage awards for copyright violations is of great concern to copyright owners--especially at a time when the digital revolution is dramatically increasing the scope and gravity of the piracy threat copyright owners face. In the past few years, Congress has recognized repeatedly the threat posed to copyright owners by new digital technology and has acted accordingly. Enactment of remedial legislation in light of the Supreme Court's 1999 sovereign immunity decisions is entirely consistent with these past congressional efforts.

Our members' goal is to secure the passage of federal legislation that: (1) eliminates the inherent unfairness of the present situation, in which States and their instrumentalities--which are increasingly participating as competitors in the commercial marketplace--are able to enjoy the full benefits of the copyright law without shouldering one of its most important responsibilities;

and (2) complies with the newly articulated constitutional boundaries established by the Supreme Court while effectively protecting rightsholders against State violations of their copyrights.

PORA urges the enactment of legislation that would:

Condition the availability to States of certain judicial remedies under the federal intellectual property system on State waivers of sovereign immunity from suit for state infringements from private intellectual property rights;

Abrogate State sovereign immunity when State infringements of federal statutory rights also violate constitutional rights; and

Codify the doctrine of *Ex parte Young*, thereby affirming the continued availability of injunctive and monetary relief against State officials who violate federal intellectual property laws.

Mr. Chairman, we are pleased that S. 1611 contains provisions addressing each of these important goals and PORA therefore strongly supports your bill. In our testimony, we will explain why we support the inclusion of these provisions in S. 1611. We will also suggest one particular, substantively important enhancement to the text of S. 1611 regarding the scope of remedies denied non-waiving States that we believe will improve the bill, and urge the Committee to give careful consideration to this suggested change. We will first discuss the legal and constitutional developments that have made S.1611 a necessity in the first place.

I. The 101st Congress and the Copyright Remedy Clarification Act

In November of 1990, President George Bush signed into law the Copyright Remedy Clarification Act (CRCA). Drafted in response to a number of federal court decisions, that legislation expressly abrogated state sovereign immunity from money damage awards in copyright infringement suits. Two years after passage of the CRCA, Congress enacted its patent and trademark counterparts: the Patent and Plant Variety Protection Clarification Act (PRA) and the Trademark Remedy Clarification Act (TRCA).

When it passed the CRCA in 1990, the 101st Congress believed that it had the power to abrogate State immunity under Article I, Section 8, Clause 8 of the Constitution--the Patent/Copyright Clause. In reaching this conclusion, Congress relied on the Supreme Court's decision in *Pennsylvania v. Union Gas Co.* in which the Court by a 5-4 vote ruled that Congress could use its Article I powers to abrogate State immunity if Congress made its intention to abrogate unmistakably clear. When the 102nd Congress enacted the PRA and the TRCA in 1992, it referenced two Article I powers (the Patent/Copyright and Commerce Clauses), as well as its authority under Section 5 of the Fourteenth Amendment, as the constitutional basis for the legislation.

Now, twelve years later, the 107th Congress finds itself revisiting this issue because, in the interim, the United States Supreme Court has changed the constitutional landscape in a way that has frustrated Congress' purpose in enacting the CRCA, PRA and the TRCA. Thus, in a real sense, the task before this Committee is technical in nature: to draft a new law to fill the gap in State responsibility created by these judicial rulings--a law that meets the Court's newly

articulated constitutional understanding and is an effective means of deterring State infringements of federal intellectual property rights and compensating those who are the victims of such violations.

The reasons that prompted Congress to enact the CRCA in 1990 (and the PRA and TRCA in 1992) remain compelling today. It is instructive to review briefly the history surrounding the enactment of the CRCA.

Congress began its work in this area in 1987, by requesting and receiving from the United States Copyright Office a study examining State immunity from infringement actions. Specifically, Congress asked the Copyright Office to examine two issues: (1) the practical problems relative to the enforcement of copyright law against State entities; and (2) the presence, if any, of unfair business practices by copyright owners vis-à-vis State governments. The Copyright Office's detailed examination revealed that copyright owners had suffered and would continue to suffer harm if Congress did not abrogate State immunity from suit for State copyright infringements.

The Copyright Office Report uncovered evidence of unremedied State copyright infringements. Those who filed comments with the Office "almost unanimously chronicled dire financial and other repercussions that would flow from State Eleventh Amendment immunity from damages in copyright infringement suits." The Copyright Office concluded that "copyright owners have demonstrated that they will suffer immediate harm if they are unable to sue infringing States in federal court for money damages."

Congress' own consideration of the issue confirmed the Copyright Office's findings and conclusions. This Committee declared that "[s]tate immunity from damages critically impairs creative incentives and business investments in the country's copyright businesses that deal with State entities." Similarly, the House Judiciary Committee concluded that "actual harm has occurred and will continue to occur if this legislation is not enacted." Congress also recognized that the harm emanating from State copyright immunity was not limited to copyright owners. The Senate Report recognized that "[i]t is not only business enterprises that are hurt by State infringements, but individuals, primarily students and public colleges and universities, who pay the price of State immunity through higher prices and lower quality of materials." Thus, when Congress passed the CRCA, it acted on a record that documented the seriousness of the problem and the need for prompt legislative intervention in response to recent court decisions holding States immune from damages in copyright cases because of the failure of existing legislation to abrogate state immunity.

Several additional factors motivated Congress in enacting the CRCA.

First, the 101st Congress was deeply troubled by the fact that sovereign immunity confers an unfair commercial advantage on States and their instrumentalities. It permits States to operate by two sets of rules: one when their copyrights are infringed and another when they infringe the copyrights of others. When States are victims of infringement, they have at their disposal all of the remedies available under the Copyright Act; when States infringe, however, they are shielded from a key copyright remedy--monetary damages. The 101st Congress concluded that States thus unfairly received a "free ride" by being able to obtain all of the benefits conferred by the copyright law without bearing one of its most important responsibilities.

The 101st Congress' concern over this unfair situation was heightened by its recognition that States are frequent and important users and owners of copyrighted works. With respect to State uses of copyright materials, a former Register of Copyrights told the 101st Congress:

States and their instrumentalities are major users of copyrighted material of all sorts--not only the familiar forms of printed books and periodicals but the whole range of creative expression in the 1980's: dance and drama, music and sound recordings; photographs and filmstrips; motion pictures and video recordings; computer software and chips; pictorial and graphic material, maps and architectural plans, and so forth, ad infinitum. State exploitation of copyrighted works is by no means limited to uses that can be called educational or nonprofit. They include publishing enterprises, computer networks, off-air-taping, public performance and display, radio and television broadcasting and cable transmissions, to name only the most obvious [examples]

Moreover, the 101st Congress knew that, unlike the federal government which cannot generally assert copyright in the works of its employees, States are free to claim copyright in works created by their employees and to reap the commercial benefits that result from such rights.

Second, while acknowledging the importance of Ex parte Young injunctions as a remedial tool under the copyright law, Congress concluded that injunctive relief, standing alone, was inadequate to protect the interests of copyright owners against State infringers.

Third, the 101st Congress knew that because federal courts have exclusive jurisdiction over federal copyright cases, sovereign immunity means "the choice [in copyright cases] is . . . between the federal forum and no forum."

The reasons that drove enactment of the CRCA in 1990 are, if anything, even stronger in 2002. State use of copyrighted works is even more frequent than twelve years ago. This is certainly true on college campuses; public institutions currently house nearly 80% of the students attending institutions of higher learning in the United States. Copyrighted software is used in every university setting, public or private. Moreover, State university systems' Intranets (computer networks linking classrooms, libraries, media centers and dormitory rooms) now make it possible for a university to distribute copies or performances of copyrighted works to unlimited numbers of faculty, students, and even members of the general public.

The problems posed today by State immunity are not limited to the university environment. Copyrighted software, music, motion pictures, sound recordings and other works are used by many State departments and agencies. Computer software programs are found in virtually every governmental entity performing specialized tasks or general office administration functions. Copyright users include State departments of education, taxation, and transportation.

Finally, in assessing the unfairness of the current state of the law, it is also critical to take into account the fact that today States are major owners of intellectual property. As owners, they increasingly act not as sovereigns, but as commercial competitors. For example, in Florida Prepaid, the State allegedly infringed College Savings' patent in a program when it offered a competing service using the patented method. Moreover, like corporations in the public sector, States have begun to centralize the management of their intellectual property assets so that they may successfully exploit their creations.

In addition, for years many States have aggressively registered their works with the Copyright Office and they continue to do so. This point was underscored in 2000 by the Register of Copyrights in testimony before the House Judiciary Subcommittee on Courts and Intellectual Property:

We do have some sense of the extent to which States make use of the Copyright Office's registration function. The Copyright Office reviewed the registrations issued to four-year state colleges and universities for monographs since 1978. Over 32,000 such registrations were found. That is an average of 645 registrations for each State. Put differently, on average the Copyright Office has issued a registration for a work by a State (not including State entities other than four-year colleges and universities, and not including serials) once every twelve calendar days for the last twenty-two years. Clearly, States are availing themselves of the copyright protection provided by federal law.

Furthermore, universities increasingly are moving away from the practice of allowing professors, rather than the State or the university, to claim copyright in faculty-created works. This development is motivated in part by the upsurge in the commercial value of technologically-oriented faculty creations such as computer software and multimedia works.

Today, States are routinely reaping all the benefits of the Copyright Act--without having to expose themselves to financial liability for their infringing acts. This disparity creates an inequitable situation in the intellectual property marketplace. It should be corrected. S. 1611 would help do just that.

II. The CRCA, the PTA and the TRCA Under Constitutional Attack

In *Seminole Tribe of Florida v. Florida* the Supreme Court overruled the *Union Gas* case, upon which Congress had relied in enacting the CRCA, the PRA, and the TRCA. In *Seminole Tribe*, the Court held that Congress could not use its Article I powers to abrogate State immunity from suit for violation of legislation passed pursuant to Congress' Article I powers. This surprising decision removed Article I as a basis for the CRCA, PRA and TRCA. After *Seminole Tribe*, the constitutionality of these statutes turned on whether they could be sustained under either Section 5 of the Fourteenth Amendment or under the so-called *Parden* doctrine, under which States could waive their sovereign immunity by participating voluntarily in certain commercial activities.

Ultimately, the PRA, CRCA and the TRCA (to the extent it abrogated State immunity for false advertising claims) were found unconstitutional. In June 1999, the Supreme Court invalidated the PRA and the false advertising provisions of the TRCA in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank* and *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*. In addition to finding that neither the PRA nor the challenged portions of the TRCA were proper exercises of Congress' Section 5 power, the Court overruled the *Parden* doctrine as well. Subsequently, relying on the two *College Savings Bank* cases, two separate panels of the United States Court of Appeals for the Fifth Circuit voided the CRCA.

At the same time that the Court handed down the two *College Savings Bank* cases, June 23, 1999, it also decided *Alden v. Maine*. In *Alden*, the Court held that Congress could not use its

Article I powers to subject nonconsenting States to private suits for damages in State court. Taken together, Seminole Tribe and Alden mean that Congress cannot rely on its Article I powers to abrogate State sovereign immunity from suit in either State or federal court. Because of the critical place they occupy in the current sovereign immunity landscape, each of these three post-Seminole Tribe decisions--the two College Savings rulings and Alden--warrant some further elaboration.

A. Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank ("The Patent Case")

In Florida Prepaid, the Supreme Court, by a 5-4 vote, struck down the PRA. Relying on the PRA, College Savings Bank had filed a patent infringement suit against defendant, Florida Prepaid, alleging that the defendant had infringed College Savings Bank's patent in the financing methodology used in its college savings program. After the Supreme Court handed down Seminole Tribe, the defendant moved to dismiss the suit. The district court denied the motion and the Court of Appeals for the Federal Circuit affirmed. The Supreme Court, however, reversed.

At the outset, the Court held that, because Seminole Tribe prohibited Congress from abrogating State sovereign immunity pursuant to its Article I powers, the PRA could not be sustained under either the Commerce or Patent/Copyright Clauses. Next, although the Court recognized that Congress has the power to abrogate State immunity by enacting "appropriate legislation" under Section 5 of the Fourteenth Amendment, it determined that the PRA was not a proper exercise of Congress' Section 5 power. Several aspects of the Court's Section 5 discussion bear special mention.

First, the majority found that patents are property for purposes of the Due Process Clause:

Patents . . . have long been considered a species of property As such, they are surely included within the "property" of which no person may be deprived by a State without due process of law. And if the Due Process Clause protects patents, we know of no reason why Congress might not legislate against their deprivation without due process under § 5 of the Fourteenth Amendment.

Second, the Court noted that, while patents are property for purposes of the Due Process Clause, that clause does not protect against every State patent infringement. It only encompasses those infringements that unconstitutionally deprive patent owners of their property such as infringements that deprive owners of property without due process of law. The Court further seemed to hold that due process is violated only if intentional acts of infringement occur for which the State has failed to provide an adequate State remedy.

Third, the Court found that the PRA was not "appropriate legislation" under Section 5 because (1) it included all statutory infringements, not only those infringements that amount to constitutional violations, and (2) Congress had made no record showing a need for it to reach beyond constitutional violations in order to protect constitutional rights. The Court noted in this connection that:

In enacting the Patent Remedy Act . . . Congress identified no pattern of patent infringement by the States, let alone a pattern of constitutional violations. Unlike the undisputed record of racial discrimination confronting Congress in the voting rights cases . . . Congress came up with little evidence of infringing conduct on the part of the States. The House Report acknowledged that "many states comply with patent law" and could provide only two examples of patent infringement suits against the States. The Federal Circuit in its opinion identified only eight patent-infringement suits prosecuted against the states in 110 years between 1880 and 1990 At most, Congress heard testimony that patent infringements by States might increase in the future . . . and acted to head off this speculative harm.

B. College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board ("The Trademark Case")

In *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, 527 U.S. 666 (1999), the Court sustained the Third Circuit's decision that the portions of the Trademark Remedy Clarification Act (TRCA), which subject States to suits under Section 43(a) of the Lanham Act for false and misleading advertising, are unconstitutional.

In *College Savings*, the bank alleged that Florida Prepaid had violated Section 43(a) of the Lanham Act by making misstatements about Florida Prepaid's postsecondary tuition savings plan in its brochures and annual report. Florida Prepaid moved to dismiss the case on the basis that the State's sovereign immunity barred the suit. Both the District Court for the District of New Jersey and the Court of Appeals for the Third Circuit agreed. The Supreme Court granted certiorari and affirmed by a 5-4 vote.

The Court rejected the petitioner's assertion that the TRCA was valid Section 5 legislation. It found that neither the right to be free from a business competitor's false advertising about the competitor's own product, nor a general right to be secure in one's business interests, constituted "property" for due process purposes. Because no deprivation of property occurred, the Court saw no need to inquire "whether the prophylactic measure taken under purported authority of § 5 . . . was genuinely necessary to prevent violation of the Fourteenth Amendment." The Court acknowledged, however, that the Lanham Act may protect other interests that qualify as property under the Due Process Clause: "The Lanham Act may well contain provisions that protect constitutionally cognizable property interests--notably, its provisions dealing with the infringement of trademarks, which are the 'property' of the owner because he can exclude others from using them."

The Court then addressed the argument that the State of Florida had voluntarily waived its immunity from federal court jurisdiction in false advertising cases. Finding that Florida Prepaid had not expressly consented to suit in federal court, the Court considered whether the law could be sustained under the constructive-waiver doctrine enunciated in *Parden*. After asserting that the Court had narrowed *Parden* over the years, Justice Scalia's opinion for the Court "drop[ped] the other shoe" and expressly overruled *Parden*'s constructive waiver doctrine.

Finally, the *College Savings Bank* Court suggested the possibility that Congress could constitutionally use its Spending Clause power to require a State to waive its immunity from suit

in order to receive its federal funds, as long as "the financial inducement offered by Congress [is not] so coercive as to pass the point at which 'pressure turns into compulsion.'"

C. Alden v. Maine

Alden v. Maine presented the Court with the question whether Congress can use its Article I powers to subject nonconsenting States to private suits for damages in State court.

In Alden, a group of probation officers sued the State of Maine, alleging that it had violated the overtime provisions of the Fair Labor Standards Act of 1938 (FLSA). Relying on Seminole Tribe, the district court dismissed the lawsuit on sovereign immunity grounds, and the Court of Appeals for the First Circuit affirmed. Subsequently, the probation officers brought the same claim in Maine State court, which also dismissed on sovereign immunity grounds. The Maine Supreme Court affirmed, and the United States Supreme Court granted certiorari.

By another identical 5-4 division, the Court held that the State immunity from suit recognized in Seminole Tribe applied in State as well as federal court. Thus, after Alden, even if Congress were to give State courts concurrent jurisdiction over federal patent or copyright statutory infringement suits, nonconsenting States would nonetheless be immune from such actions.

The combination of these three Supreme Court decisions set the stage for the invalidation of the CRCA.

D. Chavez v. Arte Publico Press

Several months after the Supreme Court rendered its opinions in the two College Savings Bank cases and Alden, the Fifth Circuit found the CRCA invalid in Chavez v. Arte Publico Press. The litigation in Chavez commenced in 1993, when an author, Denise Chavez, filed suit against the University of Houston Press--a State entity--for copyright infringement arising out of a dispute regarding her publishing agreement with the University. Previously, a Fifth Circuit panel had found the CRCA to be constitutional in Chavez v. Arte Publico Press. That decision was based on the subsequently discarded Parden constructive-waiver theory. The Supreme Court vacated and remanded for reconsideration in light of Seminole Tribe. After a second panel decision, the case was again remanded to the panel for reconsideration in light of College Savings Bank and Florida Prepaid. The Fifth Circuit panel then held that the CRCA "was doomed" in light of Florida Prepaid.

III. Congress' Legislative Options After The College Savings Bank and Alden Cases

Congress must now assess how it can respond to these decisions in a constitutional and effective manner. Despite the fact that Congress can no longer use its Article I powers to abrogate State sovereign immunity, we believe that Congress has sufficient tools at its disposal to fashion legislation that fits within the contours of the Court's recent decisions and also effectively implements Congress' desire to remove the harm to copyright owners caused by States' freedom to infringe copyrighted works without having to pay damages.

As noted above, in PORA's view, any forthcoming legislation should:

Condition the State's ability to obtain judicial remedies available under the federal intellectual property system on State waivers of sovereign immunity from suit in federal court for state infringements of private intellectual property rights;

Abrogate State sovereign immunity in suits brought to redress unconstitutional infringements of federal intellectual property rights; and

Codify the doctrine of *Ex parte Young*, thereby affirming the availability of injunctive and monetary relief in infringement suits brought against state officials and employees.

A. Conditioning Certain Federal Intellectual Property Benefits on State Waivers of Sovereign Immunity

Mr. Chairman, we agree with you that it is critical that any forthcoming legislation should contain a "waiver" provision that conditions a State's ability to obtain judicial remedies under the federal intellectual property system on the State's waiver of its sovereign immunity from such remedies. We believe that Congress has power to condition a State's ability to obtain a federal judicial remedy upon the State's waiver of its own immunity.

1. The Remedies Bar

Section 3 of S. 1611 would deny a non-waiving State the ability to recover monetary damages when it sues to protect its own intellectual property rights, but leave it free to obtain injunctions. We wholeheartedly agree that non-waiving States should not be eligible to obtain money damages. While we strongly support this provision of the bill, we respectfully question whether permitting States to retain their sovereign immunity while still allowing them to obtain injunctive relief is fair or would provide many States with a sufficient reason to waive their immunity. For that reason, we urge the Committee to give careful consideration to amending S. 1611 so as to bring both injunctive relief and damages within the remedies bar for non-waiving States.

In deciding whether to expand the reach of the remedies bar to include injunctions, we urge you to keep in mind that S. 1611--unlike S. 1835, from the prior Congress--does not condition a State's ownership of intellectual property rights on a waiver of its sovereign immunity. Rather, under S. 1611, non-waiving States would be free both to obtain these rights and to exploit them in the marketplace. We propose only that they (or their assignees) lose the ability to obtain judicial remedies unless the State waives its immunity from such remedies.

2. Straightforward Process

College Savings and Florida Prepaid made clear that a waiver of State sovereign immunity must be both knowing and voluntary. Thus, the waiver provision must offer States a clear and unambiguous choice between waiving their immunity from suit or foregoing access to certain judicial remedies. The waiver provision must clearly spell out the consequences for the State in making this choice. We believe that Section 3 of S. 1611 achieves that goal.

S. 1611 also sets forth in clear and straightforward language the procedural steps governing the waiver process. Most importantly, the bill:

Specifies that, if a State chooses to waive its immunity, the waiver is to be made in accordance with the constitution and laws of the State; and

Gives States a reasonable amount of time--up to two years--to make the decision to waive without any risk of losing existing rights.

3. Safeguards Against End-Runs

We share your goal of incorporating language into the voluntary waiver provision to help prevent "end runs" around the remedies bar applicable to non-waiving States. We certainly do not want States to be free to easily evade making the choice required by the Act. A non-waiving State should therefore be subject to the remedies bar, regardless of whether it acquired ownership by being the author of the work (by virtue of its creation by an employee or pursuant to a valid work-made-for-hire agreement), or by exclusive license or assignment.

We also agree that this bar should not only affect States bringing suits, but also those plaintiffs who exclusively license or assign works to or from the State under certain circumstances.

Otherwise, for example, a State could evade the bar by assigning its exclusive rights to a private party for a one-time payment. Without an anti-end-run provision, the private party would, on the State's behalf, have access to all available remedies. By barring remedies where the State "is or was at anytime the legal or beneficial owner," S. 1611 provides a useful way to thwart unfair circumvention of the remedies bar.

At the same time, we agree that the bill should not unfairly prejudice private parties; Section 3 of your bill appears to achieve that important goal. It makes the remedies bar inapplicable in two instances where to do otherwise would be extremely unfair to a private party where: (1) applying the remedies bar "would materially and adversely affect a legitimate contract based expectation that was in existence before January 1, 2002"; and (2) a downstream bona fide purchaser of an intellectual property right did not know that a State was once the legal or beneficial owner of that right.

B. Abrogation of Immunity In Suits Based on Constitutional Violations

1. The Scope of Abrogation

Section 5 of the Fourteenth Amendment gives Congress the power to remedy unconstitutional State deprivations of life, liberty and property through "appropriate legislation" and in the past few years, the Supreme Court has repeatedly stated that Congress has the power to abrogate State immunity by invoking this authority. Yet, in *College Savings* and *Florida Prepaid*, the Court voided congressional efforts to do this, holding that the federal laws involved were not "appropriate" legislation under Section 5. We believe that, by closely adhering to the Court's opinions--particularly that in *Florida Prepaid*--Congress can craft a constitutional and effective abrogation provision.

As S. 1611 recognizes, the key to fashioning an appropriate abrogation provision is to have it remove State immunity only in those cases where State infringements constitute unconstitutional deprivations of the property rights of intellectual property owners. Thus, unlike the CRCA which

applied to all State copyright infringements, S. 1611 is expressly limited to unconstitutional violations of federal intellectual property rights--i.e., those violations that violate either the due process or the takings clause. Such an approach directly follows the central teaching of *Florida Prepaid* that not every infringement of a federal intellectual property right violates the Fourteenth Amendment.

In July 2000, before the House Judiciary Subcommittee on Courts, the Internet, and Intellectual Property, Harvard Law School Professor Daniel Meltzer suggested enactment of this form of abrogation legislation. At that time, and again in a subsequent law review article, Professor Meltzer suggested that such a form of abrogation was not dependent upon Congress making a record of widespread unconstitutional activity by States:

I do not read these recent decisions as holding that any exercise of Section 5 power is valid only upon such a showing of widespread violations; that showing is demanded, rather, only when the congressional measure reaches broadly to regulate conduct that is not independently unconstitutional. For in each of the cases in which the Supreme Court has found a federal statute regulating the States to fall beyond the scope of Section 5 power, the enactment regulated at least some conduct that itself did not violate Section 1 of the Fourteenth Amendment. Thus, in *Florida Prepaid*, for example, the Court found that the statute--by regulating patent infringement that was unintentional, and whether or not state post-deprivation remedies were available--regulated conduct that did not itself constitute a deprivation of due process. Where Congress does reach beyond regulating actual constitutional violations, these recent decisions clearly require a strong showing of legislative need By contrast, the proposed legislative measure just discussed would be tailored so that it, unlike the statutes recently invalidated by the Court, extends only to instances of constitutional violations. Such a measure is more easily viewed as "remedial," and in my view the validity of a statute that merely regulates unconstitutional conduct itself should not require an additional showing of widespread violations by the states. Examination of the record of state violations is significant only when a statute reaches well beyond the scope of constitutional violations.

At least one federal appeals court has acted in a manner consistent with S. 1611's treatment of abrogation and Professor Meltzer's suggested approach. In *Cherry v. University of Wisconsin System Board of Regents*, the Seventh Circuit upheld Congress' abrogation of state sovereign immunity from suits brought under the federal Equal Pay Act (EPA). In finding the congressional abrogation under the EPA to be constitutional, the appeals court, citing *Kimel v. Florida Board of Regents*, noted that "the lack of [evidentiary] support in the legislative record 'is not determinative of the § 5 inquiry'" and went on to distinguish the situation in *Cherry* from recent Supreme Court rulings where the Court found the absence of evidence critical:

But unlike the statutes at issue in *City of Boerne*, *Kimel*, *Florida Prepaid*, and *Garrett*, all of which pervasively prohibit constitutional State action, the EPA 'prohibits very little constitutional conduct.' Precisely because the EPA essentially targets only unconstitutional gender discrimination, the importance of congressional findings of unconstitutional State action is 'greatly diminished.' (emphasis added) (internal citations omitted).

In its recent decisions, the Supreme Court has held that State infringements are unconstitutional only if: (1) they are intentional or non-negligent; and (2) the State provides no adequate remedy

for them. S. 1611 makes specific reference to the inadequacy-of-remedies element of unconstitutionality, but not to the scienter element. While we believe that a case can be made for including express reference in the statute to both elements, in our view it is especially important that the statute make clear that the State, not the plaintiff, has the burden of demonstrating that it provides an adequate remedy and that this determination should be made by the judge in the federal proceeding. Section 5(d)(2) of S. 1611 correctly places this critical burden on the State or its instrumentality.

2. The Breadth of the Evidentiary Record

As Professor Meltzer observes, although perhaps not constitutionally necessary, it is advisable for Congress to "assemble the most complete record possible of instances in which state governments have violated federal intellectual property laws and, beyond that, of instances in which those violations appear also to constitute violations of the Due Process Clause." In part to help develop such a record, in June 2000, then-Chairman Hatch requested that the GAO undertake a study that, among other things, would compile instances of alleged State infringements of intellectual property rights.

In September 2001, GAO issued its report entitled "Intellectual Property: State Immunity in Infringement Actions." As to instances of past state infringements, GAO was able to document 58 instances of unauthorized use of intellectual property by a State since 1985. GAO based its findings on a review of published case law and a survey of the States.

While GAO felt compelled to characterize the number of accusations of state infringements as "few," this characterization fails to take into account a number of critical factors. First, GAO itself acknowledged that it faced substantial difficulties in attempting to come up with an accurate assessment of all past accusations of state infringements of intellectual property, in part because "there are no summary databases providing such information." In addition, GAO acknowledged that:

"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";

Accusations set forth in cease and desist letters are often resolved administratively, do not result in the filing of a lawsuit, and thus are not reflected in published case law; and

Some lawsuits are not easily identified as either involving (1) unauthorized use of intellectual property, or (2) a state entity that could claim sovereign immunity.

Second, in reviewing GAO's findings, it is imperative to keep in mind two critical factors: (1) too short a period of time has elapsed since the decisions by the Supreme Court and the Fifth Circuit to assess whether they will result in changed State practices; and (2) States were considered fully liable for copyright infringement for the vast majority of the last twenty-five years. This latter point deserves some elaboration.

Until the Court's 1986 decision in *Atascadero*, it was widely understood that when Congress passed the 1976 Copyright Revision Act, it intended States to be liable for their acts of infringement just like any other party, except in those circumstances where they were expressly exempted from liability. This was, for example, the view set forth in the House and Senate Committee Reports on the CRCA. It was also the position of Representative Kastenmeier, who chaired the House Judiciary Subcommittee involved in the consideration of both the CRCA and the 1976 Act, and of the Registers of Copyrights at the time of the passage of the CRCA and the 1976 Act.

This general understanding of the 1976 Act's reach was not drawn into question until after the Supreme Court's decision in *Atascadero*. Indeed, just prior to *Atascadero*, one federal court ruled that the 1976 Act had effectively abrogated State copyright immunity. After *Atascadero*, federal courts started reaching the opposite result. This change from full State liability to immunity was short-lived, however. As noted above, the 101st Congress moved quickly after *Atascadero*, and, in November, 1990, the CRCA became law. As a result, between late 1990 and the Supreme Court's 1999 decisions, States were once again subject to the full panoply of remedies available under the Copyright Act.

In sum, from 1976 until 1985, and from 1990 until at least 1999, States have necessarily operated under the assumption that they were fully liable for copyright infringements. The States may just be beginning to grasp the potential impact of the *College Savings Bank* decisions in the copyright context. It is entirely reasonable for the 107th Congress to conclude that State infringements will become commonplace in the absence of the enactment of remedial legislation by Congress--especially given the ease with which digital copies can be made and disseminated and the growth of State university and agency Intranets. When viewed against this background, one can better understand why the Patent and Trademark Office did not view the 58 documented cases identified by GAO as few in number, and the Copyright Office expressed no surprise at the number of cases identified in the GAO's report.

3. Due Process and Takings Violations

PORA agrees that the new statute should expressly provide for abrogation of State immunity in suits for State infringements that constitute violations of either the Due Process or the Takings Clauses. In our view, Section 5 of S. 1611 wisely sets forth these two bases for abrogation in separate provisions so that the statute's severability clause can preserve one should the other be held unconstitutional.

4. Congressional Review of the Adequacy of State Remedies

In his opinion for the Court in *Florida Prepaid*, Chief Justice Rehnquist chided Congress for not thoroughly examining the availability of State remedies with respect to patent infringements. In the CRCA context, however, Congress had before it, as part of the Copyright Office Report, the aforementioned Congressional Research Service study. That study revealed the very limited, inconsistent nature of State remedies available to copyright owners victimized by State infringements. A more recent analysis of the sovereign immunity practices in fourteen States made by an *amicus curiae* in *Florida Prepaid* demonstrated the limited, haphazard remedies those States afford for State patent infringements (and presumably for State copyright infringements as

well). In the same vein, the recent GAO report concluded that intellectual property owners have few alternatives or remedies against state infringement remaining after Florida Prepaid.

The GAO report recognizes that a State currently cannot be sued for damages in federal court except in the unlikely event that the State waives its Eleventh Amendment immunity. Absent such a waiver, the GAO states accurately that the intellectual property owner is limited to seeking an injunction in federal court against the infringing official. GAO correctly terms such injunctions as an "incomplete remedy."

With regard to the state court proceedings, the GAO's study questioned whether litigants would obtain damage awards in such cases because of a number of factors: federal preemption of state claims; exclusive federal court jurisdiction over federal patent and copyright (but not trademark) claims; the absence of recognized causes of action under state laws; and the fact that, in addition to their Eleventh Amendment immunity, States typically enjoy immunity from suit in their own courts via statutory or constitutional provisions.

5. Recital of Congressional Authority

We urge that the statute, or at least the accompanying legislative history, state in unambiguous and unequivocal terms that Congress is relying on its 14th Amendment enforcement powers in abrogating State sovereign immunity. The Court's treatment of the just compensation issue in Florida Prepaid raises some concern that, in the future, the Court may formally break away from its "no recital" rule and require Congress expressly to refer to the relevant constitutional provisions when seeking to enact "appropriate" remedial legislation under Section 5 of the 14th Amendment. To avoid any such problem here, Congress should clearly and explicitly state its reliance on its Section 5 power to enforce the due process and takings clauses.

6. "Property" For Purposes of the Due Process and Takings Clauses

The Court's Florida Prepaid and College Savings decisions leave little doubt that copyrights, patents and, presumably, trademarks are considered property for purposes of the Due Process Clause. Nonetheless, out of an abundance of caution, the accompanying legislative history should: (1) refer to the Court's discussion of the "property" issue in both Florida Prepaid and College Savings; and (2) review the general treatment in law of intellectual property as property.

C. Codification of the Ex Parte Young Doctrine

S. 1611 properly calls for the codification of the Ex parte Young doctrine. Under this doctrine, an injured party can sue to enjoin a State official from violating federal law, even though the State itself remains immune from suit. In Ex parte Young, the Court held that State officials are stripped of any sovereign immunity when they perform acts that violate valid federal law:

If the Act which the state Attorney General seeks to enforce be a violation of the Federal Constitution, the officer in the proceeding under such enactment comes into conflict with the superior authority of that Constitution, and he is in that case stripped of his official or representative character and is subject in his person to the consequences of his individual conduct.

The Court has frequently alluded to the Ex parte Young doctrine as a means by which private parties can obtain relief against State officials for violations of federal law. Most recently, the Court in *Alden v. Maine*, citing Ex parte Young, noted that sovereign immunity "does not bar certain actions against State officers for injunctive or declaratory relief." Nonetheless, two recent Court decisions, *Seminole Tribe of Florida v. Florida*, and *Idaho v. Coeur d'Alene Tribe of Idaho*, have raised concerns that, in some situations, the doctrine may not continue to provide the scope of relief it has afforded private parties in the past.

In *Seminole Tribe*, the Court found the doctrine inapplicable where Congress creates a detailed remedial scheme for the enforcement of a particular federal right. In such instances, the Court "hesitates" to allow a different and potentially broader remedial path under Ex parte Young. Thus, there is concern that the more elaborate the remedial scheme accompanying a federal statute, the less likely a court will be to find the doctrine applicable. To avoid that result here, Section 4 of S. 1611 simply codifies the Ex parte Young doctrine so as to ensure its continued applicability in the future.

In *Idaho v. Coeur d'Alene Tribe of Idaho*, the Court found the Ex parte Young doctrine inapplicable to "special circumstances" affecting a State's sovereignty. Moreover, two members of the Court stated that, in their view, the Court should engage in an exacting case-by-case review before approving an Ex parte Young injunction. Chief Justice Rehnquist and Justice Kennedy opined that each potential grant of Ex parte Young jurisdiction should be evaluated by balancing the interests served by permitting federal jurisdiction against a State's interests in keeping the federal forum closed. Section 4 of S. 1611 is designed to: (1) prevent future judicial reliance on a "special sovereignty" exemption to the doctrine; and (2) preclude the adoption by a Court majority of a case-by-case approach in intellectual property infringement cases.

CONCLUSION

Mr. Chairman, PORA supports the enactment of a constitutional and effective response to the Supreme Court's 1999 sovereign immunity/intellectual property decisions. Your bill, S. 1611, contains the three components that we believe should be part of any forthcoming legislation in this area--waiver, constitutional abrogation and codification of the Ex parte Young doctrine. We also believe that the effectiveness of the bill's waiver provision can be enhanced by precluding non-waiving States from obtaining damages and injunctions when they bring intellectual property infringement suits. We urge the Committee to act favorably on this legislation and to take the steps necessary to help ensure its enactment in the 107th Congress.