Intellectual Property and the Eleventh Amendment after Seminole Tribe

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INTRODUCTION

The United States Supreme Court’s 1996 decision in Seminole Tribe v. Florida is a significant watershed in the ongoing development of United States federalism. Rejecting the view espoused by a plurality only seven years earlier, the Court held that Article I of the Constitution does not give Congress the authority to override the states’ Eleventh Amendment rights. The decision has important implications for the relationship between federal and state powers and for the protection of the rights of Native American tribes.

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enth Amendment immunity. The Court's new view makes it much more difficult for Congress to regulate the states. Article I is the constitutional basis for most federal statute law. Although Congress may still invoke Article I to impose substantive liability on the states, *Seminole Tribe* forces it to turn to state courts for the actual adjudication of most lawsuits brought against state defendants.

*Seminole Tribe* does not completely bar the door to federal court in lawsuits involving state defendants. The decision leaves untouched a number of exceptions and limitations to state immunity that the Court has recognized over the years. Moreover, even after *Seminole Tribe*, Congress retains a limited capacity to override the Eleventh Amendment. Although it rejected abrogation under Article I, the *Seminole Tribe* Court explicitly approved earlier precedent that allows Congress to abrogate state immunity when legislating under the Fourteenth Amendment. Other cases suggest that Congress may require states to waive their immunity as a condition to participating in certain federally-regulated activities.

Even with these exceptions, however, *Seminole Tribe* raises serious questions concerning the many existing federal statutes that authorize lawsuits against states in federal court. Intellectual property—which will be referred to in this Article as "federal market rights"—pro-

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2. *Id.* at 1119. In so holding, the majority overruled *Pennsylvania v. Union Gas Co.*, 491 U.S. 1 (1989), which suggested that Congress could abrogate Eleventh Amendment immunity when acting pursuant to the Commerce Clause. *Seminole Tribe*, 116 S. Ct. at 1128.

The Eleventh Amendment provides as follows: "The Judicial power of the United States shall not be construed to extend to any suit...commenced or prosecuted against one of the United States by citizens of another State, or by citizens or Subjects of any Foreign State." U.S. CONST. amend. XI.

3. See U.S. CONST. art. I.

4. The majority opinion in *Seminole Tribe* itself recognizes some of these, for example, suits by the federal government against a state, 116 S. Ct. at 1131 n.14, Supreme Court review of state high court decisions in suits against states, *id.*, and a state's power to waive its immunity, calling waiver an "unremarkable" proposition. *Id.* at 1128. Other Supreme Court decisions have recognized additional exceptions and limitations, including suits by one state against another, *Colorado v. New Mexico*, 459 U.S. 176, 182 n.9 (1982), and suits against political bodies below the state level, such as cities, *Mt. Healthy City Sch. Dist. Bd. of Educ. v. Doyle*, 429 U.S. 274, 280-81 (1977). But see *Pennhurst State Hosp. v. Halderman*, 465 U.S. 89, 123-24 (1984) (stating that immunity does apply to a county when there is a high level of direct state involvement in the challenged activity). Nothing in the language or logic of *Seminole Tribe* affects these exceptions.


6. See infra note 80 and text accompanying notes 81-99.


8. The term "intellectual property" is probably more familiar to most readers. However, that label is misleading, especially in an analysis of the Eleventh Amendment. First, consider the
vides an excellent example. The federal statutes governing patents, copyrights, trademarks, and false advertising purport to override the states’ Eleventh Amendment immunity. Applying the law as it stood before Seminole Tribe, lower courts upheld some of these abrogation provisions. However, because each statute was enacted pursuant to a particular Article I power, all are of questionable validity after Seminole Tribe. Lower courts have already begun to face the daunting adjective “intellectual.” Although patents and copyrights are awarded only for innovations, there is nothing necessarily intellectual about trademarks or the right to prevent false advertising. A seller can obtain rights in a trademark even though he deliberately copied from someone else, as long as his use of the mark does not cause confusion, Lanham Act §§ 32, 43(a), 15 U.S.C. §§ 1114, 1125(a) (1994), or “dilute” a famous mark, id. at § 43(c), 15 U.S.C. § 1125(c). Use of the term “intellectual” property may have originated as a way to distinguish the unique rights created by patents, copyrights, and trademarks from the more familiar rights that exist in tangibles.

The word “property” is even more objectionable. The concept of property is loaded with a great deal of baggage. More importantly, because a crucial issue in analyzing the Eleventh Amendment is whether the item in question qualifies as a “property” right, see infra Part II.A.1.a, the term intellectual property begs the very question that needs to be addressed.

This Article will use the term “federal market rights” as a collective phrase for patents, copyrights, and semiconductor chip protection, as well as trademarks, service marks, collective marks, certification marks, and the right to prevent false advertising under the Lanham Act. All of these rights are similar insofar as they allow sellers to protect their competitive positions.

Moreover, for purposes of brevity, this Article will use the terms “copyright” and “trademark” in a non-technical way. “Copyrights” include not only rights set out in the Copyright Act, 17 U.S.C. §§ 106-20 (1994 & Supp. 1995), but also rights granted by the Semiconductor Chip Act of 1984, 17 U.S.C. §§ 901-14 (1994). Although the Semiconductor Chip Act is not technically considered part of the Copyright Act, the rights it provides are sufficiently similar to copyrights to justify lumping them together for purposes of the Eleventh Amendment. “Trademarks” include not only true trademarks, but also service, collective, and certification marks, all as defined in Lanham Act § 45, 15 U.S.C. § 1127. Again, although the rules governing these various types of marks differ in their particulars, they present the same basic issues insofar as state immunity is concerned.

Of course, patents, copyrights, trademarks, and the right to prevent false advertising are not the only federal laws that protect market position. The private right of action in antitrust clearly provides a similar benefit. Clayton Act §§ 4, 15 U.S.C. §§ 15(a), 26 (1994). However, of the various federal laws meeting this criterion, only the Patent, Copyright, and Lanham Acts contain abrogation provisions. See infra note 54 and accompanying text. Therefore, they alone directly present the problem posed by Seminole Tribe.

9. See infra note 54.


11. The Patent and Copyright Acts relate directly to the “Copyright Clause.” U.S. CONST. art. I, § 8, cl. 8. The Lanham Act, by contrast, represents an exercise of Congress’s powers under the general Commerce Clause. U.S. CONST. art. I, § 8, cl. 3. As discussed below, however, Congress invoked other constitutional powers when enacting the abrogation provisions of the Patent and Lanham Acts. See infra text accompanying note 199.
task of applying the more rigid Seminole Tribe analysis to the abroga-
tion provisions of the federal market right laws.12

The question of state immunity is especially important in patent and
copyright law. In most cases, Seminole Tribe creates a detour instead
of a roadblock. The Eleventh Amendment protects states from the
federal courts, not Congress. Nothing in the Eleventh Amendment
prevents Congress from imposing liability on the states, as long as it
assigns adjudication of that liability to state courts.13 Therefore, with
respect to most federal statutes with abrogation provisions, Seminole
Tribe merely forces plaintiffs to litigate in state court. However, this
option is not currently available in patent and copyright cases because
Congress has given the federal courts exclusive jurisdiction.14 If the
Eleventh Amendment bars federal courts from hearing cases alleging
infringement by a state, the patent or copyright owner has no judicial
remedy against the state whatsoever. Such a result would significantly
limit the federal rights granted by the Patent and Copyright Acts.

Part I of this Article deals with the effect of Seminole Tribe on fed-
eral patent, copyright, trademark, and false advertising claims against
state defendants.15 A literal application of the Supreme Court's rea-
soning leads to the conclusion that federal courts cannot exercise ju-
risdiction in these cases. However, some federal courts have found
ways around that result. Even before Seminole Tribe, one court sug-
gested that the abrogation provisions of the copyright statute could

420-28 (D.N.J. 1996), aff'd, 131 F.3d 353 (3d Cir. 1997); Genentech, Inc. v. Regents of the Univ.

13. State courts ordinarily cannot refuse to hear cases brought under federal law. See Howlett
v. Rose, 496 U.S. 356 (1990) (holding that state courts cannot invoke sovereign immunity to
dismiss federal claims against a state, at least where it allows its courts to hear similar state-law
claims against a state); Testa v. Katt, 330 U.S. 386 (1947) (providing that state courts cannot
refuse to enforce federal claims against private individuals).

Id.

15. Trademarks and false advertising could arguably be excluded from the analysis. As noted
above, because plaintiffs can always bring such claims in state courts, the practical effect of state
Eleventh Amendment immunity is much less in trademark and false advertising cases. See supra
note 14 and accompanying text. In addition, the law of every state provides a separate and
parallel cause of action for trademark infringement and false advertising. Therefore, trademark
and false advertising plaintiffs will ordinarily have a state-court remedy against the state even if
the Eleventh Amendment applies. If policy considerations affect the Eleventh Amendment,
those considerations may be less influential in trademark and false advertising cases.

Nevertheless, this Article includes trademark and false advertising claims. Although the prac-
tical effects of immunity may differ, each of the four types of federal claims present basically the
same Eleventh Amendment issues. Moreover, even though parallel state claims exist, the
Supreme Court has held that the Eleventh Amendment likewise prevents federal courts from
operate as a congressionally-imposed waiver of state immunity.\textsuperscript{16} In addition, two post-\textit{Seminole Tribe} opinions have indicated that patent claims fall within the Fourteenth Amendment exception because those claims in effect require a state to compensate for taking the patent owner's property.\textsuperscript{17} If either of these arguments is valid, \textit{Seminole Tribe} may not prevent federal courts from hearing federal market right claims against state defendants.

Part II of this Article demonstrates that both lines of reasoning are flawed. First, the Supreme Court actually abandoned the theory of constructive waiver long before \textit{Seminole Tribe}. Second, Congress cannot abrogate Eleventh Amendment immunity in order to enforce the Fourteenth Amendment. Although patents, copyrights, and trademarks may be Fourteenth Amendment property,\textsuperscript{18} state infringement of that right rarely constitutes a "taking" of that property. Therefore, because the federal market right statutes extend federal jurisdiction to all state infringement cases, the majority of which do not involve a taking, those statutes cannot be justified as exercises of Congress's Fourteenth Amendment power to regulate takings. Finally, Congress cannot protect these federal rights as Fourteenth Amendment privileges and immunities.

At the outset, it should be stated that this Article deals only with the liability of states themselves. The Eleventh Amendment also provides some protection for state officers acting in their official capacities.\textsuperscript{19} However, because a separate line of cases deals with Congress's ability to impose liability on state officers,\textsuperscript{20} the issue of officer liability for federal market right violations is beyond the scope of this Article.

\textsuperscript{17} See infra text accompanying notes 55-67.
\textsuperscript{18} Part II also concludes that false advertising claims are not "property." See infra notes 160-61 and accompanying text.
\textsuperscript{19} See Green v. Mansour, 474 U.S. 64, 73-74 (1985); Ford Motor Co. v. Department of the Treasury, 323 U.S. 459, 462 (1945) (citing Smith v. Reeves, 178 U.S. 436 (1900)).
\textsuperscript{20} The basic principle applicable to state officers is riddled with limitations and exceptions. See \textit{Ex parte} Young, 209 U.S. 123 (1908) (setting out the basic officer exception); see also Kentucky v. Graham, 473 U.S. 159 (1985) (allowing suit against officer in individual capacity); Hutto v. Finney, 437 U.S. 678 (1978) (allowing award of attorneys' fees when incidental to prospective equitable relief); Edelman v. Jordan, 415 U.S. 651 (1974) (allowing suit for prospective equitable relief when alleging a violation of federal or constitutional restrictions).
I. **Seminole Tribe and Federal Market Right Claims**

*Seminole Tribe* did not directly deal with federal market right laws. Nevertheless, because the decision reshapes much of Eleventh Amendment jurisprudence, it will undoubtedly have an impact on federal market right claims brought against state defendants. Accordingly, a careful review of the Court’s reasoning is crucial.

A. **Seminole Tribe**

*Seminole Tribe* dealt with the 1988 Indian Gaming Regulatory Act. This statute requires states to negotiate in good faith with Indian tribes about certain types of tribal gambling. If a state does not act in good faith, the Act explicitly gives tribes the right to sue the state in a federal district court. The suit that culminated in the *Seminole Tribe* decision was an action brought by the Seminole Indian Nation to compel Florida to negotiate a gaming compact.

The Supreme Court affirmed the Eleventh Circuit Court of Appeals’s dismissal based on Florida’s Eleventh Amendment immunity. In so doing, the Court declared unconstitutional the provision of the Act that explicitly gave federal courts jurisdiction to hear suits against states. The rationale that the Court used in reaching this conclusion makes the case a landmark in Eleventh Amendment law.

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21. The Court’s more recent decisions have also failed to deal with the issue. The Court declined an opportunity to explore the issue of federal market right laws in *Regents of the University of California v. Doe*, 117 S. Ct. 900 (1997). In that case, the plaintiff sued the University of California in federal court after it refused to honor its agreement to hire him as a researcher. *Id.* at 902. The plaintiff argued that a prior Ninth Circuit decision, *Genentech, Inc. v. Eli Lilly & Co.*, 998 F.2d 931 (Fed. Cir. 1993), had already established that Congress had abrogated the University’s Eleventh Amendment immunity. *Regents*, 117 S. Ct. at 902 n.2. The Supreme Court rejected this argument. Noting that *Genentech* involved a patent claim, while the instant case involved a breach of contract, the Court indicated that it had “no occasion to consider questions of waiver or abrogation of immunity in this case.” *Id.* Of course, this statement does not resolve the question of whether the Patent Act abrogates immunity for patent infringement claims.


23. *Id.* § 2710(d)(3)(A). Because of Indian tribal sovereignty, states have little power to regulate on-reservation gambling. See *Worchester v. Georgia*, 31 U.S. 515 (1832) (providing that state criminal jurisdiction does not extend to Indian lands). Congress, by contrast, has an almost plenary power to regulate such gambling. See *infra* note 33. In the Indian Gaming Regulatory Act, Congress requires tribes to negotiate a compact with the states as a condition to conducting certain types of gambling. 25 U.S.C. § 2710(d)(1)(c). This provision essentially delegated to the states a sort of veto power over certain gambling activities. However, Congress also required the states to act in good faith. *Id.*


26. *Id.* at 1133.

27. *Id.*
Seminole Tribe clearly rejects the compromise position regarding the Eleventh Amendment that was adopted by a plurality of the Court only seven years earlier. In the 1989 decision, Pennsylvania v. Union Gas Co., 28 five Justices concluded that Congress could abrogate the states' Eleventh Amendment immunity when necessary to create an effective statutory scheme. 29 Although Union Gas was not the first decision to allow a congressional abrogation of immunity, it was the first explicitly to uphold abrogation in a statute passed pursuant to Article I of the Constitution. Four of the five Justices argued that abrogation under Article I presented no Eleventh Amendment problem because the states, by ratifying a Constitution giving Congress certain powers, had consented to any act of Congress necessary to carry out those powers, including one giving federal courts the power to enforce that statute against the states. 30

The Seminole Tribe Court could easily have distinguished Union Gas. First, unlike the abrogation provision discussed in Union Gas, the jurisdictional provision in the Indian Gaming Regulatory Act did not explicitly deal with the Eleventh Amendment. 31 Second, while Union Gas dealt with a statute enacted pursuant to the general Commerce Clause, 32 the Indian Gaming Regulatory Act was enacted pursuant to the “Indian Commerce Clause,” a provision that although situated in the same sentence of the Constitution as the Commerce Clause, is generally considered a discrete grant of authority. 33 Rather

29. Id. at 7.
30. Id. at 19-20 (plurality) (Brennan, J.). Justices Brennan, Marshall, Blackmun, and Stevens agreed on this proposition. Id. at 5.
   (A) The United States district courts shall have jurisdiction over—
   any cause of action initiated by an Indian tribe arising from the failure of a State to enter into negotiations with the Indian tribe for the purpose of entering into a Tribal-State compact under paragraph (3) or to conduct such negotiations in good faith.
   Id. Because that provision speaks only in terms of jurisdiction, not abrogation, the Court could have found that it did not satisfy the “clear statement” test required for Eleventh Amendment abrogation. Seminole Tribe, 116 S. Ct. at 1122 (citing Blatchford v. Native Village of Noatak, 501 U.S. 775, 786 (1991)). The provision could logically be interpreted not to abrogate. For example, Congress could be saying that the federal courts will have jurisdiction over claims against states only when immunity does not otherwise exist, for example, when a state waives its immunity. Nevertheless, the Court found that § 2710(d)(7)(A) met the clear statement test for abrogation. Id. at 1123-24.
32. See Union Gas, 491 U.S. at 5.
33. The Commerce Clause, U.S. Const. art. I, § 8, cl. 3, provides in its entirety: “The Congress shall have Power . . . To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes.” The last phrase is often referred to as the “Indian Commerce Clause.” See Seminole Tribe, 116 S. Ct. at 1119.
than distinguishing *Seminole Tribe* on either of these bases, however, the Court explicitly overturned *Union Gas*, stating: "The Eleventh Amendment restricts the judicial power under Article III, and Article I cannot be used to circumvent the constitutional limitations placed upon federal jurisdiction."\(^{34}\)

As Justice Stevens recognized in his dissent, the majority's reasoning has immediate implications for many federal statutes.\(^{35}\) It certainly casts doubt on the statutes governing federal market rights.\(^{36}\) Three main laws are involved: the Lanham Act (which deals with both trademark and false advertising claims),\(^{37}\) the Copyright Act,\(^{38}\) and the Patent Act.\(^{39}\) The Lanham Act stems primarily from Article I's Commerce Clause,\(^{40}\) which *Seminole Tribe* explicitly holds cannot serve as a source of authority for abrogation.\(^{41}\) The Patent and Copyright Acts, by contrast, were created pursuant to the specific power set forth in the Article I Copyright Clause.\(^{42}\) Although the Copyright Clause was not directly at issue in *Seminole Tribe*, the Court's reasoning clearly applies with equal force to all of Congress's Article I powers.\(^{43}\)

On the other hand, *Seminole Tribe* does not completely foreclose congressional attempts to make states answerable in federal court. Over the years, the Court has developed a number of exceptions and corollaries to the Eleventh Amendment.\(^{44}\) Although *Seminole Tribe* rejects the most useful of these exceptions, abrogation under Article I, it does not affect the others. Most of the remaining exceptions are not likely to play a role in federal market right cases.\(^{45}\) However, two of

\(^{34}\) *Seminole Tribe*, 116 S. Ct. at 1131-32; accord Creative Goldsmiths, Inc. v. Maryland, 119 F.3d 1140, 1145 (4th Cir. 1997).

\(^{35}\) *Seminole Tribe*, 116 S. Ct. at 1134 (Stevens, J., dissenting).

\(^{36}\) See id.


\(^{40}\) S. REP. No. 79-1333, at 1277 (1946).

\(^{41}\) *Seminole Tribe*, 116 S. Ct. at 1132.

\(^{42}\) U.S. CONST. art. I, § 8, cl. 8. The Copyright Clause provides as follows: "The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Id.

\(^{43}\) See supra text accompanying note 34.

\(^{44}\) See supra note 4.

\(^{45}\) Although the Eleventh Amendment does not apply to suits brought by the federal government, few federal market right claims are filed by one governmental body against another. For a notable exception, see the Fourth Circuit's recent decision in *United States ex rel. Berge v. Board*
the exceptions, abrogation under the Fourteenth Amendment and constructive waiver, may be available.

B. The Fourteenth Amendment Exception

While rejecting the attempted abrogation before it in *Seminole Tribe*, the Court approved of *Fitzpatrick v. Bitzer*, a 1976 case that upheld a congressional abrogation. The majority found *Fitzpatrick* clearly distinguishable, because the statute abrogating state immunity in that case had been enacted pursuant to the Fourteenth Amendment Equal Protection Clause. The *Seminole Tribe* Court reasoned that the Fourteenth Amendment had worked a fundamental change in the then-existing balance of federal and state power. In so doing, it also served as a partial repeal of the Eleventh Amendment, giving Congress authority to override the limits of the Eleventh Amendment to the extent necessary to make the new rights created by the Fourteenth Amendment fully effective.

After *Seminole Tribe*, courts must apply a two-part test to any question of abrogation. First, Congress must make its intent to abrogate unmistakably clear in the language of the applicable statute.
ond, that statute must be enacted pursuant to a constitutional provision that gives Congress the power to override the states’ Eleventh Amendment immunity. To date, the only identified source for such power is section 5 of the Fourteenth Amendment.

The first part of the test is clearly satisfied in the case of the federal market right laws. The Patent, Copyright, and Lanham Acts each contain an abrogation provision that meets the Court’s rigorous “clear statement” test. It is the constitutional basis for these provisions that presents a potential problem.

52. Id. These requirements were established in Green v. Mansour, 474 U.S. 64, 68 (1985).
53. Seminole Tribe, 116 S. Ct. at 1125. Section 5 of the Fourteenth Amendment provides: “The Congress shall have the power to enforce, by appropriate legislation, the provisions of this article.” U.S. Const. amend. XIV, § 5.
54. The Patent Act provides:
Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent under § 271, or for any other violation under this title.
The Copyright Act contains a similar provision:
Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal Court by any person, including any governmental or nongovernmental entity, for a violation of any of the exclusive rights of a copyright owner provided by §§ 106 through 119, for importing copies of phonorecords in violation of § 602, or for any other violation under this title.
The Semiconductor Chip Protection Act, which this Article treats as part of the Copyright Act, see supra note 8, follows the same basic formula:
Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity, for a violation of any of the exclusive rights of the owner of a mask work under this chapter . . . or for any other violation under this chapter.
17 U.S.C. § 911(g)(1).
Finally, the Lanham Act, which governs both trademarks and the right to prevent false advertising, provides:
Any State, instrumentality of a State or any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity for any violation under this chapter.
For a discussion of the legislative history behind these provisions, see infra text accompanying notes 199-201.
To date, two courts have had the opportunity to apply *Seminole Tribe's* two-part analysis to the Patent Act. Each court concluded that Congress had the power to abrogate under the Fourteenth Amendment exception. In *College Savings Bank v. Florida Prepaid Postsecondary Education Expense Board*, the District Court of the District of New Jersey held that the Eleventh Amendment did not prevent it from exercising jurisdiction over a patent infringement claim against a Florida state agency. On the issue of congressional authority, *College Savings Bank* relied on section 5 of the Fourteenth Amendment. It noted that Congress's power to legislate under section 5 is not limited to laws intended to enforce the equal protection guarantee, the provision at issue in *Fitzpatrick*. Rather, Supreme Court precedent has established that section 5 applies to each of the Fourteenth Amendment's guarantees. In resolving the Patent Act claim, the *College Savings Bank* court relied on the amendment's pro-

None of these provisions have been directly considered by the Supreme Court. However, the majority opinion in *Seminole Tribe* suggests that the language of the Copyright Act may not be sufficient to abrogate state immunity. In a footnote, the Court stated:

"Contrary to the implication of Justice STEVENS' conclusion, it has not been widely thought that the federal antitrust, bankruptcy, or copyright statutes abrogated the States' sovereign immunity. This Court never has awarded relief against a State under any of those statutory schemes . . . . Although the copyright and bankruptcy laws have existed practically since our nation's inception . . . there is no established tradition in the lower federal courts of allowing enforcement of those federal statutes against the States."

*Seminole Tribe*, 116 S. Ct. at 1131-32 n.16 (second emphasis added). Given the clear language of the Copyright Act's abrogation provision, this dictum is somewhat puzzling, to say the least. Although there is considerable doubt as to whether Congress has the power to abrogate, it is clear that it meant to do so in the Copyright Act § 511(a).


58. *Id.* at 427. The claim was based on the Florida Prepaid Postsecondary Education Expense Board's use of a patented method to determine an adequate rate of return on college loans. *Id.* at 402.

In addition to the patent claim, the plaintiff also brought a false advertising claim under the Lanham Act, alleging that the Board made false and misleading representations in promotional literature. *Id.* The Third Circuit's affirmance of the district court's decision dealt only with the Lanham Act claim. See infra text accompanying notes 68-72.

The full case caption includes the United States as a party because the federal government had intervened in the action. However, the court's discussion of the Eleventh Amendment deals only with the private claim. Any claim by the government against the state, of course, would not be barred by the Eleventh Amendment. See supra notes 4 and 45.


60. *Id.*

61. *Id.* at 421-22. The court relied particularly on *Katzenbach v. Morgan*, 384 U.S. 641 (1966), which held that section 5 is a positive grant of power which authorizes Congress to exercise its
tection of "property." Citing a number of cases holding that a patent is a form of property and that infringement of property rights by the government constitutes a taking, the court upheld the abrogation provision as a means of ensuring that states pay for any taking.\(^6\)

Although ultimately determining that federal jurisdiction was not available, the District Court of the Southern District of Indiana invoked the same basic argument in *Genentech, Inc. v. Regents of the University of California.*\(^6\)\(^3\) Like *College Savings Bank,* the court concluded that because patent infringement involves a taking of property, Congress could order states to defend patent infringement claims in federal court.\(^6\)\(^4\) However, *Genentech* did not deal with patent infringement by a state. Instead, the State held the patent in that case, and the plaintiff brought a declaratory judgment action in federal court to construe the scope of that patent.\(^6\)\(^5\) The court found that because the State was not infringing a patent, the case could not involve any state taking of a property right under the Fourteenth Amendment.\(^6\)\(^6\) The court accordingly dismissed the case on the basis of Eleventh Amendment immunity.\(^6\)\(^7\)

If the reasoning used by the *College Savings Bank* and *Genentech* courts is correct—an issue to be discussed below—states may be sued in federal court for patent infringement notwithstanding *Seminole Tribe.* Whether the same reasoning applies to copyright, trademark, or false advertising claims, however, is less clear. The only recent decision on point is *College Savings Bank.* In addition to its patent claim, the plaintiff in that case brought a claim for false advertising under § 43(a) of the Lanham Act.\(^6\)\(^8\) The court concluded that the discretion in deciding the necessity and nature of legislation to secure the guarantees of the Fourteenth Amendment. *Id.* at 651.

64. *Id.* at 643-44.
65. *Id.* at 643.
66. *Id.* Although conceding that the plaintiff arguably had a right to produce the product, the court concluded that right could not be a property right because it was not exclusive. *See id.* By contrast, a patent holder has the exclusive right to use a process or to produce a product with certain characteristics or design. The court also considered a separate Fourteenth Amendment property claim. Although the plaintiff's right to produce was not a property right under the takings clause, it might have been a sufficient property right for purposes of procedural due process. *Id.* Even assuming that to be true, the court concluded that no due process claim existed. *Id.* at 643-44. Because the state could only prevent the plaintiff from making the product by bringing a lawsuit, the court concluded the plaintiff would ultimately receive sufficient due process. *Id.*

67. *Id.* at 645-46.
68. *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.,* 131 F.3d 353, 355 (3d Cir. 1997). The Third Circuit's affirmance in *College Savings Bank* only discussed the Lan-
Eleventh Amendment required dismissal.69 Like the Patent Act, the Lanham Act specifically abrogates state immunity.70 However, the court held that Congress had no authority to abrogate in a false advertising case.71 Unlike a patent right, the court did not consider the right to bring a false advertising claim a property right for purposes of the Fourteenth Amendment.72

No post-Seminole Tribe decisions have directly addressed whether copyright or trademark claims against states can be heard in a federal court. On the spectrum of "property" interests, copyrights and trademarks lie somewhere between the virtual monopoly of a patent, which College Savings Bank determined to be property, and false advertising, which College Savings Bank said was not. Neither of the court's explanations of what constitutes property provides any meaningful guideposts for future analysis. However, it is easy to conceive of courts applying the takings exception in copyright and trademark cases.73 Courts and commentators regularly apply the label "property" to federal market rights.74 Because a state's infringement of a copyright or trademark reduces the value of the legal right, infringement could constitute a constitutional deprivation. Therefore, if the reasoning of College Savings Bank and Genentech is valid, states may be required to answer in federal court for patent, copyright, and trademark infringement claims.

The plaintiff also brought a common-law unfair competition claim. Id. at 355 n.1. Of course, that common-law claim is not germane to the discussion because there is no issue of congressional abrogation. Id.

69. Id. at 366.
70. See supra note 54.
72. Id. at 426-27.
73. Abrogation in both trademark and false advertising cases turns on Lanham Act § 40(a), 15 U.S.C. § 1122(a) (1994). See supra note 54. Even though College Savings Bank held that § 40(a) was insufficient to overcome state immunity in a false advertising case, that ruling is of little relevance in a trademark case brought under the Lanham Act. College Savings Bank based its ruling on its conclusion that the right to prevent false advertising is not property. 131 F.3d at 360-62. Trademark infringement, by contrast, involves a particular word or symbol, and therefore could be considered a property right. Under the reasoning of College Savings Bank and Genentech, § 40(a) would be acceptable if it protected a property right from taking by the state.
Reduced to its essentials, the Eleventh Amendment is a restriction on the jurisdiction of the federal courts. Nevertheless, because that restriction was enacted to protect the states, courts have routinely honored a state’s waiver of Eleventh Amendment protection. Seminole Tribe has no effect on the principle of waiver, as that case deals exclusively with Congress’s power to force states into federal court against their will. Therefore, if a state waives its Eleventh Amendment immunity by infringing a federal market right, an action in federal court might be possible.

Of course, extremely few infringement cases will involve an explicit voluntary waiver by the state. The standard for explicit waiver is quite strict. A general waiver of sovereign immunity will not suffice; instead, the state must specifically indicate its willingness to be sued in a federal forum. Few states are likely to make such a concession.

An explicit waiver is not always required. Some courts have implied a waiver of immunity from state action, typically from the state’s affirmative participation in a federal lawsuit. Admittedly, there is

75. In fact, the language of the amendment makes this clear. See supra note 2. It speaks in terms of “the judicial power,” the same term that is used in Article III.
77. In Port Authority Trans-Hudson Corp. v. Feeney, 495 U.S. 299 (1990), for example, the Court found that New Jersey and New York had statutorily waived their Eleventh Amendment immunity for suits brought against a particular joint agency. Id. at 308-09.
some doubt as to whether the theory of implied waiver remains valid after *Seminole Tribe*. Yet, even assuming that the theory is valid, it too is unlikely to play much of a role in federal market right cases. Implied waiver typically occurs when the state asks the court for some form of relief, such as by filing a counterclaim. Most states that have been sued in federal market right cases do not seek relief, but simply defend themselves from the plaintiff's claims.

There is, however, a second and even more controversial form of implied waiver, which is often called "constructive" waiver. Unlike other types of waiver, constructive waiver turns on some affirmative act by Congress that requires the state to answer in federal court. The theory stems from the Supreme Court's 1964 decision, *Parden v. Terminal Railway*, which upheld federal jurisdiction over a Federal Employers' Liability Act claim against the state of Alabama. The Court rejected the State's Eleventh Amendment defense by concluding that Congress had conditioned the State's right to operate a railroad on the

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81. Some cases suggest that waiver may be effected only by the state constitution or a statute. *Feeney*, 495 U.S. at 305-06 ("The Court will give effect to a State's waiver of Eleventh Amendment immunity 'only where stated by the most express language or by such overwhelming implication from the text as [will] leave no room for any other reasonable construction.'" (quoting *Scanlon*, 473 U.S. at 339-40)). Admittedly, this language strongly implies, rather than explicitly states, that waiver can occur only by legislative action or constitutional amendment. However, some lower courts have held that state officers, including the attorney general, cannot waive the state's immunity. *See, e.g.*, Ohio v. Madeline Marie Nursing Homes, 694 F.2d 449, 461 (6th Cir. 1982).
82. *See supra* note 80.
83. The only exception might be a state that filed a declaratory judgment action in federal court to obtain a ruling that its actions did not infringe a federal market right.
84. 377 U.S. 184 (1964).
85. *Id.* at 196-98.
State's waiver of immunity to suit in federal court.\textsuperscript{86} The State accordingly waived its immunity when it voluntarily chose to operate the railroad.\textsuperscript{87}

One pre-\textit{Seminole Tribe} case suggests that constructive waiver may apply in federal market right cases. In \textit{Chavez v. Arte Publico Press},\textsuperscript{88} the Fifth Circuit invoked the theory to uphold jurisdiction over copyright and trademark claims brought against a state university that had published a book.\textsuperscript{89} The court noted that both the Copyright and Lanham Acts, by providing for jurisdiction over claims against states, explicitly conditioned a state's ability to engage in publishing activities on its waiver of Eleventh Amendment immunity.\textsuperscript{90} By voluntarily choosing to publish the book, the State was powerless to assert the Eleventh Amendment defense for either federal claim.\textsuperscript{91}

\textit{Chavez}, however, is extremely weak precedent. The Supreme Court vacated and remanded the Fifth Circuit's decision in light of \textit{Seminole Tribe}.\textsuperscript{92} Moreover, \textit{College Savings Bank}, the lone post-\textit{Seminole Tribe} case to consider constructive waiver in the context of federal market right laws, explicitly rejected the argument.\textsuperscript{93} In that case the District Court of the District of New Jersey concluded that \textit{Seminole Tribe} prevents Congress from using Article I as the source of authority for either abrogation or waiver.\textsuperscript{94}

Use of the constructive waiver theory is admittedly problematic. To this day, \textit{Parden} itself remains the only case in which the Supreme Court has actually based a holding on the theory. Soon after its decision, the Court began to limit and distinguish \textit{Parden}.\textsuperscript{95} This string of cases culminated in \textit{Welch v. Texas Department of Highways and Pub-

\begin{itemize}
\item \textsuperscript{86} Id. at 192.
\item \textsuperscript{87} Id. at 192-93.
\item \textsuperscript{88} 59 F.3d 539 (5th Cir. 1995), \textit{vacated sub nom.} University of Houston v. Chavez, 116 S. Ct. 1667 (1996).
\item \textsuperscript{89} The trademark claims involved the defendant's naming of the plaintiff as the selector of the plays in the book. \textit{Id.} at 541. Although a name is not a true "trademark," most courts recognize that false authorship claims are actionable under the general false advertising provisions of the Lanham Act \textsection{43(a)}, 15 U.S.C. \textsection{1125(a)} (1994), a provision that is not confined to trademarks.
\item \textsuperscript{90} \textit{Chavez}, 59 F.3d at 546-47.
\item \textsuperscript{91} Id.
\item \textsuperscript{92} University of Houston v. Chavez, 116 S. Ct. 1667 (1996).
\item \textsuperscript{94} Id.
\end{itemize}
lic Transportation,96 where the Court flatly stated that Parden was overruled to the extent that it was inconsistent with the ruling in Welch.97

But, these Supreme Court rulings do not necessarily reject constructive waiver as a viable, if limited, exception to the Eleventh Amendment.98 The trick is interpreting Welch and the other cases. At least two interpretations are possible. First, the theory of abrogation, which evolved after the Parden decision, may simply have supplanted constructive waiver.99 From a practical standpoint, there is no real difference between abrogation and constructive waiver, for under both a state can be sued in federal court if it engages in the regulated activity. If this first interpretation of the precedent is correct, Seminole Tribe should apply even if Congress phrases its statute in terms of state waiver rather than direct abrogation.

The second interpretation, on the other hand, would recognize constructive waiver as a distinct and meaningful alternative to abrogation. The Court’s argument in Parden actually consisted of two main parts. The first was the conclusion that Congress had the power to condition state involvement in an activity upon the state’s waiver of immunity.100 Second, the Parden Court found such a condition—notwithstanding the lack of any language in the governing federal statute dealing with state liability.101 Most of the Court’s later criticism of Parden actually seems to focus on the second part of the argument. By allowing for state liability without the “clear statement” required

97. Id. at 478.
98. Four years after Welch, the Supreme Court stated that Welch “overru[l]ed that portion of Parden which pertained only to the Eleventh Amendment.” Hilton v. South Carolina Pub. Rys. Comm’n, 502 U.S. 197, 204 (1991). However, that discussion in Hilton is dictum. The lawsuit in Hilton was a Federal Employers’ Liability Act (“FELA”) action filed against the state in state court and had reached the Supreme Court on appeal from the state’s highest court. Id. at 200. The case accordingly presented no Eleventh Amendment questions. All the Court needed to decide was that Parden correctly concluded that FELA created liability for state government, not whether Congress had taken the additional step of overriding Eleventh Amendment immunity.
99. See Creative Goldsmiths, Inc. v. Maryland, 119 F.3d 1140, 1145-46 (4th Cir. 1997).
101. Id. at 187-90. The Federal Employers’ Liability Act, 45 U.S.C. § 51 (1994), provides merely that “[e]very common carrier by railroad while engaging in commerce between any of the several States . . . shall be liable in damages to any person suffering injury while he is employed by such carrier in such commerce.” Id.
by *Welch* and other Supreme Court cases,\(^{102}\) *Parden* is inconsistent with the more recent precedent. Arguably then, *Welch* overruled *Parden* only insofar as *Parden* did not require a clear statement from Congress. The actual language that the Court used in *Welch* supports this interpretation: “Accordingly, to the extent that *Parden* v. *Terminal Railway* . . . is inconsistent with the requirement that an abrogation of Eleventh Amendment immunity by Congress must be expressed in unmistakably clear language, it is overruled.”\(^{103}\)

Unlike the first interpretation, this second reading of *Welch* would allow Congress to use constructive waiver as long as it clearly stated its intent to require states to defend cases in federal court.\(^{104}\) In essence, Congress could choose between abrogation and constructive waiver. Moreover, there is at least one important difference between the two choices. Because *Seminole Tribe* itself does not mention whether its rule applies to constructive waiver,\(^{105}\) the key holding of that case—that Congress may override immunity only when it acts pursuant to the Fourteenth Amendment—may not apply to constructive waiver. Therefore, unlike abrogation, Congress may be able to impose waivers on states even when it acts pursuant to Article I.\(^{106}\)


104. The clear statement in a waiver case would be evaluated by the same standard as in an abrogation case. Under this standard, Congress need not clearly indicate that it is imposing a waiver; it need only indicate that it is forcing the state to defend in federal court. See Employees of the Dep’t of Pub. Health & Welfare v. Department of Pub. Health & Welfare, 411 U.S. 279, 285 (1973).

105. Even the Court’s recent remand of *Chavez* for reconsideration in light of *Seminole Tribe*, University of Houston v. *Chavez*, 116 S. Ct. 1667 (1996), does not necessarily mean that the Court has determined that the *Seminole Tribe* limit applies to waiver. Although *Chavez* admittedly employed the theory of constructive waiver to support copyright jurisdiction, the Supreme Court did not indicate its reasons for vacating and remanding. *Id.* at 1667.

106. However, constructive waiver, if it still exists, would be subject to one significant limitation that does not apply to abrogation. In *Employees*, the Court considered whether states could be sued in federal court under the Fair Labor Standards Act. 411 U.S. at 280-81. The Court distinguished *Parden* based on the type of government activity in the two cases. *Id.* at 284-85. While a state could easily have chosen not to operate the for-profit railroad at issue in *Parden*, it could not realistically elect to quit providing the basic health and safety services involved in *Employees*. *Id.* at 285. Absent such a choice, the Court refused to imply a state waiver. *Id.* Thus, *Employees* limits constructive waiver to cases where the general activity being regulated is not a traditional function of government. See *id.*; accord *College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 948 F. Supp. 400, 415-16 (D.N.J. 1996), aff’d, 131 F.3d 353 (3d Cir. 1997).
However, the second interpretation is simply not tenable. A fair reading of Welch and the other cases discussing Parden inevitably leads to the conclusion that the Supreme Court has completely abandoned the theory of constructive waiver. There is a simple reason why the Court did not mention waiver in Seminole Tribe; namely, that it considered the doctrine a dead letter. Now that the Supreme Court has approved of abrogation, even the limited abrogation envisioned by Seminole Tribe, there is no need for the clumsy legal fiction of constructive waiver. Although this author is not entirely comfortable with abrogation, at least it represents a more direct and honest at-

Viewed in this light, abrogation and constructive waiver could be considered alternatives. First, the Fourteenth Amendment gives Congress the power simply to abrogate the immunity. Second, when the state acts outside the realm of traditional government activities, Congress may invoke any of its constitutional powers to require the state to answer in federal court under the doctrine of constructive waiver. However, in federal market right cases the “traditional functions” limitation would prove to be a significant limitation on constructive waiver. Most state infringements of federal market rights arise in connection with the performance of some state function. In College Savings Bank, for example, the court specifically found that financing student education constituted a traditional government function. 948 F. Supp. at 416. Both of the other recent cases dealing with federal market rights and the Eleventh Amendment also deal with state-funded college education. Chavez v. Arte Publico Press, 59 F.3d 539, 540-41, 547 (5th Cir. 1995), vacated sub nom. University of Houston v. Chavez, 116 S. Ct. 1667 (1996); Genentech, Inc. v. Regents of the Univ. of Cal., 939 F. Supp. 639, 640, 644-45 (S.D. Ind. 1996).

There could conceivably be infringement cases where a state acts outside the traditional realm of government. For example, a state could build a factory to produce and sell a patented invention simply because it hopes to make a profit.

107. The Supreme Court in 1991 explicitly stated that Welch overturned all those parts of Parden that pertained to the Eleventh Amendment. See supra note 98. Although that statement is dictum for the reasons given in that note, that statement is certainly strong evidence of the Court’s perceptions of the continued validity of Parden.

108. “Constructive waiver” is undoubtedly a convenient legal fiction. As set forth in Parden, the doctrine did not require any showing that the state realized it was waiving its immunity. 377 U.S. 184, 194-98 (1964). That standard comes nowhere near the standard that the Court has applied in later cases for waiver of Eleventh Amendment immunity. See, e.g., Atascadero State Hosp. v. Scanlon, 473 U.S. 234, 238 n.1 (1985) (“[W]e require an unequivocal indication that the State intends to consent to federal jurisdiction that otherwise would be barred by the Eleventh Amendment.”). In fact, the Court criticized Parden, stating: “Constructive consent is not a doctrine commonly associated with the surrender of constitutional rights, and we see no place for it here.” Id. (quoting Edelman v. Jordan, 415 U.S. 651, 673 (1974)).

109. I am convinced that the “diversity interpretation” of the Eleventh Amendment is correct. Under this view, the Eleventh Amendment does not absolutely prohibit federal courts from hearing suits by individuals against states. Instead, the amendment bars only those suits where the federal courts exercise jurisdiction based solely on Article III’s grant of jurisdiction over suits “between a State and Citizens of another State.” U.S CONST. art. III. The diversity theory was most capably argued by Justice Brennan in his plurality opinion in Pennsylvania v. Union Gas Co., 491 U.S. 1, 13-23 (1989), overruled by Seminole Tribe v. Florida, 116 S. Ct. 1114, 1128 (1996), and his dissent in Scanlon, 473 U.S. at 258-59.

The Court, however, has proven unwilling to adopt the diversity interpretation, in no small part because it would require overturning a number of important Supreme Court decisions, including the venerable Hans v. Louisiana, 134 U.S. 1, 9-21 (1890), which found that the amend-
tempt to deal with the relevant issues. Constructive waiver is unsupported both in theory and in practice and should be laid to rest once and for all.\textsuperscript{110}

Even if constructive waiver is not an option, abrogation remains a possibility. \textit{Seminole Tribe} acknowledges that Congress retains a limited power to abrogate state immunity to the extent necessary to enforce the Fourteenth Amendment.\textsuperscript{111} The remainder of this Article deals with whether the takings restriction or any other provision of the Fourteenth Amendment allows Congress to force states to defend federal market right claims in federal court.

\textbf{II. DOES \textit{SEMINOLE TRIBE} BAR FEDERAL MARKET RIGHT CLAIMS?}

As discussed above, two courts have already applied the \textit{Seminole Tribe} analysis to federal market right claims against states and concluded that the Eleventh Amendment is not a bar to jurisdiction.\textsuperscript{112} Because these two cases will likely influence others, it is important to subject the courts' reasoning to careful scrutiny. This Part will revisit the takings theory employed in these two decisions and show why it is invalid. In addition, this Part will consider—and likewise reject—another possible basis for abrogation, the Privileges and Immunities Clause of the Fourteenth Amendment.\textsuperscript{113}

\textbf{A. The Fourteenth Amendment Takings Argument}

In \textit{College Savings Bank}, the District Court of the District of New Jersey applied the Fourteenth Amendment exception to sustain federal jurisdiction over a patent claim against a state agency.\textsuperscript{114} The

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\textsuperscript{110} Even the limited theory of constructive waiver—under which Congress could use Article I to force states to defend in federal court in the few cases where the state is acting in a non-traditional area—is not defensible. See supra note 106. \textit{Seminole Tribe} is only the Court's most recent recognition of the idea that the Eleventh Amendment was meant as a general shield for the states from the federal courts. The only exceptions that the Court has recognized share the same basic feature: a strong federal need to have the state answer in federal court. See supra note 4. The "traditional function" view of constructive waiver, by contrast, focuses on the state's need for immunity, concluding that the state has no such need when it acts in non-traditional areas.


\textsuperscript{112} See supra notes 55-67.

\textsuperscript{113} U.S. \textsc{Const.} amend. XIV, § 2.

District Court of the Southern District of Indiana echoed that argument in dictum in *Genentech.*\(^{115}\) Both courts suggested that the abrogation provisions represent a congressional attempt to ensure that states comply with their Fourteenth Amendment obligation to pay for taking property.\(^{116}\) That argument could easily be extended to claims under the Copyright and Lanham Acts. If these courts are correct, the ruling in *Seminole Tribe* may actually prove to have little impact in federal market right cases.

However, it is not immediately obvious that the argument can pass muster. *College Savings Bank* and *Genentech* involve a new, and arguably quite different, application of Fourteenth Amendment abrogation than that discussed in *Seminole Tribe.* When it condoned the concept of abrogation, *Seminole Tribe* was considering only the situation in *Fitzpatrick,* a case involving a statute enacted pursuant to the Equal Protection Clause.\(^{117}\) The patent law, by contrast, has nothing to do with equal protection. *College Savings Bank* and *Genentech* instead relied on the takings provisions of the Fourteenth Amendment to sustain jurisdiction.\(^{118}\)

As a purely technical consideration, the fact that different provisions of the Fourteenth Amendment are involved should not matter. The Fourteenth Amendment reaches both equal protection and, through the Due Process Clause, takings.\(^{119}\) Nothing in the language of *Seminole Tribe* suggests that the power to abrogate is limited to equal protection. To the contrary, the opinion suggests that all of the Fourteenth Amendment’s provisions create that power.\(^{120}\)

Nevertheless, the takings theory seems somehow inconsistent with the spirit of *Seminole Tribe.* After all, the practical result of the theory is that Congress sometimes can force states to defend cases in federal court even when the underlying claim is based on a statute enacted under Article I. Congress need only demonstrate that the right, although created under Article I, is a property right. That sort of “bootstrapping” is difficult to square with *Seminole Tribe*’s unequivocal rejection of Article I as a basis for abrogation.

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116. See supra text accompanying notes 62-64.
117. *Fitzpatrick* involved the Civil Rights Act of 1964. See supra note 48. The *Seminole Tribe* Court specifically relied on this statute’s Fourteenth Amendment origins in distinguishing *Fitzpatrick* from the situation in *Seminole Tribe.* 116 S. Ct. at 1125, 1128.
118. See supra text accompanying notes 56-67.
119. See *College Sav. Bank,* 948 F. Supp. at 422. Indeed, the Due Process and Equal Protection Clauses are set forth in the same sentence of the Fourteenth Amendment. U.S. CONST. amend. XIV.
120. *Seminole Tribe,* 116 S. Ct. at 1128.
Even though it is admittedly unsettling at first, the takings theory is consistent with *Seminole Tribe*. There is no convincing way to distinguish abrogation based upon the Equal Protection Clause from abrogation under the Takings Clause. Although historically it is clear that the concept of equal protection was the primary purpose of the Fourteenth Amendment, it cannot be disputed that protecting private property from state interference is also an important Fourteenth Amendment value. If Congress has the power to abrogate to ensure that states treat people equally, it should also have the power to abrogate to prevent state takings.\(^{121}\)

Nor does the takings exception create an unintended legal loophole. What makes the theory troubling at first is that the underlying property right is created under Article I. But that is the nature of the Fourteenth Amendment. The Fourteenth Amendment is not self-contained. It does not itself define the property rights that it protects, but turns to other sources of law for that definition.\(^{122}\) Although most rights are created by state law,\(^{123}\) Congress may also create property rights when it acts under Article I.\(^ {124}\) As long as Congress's action creates a true Fourteenth Amendment property right, the Fourteenth Amendment both prohibits states from taking that right and empowers Congress to regulate those takings. Thus, the Fourteenth Amendment concept of taking, by definition, turns on rights created by other laws. *College Savings Bank* and *Genentech* merely recognize another consequence of the Fourteenth Amendment's protection of property; namely, that Congress may also require states to defend takings claims in federal court.

Finally, the takings exception does not threaten to undermine *Seminole Tribe*. Although the theory allows Congress to use Article I to abrogate whenever it creates a property right, most congressional acts

\(^{121}\) What may actually be troubling is the logic of *Fitzpatrick* itself. The notion that the Fourteenth Amendment somehow operated *sub silentio* as a partial repeal of the Eleventh Amendment is not entirely satisfying. Although the Fourteenth Amendment undoubtedly restructured the federal-state relationship, that does not necessarily mean that it changed the allocation of judicial jurisdiction, which is the subject of the Eleventh Amendment. Until the Court provides greater insight into why the Fourteenth Amendment expands the jurisdiction of federal courts, there is no way to determine with certainty whether the argument of *Fitzpatrick* applies to Fourteenth Amendment provisions other than the Equal Protection Clause.


\(^{123}\) *Roth*, 408 U.S. at 577.

\(^{124}\) *See United States v. Sioux Nation of Indians*, 448 U.S. 371 (1980); *Shoshone Tribe of Indians v. United States*, 299 U.S. 476 (1937). Both cases hold that tribal interests in land, which interests are created by the federal government, are "property" for purposes of the Fifth Amendment Takings Clause. *Sioux Nation*, 448 U.S. at 407-24; *Shoshone Tribe*, 299 U.S. at 496-98.
do not create property rights within the meaning of the Fourteenth Amendment’s takings restriction. In most federal laws that impose duties on states, Congress has not created rights in any particular “thing,” but has merely required states to act in a particular way toward individuals.\textsuperscript{125} For example, the statute in \textit{Seminole Tribe} itself, which gave Indian tribes the power to force states to negotiate, did not create a property right in the tribes. In addition, even those few laws that do create property rights do not necessarily deal with state takings of that property.\textsuperscript{126} Consider \textit{Pennsylvania v. Union Gas Co.}, the case that \textit{Seminole Tribe} overturned.\textsuperscript{127} Although the right to indemnity in \textit{Union Gas} almost certainly was a property right, the State’s act of negligently causing damage would not qualify as a constitutional taking.\textsuperscript{128} Because most laws enacted under Article I do not regulate takings, the takings theory is not likely to save most Article I abrogation provisions from the rule of \textit{Seminole Tribe}.\textsuperscript{129}

\textsuperscript{125} See infra note 129. It is important to distinguish two distinct components of Fourteenth Amendment due process. In addition to requiring compensation for state takings of property, the Fourteenth Amendment requires the state to provide certain procedural safeguards whenever it deprives people of their property rights. U.S. \textit{ Const.} amend. XIV; see \textit{Paul v. Davis}, 424 U.S. 693, 710-11 (1976). However, the term “property” does not mean the same thing in these two contexts. The category of property rights that require notice and a hearing is much larger than the category of property that the state must pay to take away. See \textit{Bishop v. Wood}, 426 U.S. 341, 350 (1976) (procedural due process). The \textit{Bishop} Court held that because the plaintiff could be fired from his position only upon a showing of cause, the state had to provide a pretermination hearing. \textit{Id.} at 349-50. However, assuming that cause existed, the state would not be required to provide compensation to plaintiff for firing him. \textit{Id.} at 346-47, 350.

\textsuperscript{126} The Due Process Clause also applies to “liberty” interests. U.S. \textit{Const.} amend. XIV. Liberty interests certainly qualify for the Fourteenth Amendment’s procedural safeguards. However, they can be taken without any compensation. The Supreme Court has never applied the takings restriction of the Fourteenth Amendment to liberty. The reasons for this distinction become clearer when one considers that the Fourteenth Amendment incorporates the Fifth Amendment. The Fifth Amendment has two distinct provisions: a “due process” clause, which applies to life, liberty, and property, and a “takings” clause, which applies only to private property. U.S. \textit{Const.} amend. V; \textit{United States v. Salerno}, 481 U.S. 739, 746 (1987); \textit{United States v. General Motors Corp.}, 323 U.S. 373, 377-78 (1945).

The Eleventh Amendment question presented in this Article would be very different if the Fourteenth Amendment required compensation for deprivations of liberty interests. Although few federal laws that apply to the states create property rights, many, including those discussed in the text, may create liberty rights.


\textsuperscript{129} Of course, some federal abrogation statutes may be justified by other provisions of the Fourteenth Amendment. For example, several federal statutes forbid states from discriminating against certain groups. To the extent that such laws emanate from the “equal protection” requirement of the Fourteenth Amendment, \textit{Fitzpatrick} allows Congress to abrogate the states’ Eleventh Amendment immunity. See, e.g., \textit{Timmer v. Michigan Dept’ of Commerce}, 104 F.3d 833, 838-42 (6th Cir. 1997) (finding the Equal Pay Act, 29 U.S.C. § 206(d) (1994), to be based on
Although the underlying theory in *College Savings Bank* and *Genentech* is valid, there is also some question about whether the courts correctly applied it to federal market right laws. *Seminole Tribe* allows abrogation only when Congress actually acts "pursuant to a valid exercise of power." Of course, that case also indicates that the Fourteenth Amendment is a valid source. Nevertheless, it is not facially obvious that federal market right laws deal with actual constitutional takings. Answering that question requires an analysis of both the principles defining a constitutional taking and Congress's power under section 5 of the Fourteenth Amendment to regulate state takings.

1. Federal Market Right Violations as Takings

The most fundamental issue is whether infringement and false advertising actually involve a Fourteenth Amendment taking. Federal market right cases exhibit several unique features that make this a difficult question. Unlike typical takings cases, which involve land or chattels, federal market right cases deal with rights in intangibles. In addition, the government does not "take away" those rights in the same sense that it does when it condemns an easement or seizes an automobile.

Notwithstanding these conceptual hurdles, the district court opinions in *College Savings Bank* and *Genentech* quickly concluded that patent infringement, at least, does constitute a taking. These courts certainly had the benefit of precedent. Two Supreme Court cases, *James v. Campbell* and *Hollister v. Benedict & Burnham Manufacturing Co.*, explicitly state that government infringement of a patent constitutes a taking. Although both cases were decided in the

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the Equal Protection Clause, so Congress may abrogate immunity); Autio v. Minnesota, 968 F. Supp. 1366, 1368 (D. Minn. 1997) (reaching the same conclusion regarding the Americans with Disabilities Act of 1990, 42 U.S.C. §§ 12101-121 (1994)).

130. *Seminole Tribe*, 116 S. Ct. at 1123 (quoting Green v. Mansour, 474 U.S. 64, 68 (1985)). *Seminole Tribe* also requires that Congress "unequivocally" express its intent to abrogate. *Id.*


133. 104 U.S. 356 (1881).

134. *Id.* at 67-68; *James*, 104 U.S. at 358-59. The discussion in both cases is arguably dicta. Although the Court explicitly stated in both cases that government infringement was a taking, it went on to rule that neither invention was sufficiently original to qualify for patent protection. *Hollister*, 113 U.S. at 67, 73; *James*, 104 U.S. at 358, 382.
1880s, neither has been seriously questioned. Indeed, dicta in several other Supreme Court cases actually supports their holdings.\textsuperscript{135}

Both the district court and the Third Circuit opinions in \textit{College Savings Bank} also considered false advertising claims under Lanham Act § 43(a).\textsuperscript{136} They each concluded that, in contrast to a patent, false advertising does not involve a taking.\textsuperscript{137} Because the right to control false statements does not qualify as a property right, the courts determined that the State's advertising could not violate the Fourteenth Amendment, even if it was false.\textsuperscript{138}

Unfortunately, \textit{College Savings Bank} and \textit{Genentech} applied an overly simple analysis to the difficult question of whether federal market right violations involve a taking. Reliance on nineteenth-century Supreme Court precedent in this area is certainly questionable, because the Supreme Court's analysis of takings problems has evolved a great deal over the past century. The lower courts should have considered the Supreme Court's more recent opinions to determine whether federal market right infringements involve constitutional takings.

A taking comprises four elements: a constitutionally recognized property interest, a taking of that interest by some branch of government, a public use, and a lack of adequate compensation.\textsuperscript{139} The third element, that the taking be for a public use, will be satisfied in all federal market right cases, as the Court has indicated that the concept of a public use is "coterminous with the scope of a sovereign's police powers."\textsuperscript{140} It can also be assumed for the sake of this discussion that the last element will always be satisfied in federal market right cases, for the ordinary plaintiff will not sue if the state has already provided

\textsuperscript{135} See, e.g., William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co., 246 U.S. 28, 37-43 (1918) (finding, based upon the concept of condemnation, that a 1910 federal statute, currently found at 28 U.S.C. § 1498 (1994), required the federal government to compensate the patentee for using his invention); Crozier v. Friederich Krupp Aktiengesellschaft, 224 U.S. 290, 303-07 (1912) (finding the same); see also Cammeyer v. Newton, 94 U.S. 225, 234-35 (1877) (rejecting the defendant's argument that because he was a government employee, he could not be held liable for infringing a patent; however, it was not clear that the Court relied on the Takings Clause as a basis for the decision).


\textsuperscript{137} Id.

\textsuperscript{138} Id.


\textsuperscript{140} Hawaii Hous. Auth. v. Midkiff, 467 U.S. 229, 240 (1984); see also Berman v. Parker, 348 U.S. 26, 33-35 (1954) (deferring to Congress's authority to take land for more sanitary purposes). As long as the taking is rationally related to a "conceivable public purpose," the Court will find the public use requirement satisfied. \textit{Midkiff}, 467 U.S. at 240-41.
adequate compensation. Thus, the other two elements will control in a federal market rights case.

a. Intellectual "Property"

As noted above, the first element of a taking is a constitutionally recognized property interest. The Fourteenth Amendment prevents states from taking property. One can easily find a wealth of cases and commentaries concluding that the patent, copyright, and trademark laws create property. However, most of these discussions are largely irrelevant. The label "property" is a conclusion, not an analysis. A finding that something is property under the tax laws, for example, merely means that something exhibits certain features that cause the tax laws to treat it differently than they treat non-property. Whether that same item is property for other purposes, such as an estate, a bankruptcy, or a condemnation, is a different question altogether.

The relevant issue is what the takings clause means by the term "property." Supreme Court precedent, although admittedly not precise, does provide a working definition. As already stated, it is clear that property is created by laws other than the Constitution itself. Moreover, the focus is not on the "thing" itself, but instead on the bundle of legal rights that laws create in that thing. A court must consider the characteristics of that bundle of rights to determine whether the bundle constitutes property. Not all legal rights are of equal importance in this calculus. The Court's analysis emphasizes

141. See supra text accompanying note 139.
143. See supra note 74.
144. The Supreme Court itself clearly recognizes that the definition of property varies according to the substantive legal right involved. In Dowling v. United States, 473 U.S. 207 (1985), the Court held that infringement of a copyright does not constitute any of the property crimes of theft, conversion, or fraud. Id. at 217-18. In this context, the Court noted: "While one may colloquially link infringement with some general notion of wrongful appropriation, infringement plainly implicates a more complex set of property interests than does run-of-the-mill theft, conversion, or fraud." Id.
145. See supra notes 122-24 and accompanying text.
146. See supra notes 122-24 and accompanying text.
148. General Motors, 323 U.S. at 377-78.
the rights to possess, use, and dispose of the item. The overriding theme is exclusivity. Accordingly, a rough definition of property for purposes of the takings restriction could simply be: an identifiable thing in which a person has a legally-protected expectation of exclusive possession and use.

The overriding theme is exclusivity. Accordingly, a rough definition of property for purposes of the takings restriction could simply be: an identifiable thing in which a person has a legally-protected expectation of exclusive possession and use.

Patents, copyrights, and trademarks satisfy this definition. All three involve a distinct, albeit intangible, thing. Patent rights exist in discrete, identifiable inventions. Copyright protection presupposes that the individual has created a physical expression of a given idea. Similarly, trademark rights exist in words, symbols, or configurations.

151. The typical takings case involves land or some other form of tangible property. Because patents, copyrights, trademarks, and the right to be free from false statements are all intangible, they present a more difficult question. Although the Court has occasionally suggested that the thing must be tangible, other cases make it clear that intangible property is also protected. Compare General Motors, 323 U.S. at 377-78 (discussing property rights only in terms of a person's relation to a physical thing), with Ruckelshaus, 467 U.S. at 1002-04 (trade secrets), Armstrong v. United States, 364 U.S. 40, 41 (1960) (materialman's lien), Louisville Joint Stock Land Bank v. Radford, 295 U.S. 555, 564 (1935) (real estate lien), and Lynch v. United States, 292 U.S. 571, 579 (1934) (insurance contract).
152. It is a basic tenet of trademark law that trademark rights exist only in connection with the goodwill associated with the owner's business operation. United Drug Co. v. Theodore Rectanus Co., 248 U.S. 90, 97 (1918) ("There is no such thing as property in a trademark except as a right appurtenant to an established business or trade in connection with which the mark is employed."); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 412 (1916) ("The redress that is accorded in trade-mark cases is based upon the party's right to be protected in the good-will of a trade or business."); 1 JEROME GILSON, TRADEMARK PROTECTION AND PRACTICE § 1.03[2] (Jeffrey M. Samuels ed., 1997); 1 MCCARTHY, supra note 74, § 2:15. The law protects trademarks not because of their own innate merit, but in order to make sure that owners reap the fruits of the goodwill that they have generated. S. REP. NO. 79-1333, at 3 (1946). The test for infringement of a trademark reflects this principle. Use of someone's trademark is actionable only if that use is likely to cause confusion as to the source of the goods being sold. Lanham Act §§ 32, 43(a), 15 U.S.C. §§ 1114, 1125(a) (1994).

Notwithstanding the close relationship between trademarks and goodwill, this Article will treat the mark, rather than the goodwill, as the "res" for purposes of analyzing the question of whether trademarks are property. As noted, a key feature of Fourteenth Amendment property is exclusivity. See supra note 150. Although a trademark owner has the exclusive right to use a given word, symbol, or configuration (at least in a certain market), he has no exclusive right to goodwill. Competition, by its very nature, involves an effort by competitors to appropriate part of that goodwill. Generally, as long as the competitor does not deceive consumers or act in an egregious manner, no action will lie for appropriation of a competitor's goodwill.

In fact, there is some question whether goodwill is property for purposes of eminent domain law. Two older Supreme Court cases hold that mere competition by the state does not "take" the property of a private firm. Seattle Gas Co. v. Seattle, 291 U.S. 638, 638-39 (1934); Puget Sound Co. v. Seattle, 291 U.S. 619, 626 (1934). More recent decisions stress that loss of future
In addition, although the scope of protection differs significantly, the owner of a patent, trademark, or copyright also has a justified expectation of exclusive possession and use; an expectation which federal law protects. A patent is the simplest case, for the patent laws allow the owner to stop anyone from producing a product with the same basic characteristics as the protected invention. Trademark law also involves exclusivity, although not to the same extent. Admittedly, the owner of a trademark cannot stop anyone from using the same mark. The law only forbids others from using the mark when that use would result in customer confusion. Nevertheless, because confusion will occur if someone uses that mark on the same or similar products in the market where that party does business, the trademark owner does have an exclusive right in the market where it sells its wares.

A copyright is the most difficult case. Unlike patent and trademark law, copyright law does not give the copyright holder a truly exclusive right to the work. The holder of the copyright can only prevent others from copying or distributing the original work. Independent creation of an identical work, although unlikely, is not


Treating the mark rather than the underlying goodwill as the "res" supports the conclusion that a trademark is property for purposes of the Fourteenth Amendment takings restriction. The mark is property; the value of which is measured by the goodwill associated with the mark. Moreover, because owners do have exclusive use of their marks, they have for all practical purposes an exclusive right in that portion of the goodwill that is wrapped up in the mark.

153. 35 U.S.C. § 271 (1994). The Patent Act provides that anyone who "without authority makes, uses, offers to sell, or sells any patented invention, within the United States" has infringed the patent. Id.

154. Lanham Act §§ 32, 43(a), 15 U.S.C. §§ 1114, 1125(a). As of January 1, 1996, the Lanham Act also allows the owner of a famous mark to obtain an injunction against acts that might "dilute" that mark. Id. § 43(c), 15 U.S.C. § 1125(c). Unlike ordinary infringement, a party suing for dilution need not demonstrate likelihood of confusion, at least in theory. This additional right strengthens the conclusion that famous trademarks are a form of property.

155. Id. § 33, 15 U.S.C. § 1115. Owners who register their marks with the Patent and Trademark Office technically have nationwide, rather than local, rights. Id. However, many courts will not allow a trademark owner who does not do business in a given market to recover against a competitor who uses the mark only in that market, under the theory that no actual customer confusion can possibly exist in such a case. The leading case is Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F.2d 358, 365 (2d Cir. 1959).


157. The copyright holder has not only the right to prevent copying, but also has the exclusive right to prepare "derivative works," to distribute the work, to perform and display literary, musical, choreographic and similar works, and to perform sound recordings by digital audio transmis-
actionable. Therefore, the copyright holder has no legal guarantee that he or she will be the only person in the market selling the work.

A copyright should nevertheless qualify as property for purposes of condemnation. Copyright does protect an identifiable thing, namely, the fruits of one's own intellectual labors set forth in a particular medium of expression. Although the inventive activities of others may result in highly similar or even identical works, the copyright owner justifiably expects to be the only person who can reap the fruits of his or her own tangible creation.

On the other hand, the court in *College Savings Bank* correctly concluded that false advertising does not involve a property right. False advertising law does not create even a modicum of exclusivity. Even if the plaintiff's right to challenge the defendant's false assertion is a discrete "thing," that right is not exclusive. Other competitors, consumers, and state and federal agencies may also be able to bring an action challenging the false statement. Accordingly, the *College Savings Bank* court correctly concluded that Congress cannot invoke

17 U.S.C. § 106. In addition, § 106A provides limited rights of attribution and integrity in certain works of visual art. *Id.* § 106A.


159. Supreme Court precedent reinforces the conclusion that a copyright is property for purposes of the Fourteenth Amendment takings restriction. In *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984), the Court held that a trade secret qualified as property for purposes of the Takings Clause. *Id.* at 1001-04. Like copyright law, trade secret law does not impose liability on someone who independently creates the same information. It does, however, prevent copying. UNIF. TRADE SECRETS ACT § 1 (amended 1985); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 40 (1995). Because trade secret law and copyright law are logical parallels, the *Ruckelshaus* Court's conclusion that a trade secret is Fourteenth Amendment property should also apply to copyrights.

Although trade secrets are undoubtedly a form of "intellectual property," they are not included in this Article because they do not qualify as a federal market right. There is no federal law imposing civil liability for infringing a trade secret.


161. Of course, not all false advertising cases under § 43(a) are the same. The typical case involves a defendant who makes false claims about its own product. Any one of a defendant's competitors may invoke § 43(a) to sue in this sort of case. In "disparagement" cases, by contrast, a defendant makes a false statement about one particular competitor. Because § 43(a) is limited to plaintiffs who can demonstrate that they are "likely to be injured," only the competitor who is mentioned in the statement has the right to bring suit for disparagement. *See* Lanham Act § 43(a), 15 U.S.C. § 1125(a) (1994).

However, even disparagement cases do not involve an exclusive right. Admittedly, the plaintiff is the only party who can sue under § 43(a). But parties other than competitors may also challenge the defendant's acts. A consumer who shuns the goods of the seller mentioned in the statement for the misrepresenting seller's goods may sue for misrepresentation. Similarly, the Federal Trade Commission or state officials may have the authority to challenge the action. *See* Federal Trade Commission Act, 15 U.S.C. § 45 (1994).
its power to regulate takings as a means to abrogate state immunity in false advertising cases.

b. Infringement as a Taking of Property

As just demonstrated, patents, copyrights, and trademarks (but not the right to prevent false advertising) are property rights for purposes of the Fourteenth Amendment takings analysis. The second element of that analysis is whether government infringement of these rights involves a taking. There is certainly no taking in the literal sense. Government infringement of a patent, copyright, or trademark never involves an actual transfer of rights from the individual to either the government or a third party. The state does not—indeed, it perhaps cannot—take over the owner's federal market rights. Thus, the owner retains its right to prosecute all other parties who infringe the exclusive right. The owner also remains free to use and sell the underlying invention, work, or symbol.

Nevertheless, the due process concept of taking is not limited to cases where a government actually appropriates individual property rights. The Supreme Court has also found a taking when the government intentionally interferes with an owner's use or enjoyment of private property. Whether a particular interference is a taking depends on the circumstances of each case. In recent years the Court has developed a general analysis to be applied in all takings cases. This analysis includes three factors: (i) the nature of the government action, (ii) the economic impact of that action on the owner, and (iii) the degree to which the action interferes with reasonable investment-backed expectations.

162. *Ruckelshaus* is one example of a case in which the Court found that the government "took" property by requiring the owner to transfer it to a third party. 467 U.S. at 1013.

163. Although the issue has never been litigated, the federal patent and copyright laws would almost certainly preempt a state law that actually purported to transfer the exclusive federal rights to the state. Such a statute would directly contravene the allocation of rights set out in those statutes. See 17 U.S.C. § 301 (1994) (copyright preemption); Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141 (1989) (patent preemption). Whether the Lanham Act would preempt a state's attempt to usurp trademark rights is less clear. Unlike the Patent and Copyright Acts, the Lanham Act incorporates and builds upon existing state law, and accordingly has little preemptive effect.

164. Of course, government does not itself acquire any exclusive right in an invention, work, or mark by infringing.

165. See supra note 128.

The first factor, the nature of the government action, allows a reviewing court to characterize the type of taking involved. The typical case fits one of two molds: (i) a government appropriation or physical invasion of property,\textsuperscript{167} or (ii) a government regulation of the use or transfer of that property.\textsuperscript{168} The result of this initial categorization controls the remainder of the analysis. Physical invasion or appropriation is a per se taking, regardless of the degree of injury to the owner.\textsuperscript{169} In regulation cases, however, a court must also evaluate the other two factors.

One encounters an immediate problem in trying to apply this first factor to federal market right cases, for infringement does not really fit in either of the two standard categories. There is certainly no physical invasion or appropriation of any of the owner's rights. As noted above, the owner retains an unfettered right to use and to prevent others from using the invention, work, or symbol.\textsuperscript{170}

Moreover, infringement is also markedly different than regulation. In a regulation case, the government has enacted a law of general applicability that happens to injure one or more people. In an infringement case, by contrast, the government has "singled out" the owner to shoulder the entire burden of the government action. Common sense dictates that such singling out should be relevant to the analysis in some way. The Court has stated the purpose of the condemnation clause in quite broad terms, namely "to bar Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole."\textsuperscript{171} At least one older Supreme Court case, along with more recent lower court cases and scholarly discussion, suggest that singling out makes a stronger case for a taking.\textsuperscript{172} Unfortunately, as there is no recent precedent


\textsuperscript{168} See First English Evangelical Lutheran Church v. County of Los Angeles, 482 U.S. 399 (1987) (ordinance barring construction in floodplain); Andrus v. Allard, 444 U.S. 51 (1979) (restriction on transfer of Indian relics).

\textsuperscript{169} See Loretto v. Teleprompter Manhattan CATV Corp., 458 U.S. 419, 436-37 (1982) (requiring property owners to allow installation of television cables on their property constitutes a taking, even though only a \textit{de minimis} portion of property is actually involved); see generally 2 RONALD D. ROTUNDA & JOHN E. NOWAK, TREATISE ON CONSTITUTIONAL LAW \S 15:12 (1992 \& Supp. 1997) (describing two types of government action that constitute per se takings).

\textsuperscript{170} See supra text accompanying note 164.

\textsuperscript{171} Armstrong v. United States, 364 U.S. 40, 49 (1960).

\textsuperscript{172} In Richards v. Washington Terminal Co., 233 U.S. 546 (1914), the government had constructed a railway tunnel near the owner's land. \textit{Id.} at 548-50. A mechanical exhaust system blew smoke and dirt from this tunnel onto the owner's land. \textit{Id.} at 549-50. Although the Court
discussing the question, it is not entirely clear whether the Court considers singling out to be relevant to the takings analysis.

Assuming that singling out is relevant, the best spot to fit it into the three-part analysis is the first factor. In some respects, singling out makes infringement cases look more like physical invasion or appropriation cases, where the government likewise singles out one person. However, because infringement cases do not involve any government usurpation of property rights, it is extremely unlikely that the Court would consider infringement a per se taking. Thus, a court would also need to consider the remaining two factors.

One possible approach to singling out cases would be to consider the second and third factors—economic impact on the owner and degree of interference with reasonable investment-backed expectations—but to require less of the owner under those factors than would be necessary in a pure regulation case. In the case of a general regulation, the owner can recover only if the government regulation destroys almost the entire value of the property. An owner who is singled out, by contrast, should be entitled to recover even if the property retains some residual value.

did not allow the owner to recover for the general inconvenience, it did allow the owner to recover for the special harm caused by the exhaust, noting that the government had singled out the owner for this treatment. Id. at 556-57.

More recent lower court cases also suggest that singling out is relevant. See, e.g., Florida Rock Indus., Inc. v. United States, 18 F.3d 1560, 1571 (Fed. Cir. 1994) (reinforcing the need to consider whether government unnecessarily imposes a burden on less than all individuals for benefits enjoyed by all). Professors Rotunda and Nowak apparently agree. 2 ROTUNDA & NOWAK, supra note 169, § 15:12.

173. In fact, every physical invasion and appropriation case by definition involves an act specifically directed at one person. However, because these cases are per se takings, the Court has not had occasion to consider whether singling out, standing alone, is relevant.

174. In Lucas v. South Carolina Coastal Council, 505 U.S. 1003 (1992), the Court held that a regulation qualified as a taking when it “denies all economically beneficial or productive use of land.” Id. at 1015-16.

The specific reference to “land” in the above quote has raised some question as to whether regulation of other property can ever constitute a taking. Id. at 1018. However, the specific choice of words seems to have been inadvertent. Later regulation cases have applied the three-part analysis to interests other than land. See, e.g., Concrete Pipe & Prods. v. Construction Laborers Pension Trust, 508 U.S. 602, 643-45 (1993) (evaluating the plaintiff’s burden in a case involving a pension plan contract).

175. Another line of Supreme Court cases supports the approach to singling out cases suggested in the text. The Court has occasionally had to determine whether flights over property, either of aircraft or projectiles, constitute a taking. See Griggs v. Allegheny County, 369 U.S. 84, 88-90 (1962) (aircrafts); United States v. Causby, 328 U.S. 256, 261-64 (1946) (aircrafts); Portsmouth Harbor Land & Hotel Co. v. United States, 250 U.S. 1, 2 (1919) (artillery shells); see also Brown v. United States, 73 F.3d 1100, 1104-06 (Fed. Cir. 1996) (aircrafts). Although arguably a physical invasion, the Court has refused to treat such cases as per se takings because of the limited right of exclusivity in airspace. See Causby, 328 U.S. at 261. Rather, the Court also considers the effect of the overflights on the value of the property, finding a taking only when
This approach can readily be applied to federal market right cases. With respect to the second factor, infringement undoubtedly has an economic impact on the value of the federal market right. At the very least, the state has deprived the owner of one sale of the invention, work, or symbol. Moreover, the owner satisfies the third factor, a justified economic expectation of receiving those profits, because the Patent, Copyright, and Lanham Acts give the owner limited monopoly rights against even the states. Government infringement undoubtedly reduces total profit, which is the best measure of the economic value of the invention, work, or symbol.

The Supreme Court's decision in *Ruckelshaus v. Monsanto Co.* supports this conclusion. *Ruckelshaus* held that a federal licensing program that required a company to disclose its trade secrets constituted a taking. It noted that the company had a justified expectation of exclusivity in some of the secret information, and that the federal law requiring public disclosure would deprive the company of most of the value of that information. The government was therefore required to compensate the owner for that loss in value, even though the information was still worth something to the owner.

But the reduction in value that inevitably occurs when a patent, copyright, or trademark is infringed does not automatically transform all—or even most—state infringements into Fourteenth Amendment takings. Because infringement involves neither an appropriation nor a physical invasion, it is a taking only if it deprives the owner of most of the value of that property. Most government infringements of a

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the government takes away most of that value. See *Griggs*, 369 U.S. at 88-90; *Causby*, 328 U.S. at 262; *see also Brown*, 73 F.3d at 1102 (appellate decision). Although these cases are admittedly not directly on point—the Court nowhere, for example, indicates that singling out is important—they do indicate that courts must consider the economic effect of the government's acts even in cases where those acts affect only one person.

176. Again, this Article does not question Congress's power to impose liability on states for infringement of federal market rights. It only questions its power to assign adjudication of infringement cases to federal court.

177. Although "property" constitutes the bundle of rights in a thing rather than the thing itself, one should focus on the entire thing when calculating value. Of course, the bundle of rights that a person has in a thing determines the value.


179. *Id.* at 1003-04. The Court's opinion actually broke the analysis into different periods of time. *Id.* at 1010-11. For much of the time, the Court held that the owner had no justified expectation of exclusivity, so that mandatory disclosure was not a taking. *Id.* at 1005-10, 1013. However, during the period in which that expectation existed, the government-ordered disclosure constituted a taking. *Id.* at 1010-14.

180. *Id.* at 1010-12.

181. *Id.*

182. Admittedly, there is language in Supreme Court opinions suggesting that a reduction in value, standing alone, can never constitute a taking, regardless of the magnitude. See, e.g., *Con-
patent, copyright, or trademark simply will not have that great an effect on the value of the underlying invention, work, or symbol. Again, the owner retains the right to use, and the even more important right to prevent others from using, the item.\textsuperscript{183} All the government really has taken is a non-exclusive license to use the item. Although that license has a value, it may not be that great a percentage of the total value of the invention, work, or symbol.

Moreover, the situation in \textit{Ruckelshaus} is easily distinguishable from a typical infringement case. As the Court in that case noted, losing the secrecy of a trade secret results in a tremendous decrease in the value of the information.\textsuperscript{184} More importantly, because trade secret rights disappear once the information becomes public knowledge, loss of secrecy also results in a loss of legal protection.\textsuperscript{185} Therefore, even though the company in \textit{Ruckelshaus} could still use the information for its own purposes, the government action caused the company to lose the practical ability to sell that information to anyone, not just the state.\textsuperscript{186} The net effect was a loss of virtually all of the information's value.\textsuperscript{187}

The early Supreme Court cases dealing with patent infringement can also be distinguished from more typical federal market cases using this same reasoning. \textit{James}\textsuperscript{188} and \textit{Hollister}\textsuperscript{189} are somewhat unique. \textit{James} involved a device for stamping the postmark on letters,\textsuperscript{190} while the invention in \textit{Hollister} was a tax revenue stamp.\textsuperscript{191} Both of these inventions are notable in that they could be used only by the federal

\begin{itemize}
\item 183. See supra text accompanying note 162-64.
\item 184. \textit{Ruckelshaus}, 467 U.S. at 1011-12.
\item 186. See supra note 185.
\item 187. See supra note 185.
\item 188. 104 U.S. 356 (1881).
\item 189. 113 U.S. 59 (1885).
\item 190. \textit{James}, 104 U.S. at 357-60.
\item 191. \textit{Hollister}, 113 U.S. at 59-61.
\end{itemize}
When the federal government copied the inventions without compensation, it deprived the patentees of virtually the entire market value of the patents.

Applying all three factors of the analysis, then, leads to the conclusion that government infringement of a federal market right will constitute a taking in only two situations. The first is a case like James or Hollister, where the infringing state is the sole, or one of a very few, potential buyers of the product. If the state is free to copy, the value to the owner of the invention, work, or symbol will be substantially reduced. Cases of this sort are rare, however, when state governments are involved. Most inventions and works can be used by parties other than government. Moreover, even if the invention or work can be used only by government, infringement by only one state would not deprive the owner of most of the value, because other states might still purchase the item.

The second type of case in which a taking may occur is one in which the state competes with the owner in selling the product. Now the owner has been deprived not only of the revenue that the state should have paid, but also the revenue from sales to other private parties. That lost revenue may well represent a sizable percentage of the total value of the federal market right. Again, however, such cases are unlikely to arise very often.

In conclusion, then, the takings exception is of limited use in federal market right cases. Because most inventions and works of authorship can be sold to buyers other than the infringing state, patent and copy-
right infringements do not necessarily constitute a taking. And even if the state competes with the owner, there may well be many cases in which that competition does not appreciably diminish the value of the goodwill represented by plaintiff's trademark. In the many cases in which the value of the invention, work, or symbol is not substantially affected, Congress has no power to open the doors of the federal courts to the owner.

2. The Fourteenth Amendment Takings Restriction as a Basis for Federal Market Right Laws

The prior discussion demonstrates that only a handful of patent, copyright, and trademark cases involve constitutional takings. As a result, Congress could use the Fourteenth Amendment exception to force the states to defend at least these few cases in federal court. Whether Congress can achieve that goal under the current legislation, however, is not clear. In addition to the underlying violation of the Fourteenth Amendment, Seminole Tribe requires proof that Congress acted "pursuant to" the Fourteenth Amendment when enacting the abrogation provision in question.197 This standard makes it necessary to trace the roots of each of the abrogation statutes.

a. The Need to Invoke the Fourteenth Amendment

One potential problem with the Court's "pursuant to" standard is that many federal statutes can be supported by more than one source of federal legislative power. Consider the Fourteenth Amendment. Congress's powers under section 5 of the Fourteenth Amendment frequently overlap its Article I powers.198 It is not entirely obvious whether an abrogation provision is valid merely because it could be grounded in section 5 of the Fourteenth Amendment, or whether Congress must explicitly invoke that provision when enacting the statute.

Fortunately, this issue does not arise under the patent and trademark laws, for the legislative history of both statutes' abrogation provisions explicitly mentions the Fourteenth Amendment.199 The

198. Several federal statutes, for example the Age Discrimination in Employment Act, 29 U.S.C. §§ 621-34 (1994), prohibit discrimination in the workplace. Those laws can arguably be justified either as an exercise of Congress's power to regulate commerce, or its power to prevent discrimination.
199. Although Congress cited only the patent power of the Copyright Clause when enacting the main body of the patent law, it enacted the abrogation provision, 35 U.S.C. § 296 (1994), separately in 1992. The legislative history behind the amendment specifically lists the Fourteenth Amendment as a basis for the statute. PATENT AND PLANT VARIETY PROTECTION REM-
question is more difficult in copyright cases. Congress dealt with state Eleventh Amendment immunity in copyright cases by a special amendment to the Copyright Act. The legislative history for this amendment mentions only the Article I Copyright Clause as its constitutional basis. Therefore, regardless of whether Congress might have relied on the Fourteenth Amendment, the legislative history does not clearly indicate that it intended to do so.

Given the Supreme Court's insistence on legislative precision whenever questions of abrogation are concerned, Congress's failure to cite the Fourteenth Amendment might mean that the abrogation provision of the Copyright Act is invalid. The case law to date is mixed.

The Lanham Act has a similar history. Congress added Lanham Act § 40, 115 U.S.C. § 1122 (1994), the abrogation provision, during the same term as it amended the Patent Act. The Senate issued a single report dealing with both abrogation provisions. The operative language reads:

[T]he bill is justified as an acceptable method of enforcing the provisions of the Fourteenth Amendment. The court in Lemelson v. Ampex Corp. recognized that a patent is a form of property, holding that a right to compensation exists for patent infringement. Additionally, because courts have continually recognized patent rights as property, the Fourteenth Amendment prohibits a State from depriving a person of property without due process of law. The same holds true in the area of trademarks. Furthermore, the Fourteenth Amendment gives Congress the authority to enforce this right. S. 758 and S. 759 represent a valid extension of Congress' right to protect the property rights of patent and trademark holders.

Id. (emphasis added). This citation to the Fourteenth Amendment is especially telling when one considers that the Patent and Lanham Act amendments were enacted after Union Gas, where the Supreme Court strongly intimated that Article I alone would be sufficient for abrogation. Pennsylvania v. Union Gas Co., 491 U.S. 1 (1989), overruled by Seminole Tribe v. Florida, 116 S. Ct. 1114, 1128 (1996).

The Lanham Act provisions also apply to false advertising claims. However, as the above discussion shows, false advertising does not constitute a taking of property. Thus, Congress could not invoke the Fourteenth Amendment as a basis for making states answer in federal court for false advertising.


202. For example, when evaluating an abrogation statute, the Court requires a "clear legislative statement" showing the intent to abrogate. Blatchford v. Native Village of Noatak, 501 U.S. 775, 786 (1991).
The Fourth Circuit recently refused to consider whether the abrogation provision of the Bankruptcy Code might be justified as an exercise of section 5 power absent any indication by Congress that it had intended to rely on that power. On the other hand, the Sixth Circuit and the District of Minnesota have upheld abrogation provisions that could have been promulgated under the Fourteenth Amendment without such an explicit reference. If the "potential power" argument of these latter decisions is correct, the abrogation provision of the Copyright Act could be valid.

b. The Extent to Which the Infringement Provisions Protect Fourteenth Amendment Values

Whenever state infringement of a patent, copyright, or trademark results in a taking, Congress has the power to force the state to defend the infringement suit in federal court, notwithstanding the Eleventh Amendment. Congress has not, however, confined the abrogation of state immunity to those cases actually involving a taking. Instead, the governing statutes abrogate immunity in all patent, copyright, and trademark infringement cases. This broad override goes far beyond that necessary to regulate state takings of federal market rights. Of course, this overinclusiveness is not necessarily fatal. A court could simply limit the abrogation provisions to situations where the state action constituted a taking. In the majority of cases where no taking was present, the court would simply dismiss for lack of jurisdiction.

The Supreme Court's recent decision in City of Boerne v. Flores, however, strongly suggests that a court would find the Patent, Copyright, and Lanham Act's abrogation provisions to be void in toto. Boerne dealt with the Religious Freedom Restoration Act, a federal statute intended to limit government interference with certain religiously-motivated practices. Congress cited the Fourteenth Amendment as the sole basis for the law. Because an earlier Supreme Court decision had held that these sorts of practices were not constitu-

203. Creative Goldsmiths, Inc. v. Maryland, 119 F.3d 1140, 1146 (4th Cir. 1997).
205. See supra note 54.
208. Boerne, 117 S. Ct. at 2162.
tionally protected, however, the Court held in Boerne that Congress could not use the Fourteenth Amendment to prevent the states from regulating them. The Court held that section 5 of the Fourteenth Amendment allows Congress to provide remedies for actual constitutional deprivations, but not to create entirely new rights. Therefore, even though it recognized that some of the practices covered by the Religious Freedom Restoration Act might fall within the First Amendment, the Court struck down the statute in its entirety.

At first glance, Boerne seems to be easily distinguishable from the Fourteenth Amendment issue dealt with in this Article. Boerne dealt with the scope of Congress's legislative power to create substantive rights. In that instance, Congress was attempting to negate Supreme Court precedent by extending protection to activities that the Court had already held were not protected by the First Amendment. By contrast, an underlying constitutional violation—a Fourteenth Amendment taking—may already be present when a state infringes. Unlike Boerne, then, Congress is not creating a new right in federal market right cases. In fact, Congress is not even using the Fourteenth Amendment to create a new remedy for violation of that right. Congress needs the Fourteenth Amendment in federal market right cases only because it wants to use the federal courts to adjudicate that remedy.

Nevertheless, Boerne does affect the issue at hand. At its core, that case is about the scope of Congress's powers under the Fourteenth Amendment. It is important to note that the Court did not limit Congress's section 5 powers to providing remedies for independent constitutional violations. Rather, the Court explicitly mentioned that Congress may enact legislation that reaches activities not protected by the Constitution. The Court also indicated, however, that such overinclusive legislation would be valid only if there was "a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." The statute in Boerne, which extended protection to a broad array of religious practices not

211. Id. at 2168-78.
212. Id. at 2171-72.
213. Id. at 2163.
214. Id. at 2164.
covered by the Constitution, did not meet this congruent and proportional test.\textsuperscript{215}

The Court also distinguished the federal civil rights statutes, which similarly extend protection to discrimination not barred by the Constitution.\textsuperscript{216} The Court found that Congress could point to a long history of discrimination on the basis of race.\textsuperscript{217} Because of this history, the Court was willing to afford Congress more latitude in drafting a law that was congruent and proportional to the problem it needed to solve.\textsuperscript{218} No such history existed, however, for the sorts of religious practices involved in \textit{Boerne}.\textsuperscript{219}

This part of the \textit{Boerne} analysis is therefore directly relevant to the question of abrogation. After \textit{Seminole Tribe}, an abrogation provision is valid under the Fourteenth Amendment exception if it can be supported entirely by section 5. \textit{Boerne} construes section 5 to allow Congress to enact only legislation that is congruent and proportional to some independent constitutional violation.\textsuperscript{220} Therefore, if the abrogation provisions are significantly overinclusive, they exceed Congress's section 5 powers.

The abrogation provisions of the Patent, Copyright, and Lanham Acts fail this standard. These provisions purport to abrogate immunity for all state infringements. As discussed in detail above, however, only a very few state infringements will result in enough of a decrease in the value of the invention, work, or symbol to constitute a constitutional taking.\textsuperscript{221} Nor is there any documented large-scale problem of states refusing to honor federal market rights, a fact that would give Congress more flexibility. Therefore, extending federal jurisdiction to all infringement cases is clearly overkill.

Second, the remedial provisions of the federal market right laws go well beyond providing a remedy for a taking. Remedies under the Patent, Copyright, and Lanham Acts are not limited to damages and injunctions. The Copyright Act authorizes statutory damages.\textsuperscript{222} The Lanham and Patent Acts both allow treble damages.\textsuperscript{223} If \textit{Seminole

\textsuperscript{215}Id.
\textsuperscript{216}Id. at 2169-70.
\textsuperscript{217}Id. at 2169.
\textsuperscript{218}Id.
\textsuperscript{219}Id. at 2170.
\textsuperscript{220}Id.
\textsuperscript{221}See supra Part II.A.1.b.
\textsuperscript{222}17 U.S.C. § 504(c) (1994). Section 504(c) authorizes statutory damages of from $500 to $20,000 for each infringement, or in the case of a willful infringement, up to $100,000. \textit{Id.} The copyright owner must elect statutory damages in lieu of actual damages. \textit{Id.}
Seminole Tribe allows Congress to abrogate only when necessary to enforce the Fourteenth Amendment restriction on government takings, these augmented damages should not be available in an action brought against a state defendant in federal court. A federal court should have the power to award only ordinary damages, which represent the value of what was taken. Augmented or statutory damages, which go beyond compensation for the taking, would be available only in the state courts.

In conclusion, courts should entirely reject the takings exception in federal market right cases brought against the states. Even though a few infringements may involve a taking, the current legislation, which reaches all infringements and overcompensates the owners, is in no way congruent and proportional to any constitutional problem that may exist. Accordingly, Boerne indicates that the abrogation provisions cannot be justified under Congress's section 5 power to regulate state takings.

B. An Alternate Theory: Privileges and Immunities

The takings exception to Eleventh Amendment immunity is grounded in the general notion that the Fourteenth Amendment operates as a partial repeal of the Eleventh Amendment. Therefore, even if the takings exception is not valid, other provisions of the Fourteenth Amendment might support abrogation of state immunity in suits arising under federal market right laws. Although Fitzpatrick recognizes that the Equal Protection Clause can support abrogation, infringement of a federal market right presents no equal protection concerns. Of the remaining Fourteenth Amendment protections, the most likely candidate to support an abrogation is the Privileges and Immunities Clause of section 1.

To date, no court has applied this argument to a federal market right claim. However, two decisions of the Bankruptcy Court of the Southern District of Georgia conclude that because the right to bankruptcy relief involves a privilege or immunity under the Fourteenth Amendment, the Bankruptcy Code's explicit override of state Eleventh Amendment immunity is a constitutionally proper abrogation.

224. This amount would include a reasonable royalty, as provided in the Patent Act, 35 U.S.C. § 284.
226. See supra text accompanying note 48.
227. U.S. Const. amend. XIV, § 1. “No State shall make or enforce any law which shall abridge the privileges and immunities of citizens of the United States.” Id.
If valid, this argument might well apply to at least some of the federal market right laws. The Privileges and Immunities Clause applies to national, rather than state rights. Patents and copyrights are clearly national, because they can be bestowed only by Congress. Similarly, although state law can and does create trademark rights, the Lanham Act supplements those basic rights in several ways, including the all-important federal claim for infringement. Even a Lanham Act false advertising claim might be considered a national "privilege" that qualifies for protection under the Privileges and Immunities Clause.

Applying the privileges and immunities argument to federal market right cases, however, is unlikely to overcome state immunity. Compared to its Fourth Amendment counterpart, the Fourteenth Amendment Privileges and Immunities Clause is extremely limited. Several Supreme Court decisions have limited the concept of privileges and immunities to uniquely national rights, including the rights to engage in interstate travel and commerce, to petition Congress, to vote in federal elections, to enter upon federal public lands, and to exercise certain rights while in the custody of federal officers.

Measured by this yardstick, federal market rights would not qualify as a Fourteenth Amendment privilege. Notwithstanding their federal origin, federal market rights are not of the same genre as the privileges identified by the Court over the years. Those privileges all involve issues that are unique to a federal system of government such as the United States. The right to free travel and commerce among

Burke, 203 B.R. at 493; Headrick, 200 B.R. at 963. In Headrick, the court also held in the alternative that the state had waived its immunity by filing a proof of claim against the debtor's estate. 200 B.R. at 968.


231. "The Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States." U.S. CONST. art. IV, § 2. The Article IV Privileges and Immunities Clause has enjoyed a sort of renaissance in recent years. However, because it predates the Eleventh Amendment, the Article IV clause cannot serve as a basis for abrogation of state immunity.

232. See, e.g., Snowden, 321 U.S. at 1 (Privileges and Immunities Clause); Twining v. New Jersey, 211 U.S. 78 (1908) (right against self-incrimination); Williams v. Fears, 179 U.S. 270 (1900) (right to travel); Giozza v. Tiernan, 148 U.S. 657 (1893) (taxation of liquor); The Slaughter-House Cases, 83 U.S. (16 Wall.) 36 (1873) (right to contract).

233. Admittedly, Reeves v. Corning, 51 F. 774 (C.C. Ind. 1892), can be read for the proposition that a patent is a privilege for purposes of the Fourteenth Amendment privileges and immunities clause. Reeves, however, is of very limited value as precedent. In addition to the age of the case, the court's discussion of whether a patent is a privilege is merely dictum, because the court found that the state regulation of the patent was reasonable. Id. at 780.
the states is a crucial element of United States federalism. The remaining privileges all fall within the Fourteenth Amendment because of the importance of ensuring that the federal government retains a status separate and independent from the states. Federal market rights, by contrast, have nothing to do with a federal system, as evidenced by the fact that many non-federal nations grant similar protection.

Moreover, even if a federal market right could be considered a Fourteenth Amendment privilege or immunity, infringement of that right by a state would not violate the Fourteenth Amendment. First, as a technical matter, infringement may not even present a privileges and immunities problem. The Fourteenth Amendment provides that a state may not "make or enforce any law" that deprives anyone of their privileges or immunities. Because a state infringes a federal market right by making or using an invention, work, or symbol, rather than by the enactment of a law, most infringements do not violate the clause.

Second, the Privileges and Immunities Clause is not absolute. Although states cannot entirely take away protected privileges, they can impose reasonable limitations on the enjoyment of those privileges. In fact, the precedent suggests that the standard is quite lax. State infringement of a patent, copyright, or trademark would almost certainly constitute a reasonable imposition on the federal right. As discussed above with respect to the takings exception, the state limits neither the owner’s use nor the owner’s right to prevent others from using the invention, work, or symbol. State infringement merely decreases the economic value of the federal market right. In addition, the infringing state in no way discriminates for or against residents of that state, another factor that is important to the privileges and immunities question.

Accordingly, like the takings restriction, the Fourteenth Amendment Privileges and Immunities Clause gives Congress no power to abrogate state Eleventh Amendment immunity in federal market right cases. Although that clause may support abrogation in other

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234. U.S. CONST. amend. XIV.
235. 2 ROTUNDA & NOWAK, supra note 169, § 14.3.
236. The Supreme Court has on only one occasion found that a state limitation violated the privileges and immunities clause. In Colgate v. Harvey, 296 U.S. 404 (1935), the Court found that a state income-tax scheme that discriminated between the income from loans to residents and loans to non-residents violated the privileges and immunities clause. The Court explicitly overturned Colgate only five years later in Madden v. Kentucky, 309 U.S. 83 (1940).
237. See supra text accompanying note 164.
types of cases, state infringement of a federal market right simply does not violate the Privileges and Immunities Clause. Absent that threshold violation, Congress cannot use its exceptional Fourteenth Amendment powers to force the states to defend infringement claims in federal court.

III. Conclusion

In his dissent in Seminole Tribe, Justice Stevens predicted that the majority's new rule limiting abrogation of state immunity would have serious consequences for many federal statutes. Among the statutes he listed were the Patent and Copyright Acts. Because these statutes stem from Congress's Article I powers instead of the Fourteenth Amendment, Justice Stevens felt that Seminole Tribe rendered the abrogation provisions invalid.

Justice Stevens's fears are well founded. As currently written, the abrogation provisions of not only the Patent and Copyright Acts, but also the Lanham Act governing trademarks and false advertising, could not survive a challenge under Seminole Tribe. Although Seminole Tribe is not an absolute bar to federal jurisdiction over claims against states, none of the exceptions are available. Contrary to the suggestion of two recent district court opinions, the abrogation provisions cannot be sustained as a regulation of states' taking of intellectual property, because the statutes are not confined to the few infringements that actually qualify as takings. The constructive waiver and privileges and immunities exceptions are likewise unavailable.

The conclusion that the Eleventh Amendment bars federal jurisdiction is especially troubling in the area of patent and copyright law. Because Congress has given the federal district courts exclusive jurisdiction over patent and copyright infringement cases, Seminole Tribe means that no court is available to hear claims against state defendants. In essence, this means that states are currently immune from the patent and copyright laws. Although this may be welcome news for state governments, it poses a threat to the patent and copyright systems.

239. The analysis in the text also leads to the conclusion that the bankruptcy court decisions in Burke v. Georgia, 203 B.R. 493 (Bankr. S.D. Ga. 1996), and Headrick v. Georgia, 200 B.R. 963 (Bankr. S.D. Ga. 1996), are incorrect in concluding that the privileges and immunities clause supports abrogation of state immunity in bankruptcy. Even if bankruptcy does qualify as a privilege, the state action in those cases did not entirely take away the exercise of that privilege.


241. Id.

242. Id.
Of course, it is important to remember that the problem is fairly easy to solve. No constitutional amendment is needed. The Eleventh Amendment only limits Congress’s power to assign matters to the federal courts. Nothing in Seminole Tribe or other Eleventh Amendment jurisprudence affects the substantive liability that Congress has imposed on the states under the Patent, Copyright, and Lanham Acts. Plaintiffs are already free to bring Lanham Act claims against state defendants in state courts. And with a simple stroke of a pen, Congress could give state courts jurisdiction in patent and copyright cases involving state defendants. Although granting jurisdiction to state courts might upset Congress’s goal of a uniform interpretation of the patent and copyright laws, that need for uniformity cannot prevail over the clear command of the Constitution. Moreover, because the Eleventh Amendment does not bar the United States Supreme Court from reviewing state-court decisions in cases involving state defendants, some degree of uniformity could be maintained.

It would even be possible for Congress to allocate some patent, copyright, and trademark infringement cases against state defendants to the federal courts. All three of these federal market rights are species of property for purposes of the Fourteenth Amendment. Although most infringements do not rise to the level of a taking of that property, the state action will in some cases reduce the value of the federal right to such a degree that it will constitute a taking. Provided that it substantially reworked the jurisdictional statutes and the remedies provisions, Congress could abrogate state immunity in this handful of cases.

For the time being, however, a federal forum is unavailable in any federal market right cases. This situation is unlikely to be acceptable for long; after all, the influential research and entertainment industries have considerable financial interests at stake. Therefore, a quick legislative response is likely. Assuming that response considers the issues discussed in this Article, it should pass constitutional muster.

243. Jurisdiction over a state defendant need not be confined to the courts of that state. In Nevada v. Hall, 440 U.S. 410 (1979), the Court held that the Eleventh Amendment provided no immunity to a state being sued in the courts of a sister state. Id. at 416.

244. Congress could accomplish its goal simply by amending the provision creating patent, copyright, and trademark jurisdiction, 28 U.S.C. § 1338 (1994), to make that jurisdiction concurrent in cases brought against states. This approach would provide a state-court remedy in most infringement cases, while preserving the option of a federal court in cases where the state waived its immunity.

245. One easy solution would be for Congress to write a general jurisdictional statute giving federal courts jurisdiction over all claims against state defendants in which the alleged state action constituted a taking.