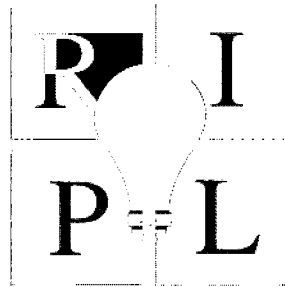


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STATE SOVEREIGN IMMUNITY: STATES USE THE FEDERAL PATENT LAW SYSTEM AS BOTH A SHIELD AND A SWORD

NICHOLAS DERNIK

ABSTRACT

A number of states currently rely on Eleventh Amendment immunity to defend against infringement actions by the patentees during research and development of new technologies. Some of these states then evoke the federal patent system to exclude private parties from infringing state patented subject matter. Ultimately, states enjoy all of the benefits of the federal patent system but states are not limited by any of its restrictions. This comment proposes a remedy to the states' unfair tactical advantage of using the federal patent system as both a shield and a sword.

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STATE SOVEREIGN IMMUNITY: STATES USE THE FEDERAL PATENT LAW SYSTEM AS BOTH A SHIELD AND A SWORD

NICHOLAS DERNIK*

INTRODUCTION

In the 1998 action film, *Armageddon*, Billy Bob Thornton's character, NASA Executive Director Truman, charges Bruce Willis's character, Oil Driller Harry Stamper, with saving the world.¹ Truman has recruited Stamper to save the planet from an impending collision with an asteroid.² Truman takes Stamper to the drill rig that NASA's Design Engineer, Jason Isaacs's character, Ronald Quincy, has built to accomplish the mission, hoping that Stamper can assist in solving some of the problems with the rig.³

Truman: You might recognize the rig.

Stamper: Well, I guess I should recognize it. It's my design. What, did you steal a key to the patent office?

Truman: Yeah, basically.

Stamper: Let me get this straight, I got pulled off an oil rig, flown half way around the world because you stole my drill design, couldn't read the plans right, and did a piss poor job of putting it together?

Quincy: Technically, patents don't apply to outer space.⁴

While most state agencies are not saving the planet, many are currently infringing patents. For example, the California Department of Health Services ("DHS") is infringing one of Biomedical Patent Management Corporation's ("BPMC") patents covering a method of prenatal screening for fetal chromosomal abnormalities.⁵ DHS successfully asserted the affirmative defense of sovereign immunity under the Eleventh Amendment⁶ in a decision by the United States Court

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¹ *ARMAGEDDON* (Touchstone Pictures 1998).

² *Id.*

³ *Id.* Stamper then listens to Truman's plan for sending astronauts to the asteroid that is headed toward an impact with earth in the near future. *Id.*

⁴ *Id.* Quincy originally began construction on Stamper's drill rig design for a mission to land on Mars to do some exploratory drilling. *Id.* Quincy begins to explain that the United States government is free to infringe any and all patents to pursue further exploration into outer space. *Id.* After finding out that an asteroid capable of sending the earth into another ice age was heading toward earth, NASA changed the plans for the rig. *Id.* The set of two identical rigs was now destined to help save the planet. *Id.*

⁵ *Biomedical Patent Mgmt. Corp. v. Cal., Dep't of Health Servs.*, 505 F.3d 1328, 1330 (Fed. Cir. 2007), *petition for cert. filed*, 76 U.S.L.W. 3410 (U.S. Jan. 22, 2008) (No. 07-956).

⁶ U.S. CONST. amend. XI.

of Appeals for the Federal Circuit (“CAFC”).⁷ Even though state agencies are immune from patent infringement, this immunity has not stopped those agencies from enforcing patent rights against private companies.

This comment addresses issues regarding state agencies using the patent system to enforce patents while asserting sovereign immunity under the Eleventh Amendment to protect against infringement actions brought by private parties. Section I describes the relevant history of the Eleventh Amendment and its application to current patent law issues. Additionally, Section I explores the different ways that state agencies have benefited from Eleventh Amendment protection. Lastly, the section discusses the limits of Eleventh Amendment protection.

Section II analyzes whether states can take actions that waive sovereign immunity under the Eleventh Amendment and what specific actions constitute a waiver of that protection. Section III proposes a solution to state agencies’ manipulation of the federal patent system as both a shield and a sword. In other words, state agencies’ use of Eleventh Amendment creates an unfair advantage for state agencies by protecting them from liability for infringing patents while allowing them to manipulate the federal patent system to enforce state patent rights.

I. BACKGROUND

A. Jurisdiction

The Eleventh Amendment⁸ was enacted shortly after the 1793 Supreme Court decision in *Chisholm v. Georgia*.⁹ The United States Supreme Court held, relying on Article III of the Constitution,¹⁰ that a citizen of another state could sue an unconsenting state in federal court.¹¹ Consequently, Congress became concerned that states would be liable in suits concerning outstanding Revolutionary War debts.¹² States ratified the Eleventh Amendment shortly after the *Chisholm*

⁷ *Biomedical Patent*, 505 F.3d at 1330–31. The CAFC concluded that the inconsistency that would arise from allowing DHS to assert sovereign immunity was not substantial enough to divert from the court’s precedent with respect to sovereign immunity. *Id.* at 1341. Waiver of sovereign immunity generally does not extend to a separate lawsuit. *Id.* The state’s participation in the federal patent system does not itself waive sovereign immunity rights. *Id.* at 1343.

⁸ U.S. CONST. amend XI. The Eleventh Amendment was proposed by Congress on March 4, 1794 and was ratified by the States on February 7, 1795.

⁹ 2 U.S. 419 (1793). “A State is suable by citizens of another State.” *Id.* at 479. The opinion mentioned possible exceptions to this decision. *Id.* For example, states could not be sued for debt incurred before the ratification of the U.S. Constitution. *Id.*

¹⁰ U.S. CONST. art. III, § 2, cl. 1, amended by U.S. Const. amend XI. (“The judicial Power shall extend to all Cases, in Law and Equity, arising under this Constitution, . . . —to Controversies between two or more States;—between a State and Citizens of another State . . .”).

¹¹ *Chisholm*, 2 U.S. at 479 (“The extension of judiciary power of the United States to such controversies, appears to me to be wise . . . because it leaves not even the most obscure and friendless citizen without means of obtaining justice from a neighbouring State.”).

¹² ERWIN CHEMERINSKY, FEDERAL JURISDICTION 391 (3d ed. 1999). The prospect of States potential to be sued in federal court to collect debts incurred during the Revolutionary War caused great concern. *Id.* States had incurred substantial debts during the war. *Id.* According to George Mason and Patrick Henry Article III of the constitution should have addressed the individual suing

decision, and it precluded individuals from suing states to recover debts from the Revolutionary War.¹³ The language of the Eleventh Amendment specifically provides for state protection in cases based on diversity.¹⁴ Additionally, subsequent Supreme Court decisions have expanded this protection to include suits with federal question jurisdiction.¹⁵

Patent claims may not be litigated in state court because 28 U.S.C. § 1338 establishes that federal courts are the only proper venue to bring an action related to patents.¹⁶ Additionally, the CAFC has jurisdiction over all patent issues.¹⁷ Thus, it follows that patent claims may not be litigated in state courts.

Currently, the Eleventh Amendment precludes any party from bringing a suit against a state agency in federal court, and 28 U.S.C. § 1338 precludes the party from bringing any action relating to patents in any court other than a federal court.¹⁸ Therefore, these two laws insulate state agencies with unequivocal immunity from patent infringement claims.¹⁹ Ultimately, the current loophole leaves individuals with potential patent infringement causes of action against a state agency without a proper court in which to bring an action.²⁰

a state issue. *Id.* at 391–92. While the United States Constitution was being drafted, a number of individuals expressed the very concerns that the Eleventh Amendment was later needed to remedy. *Id.*

¹³ *Id.* at 395–96.

¹⁴ U.S. CONST. amend. XI (“The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.”).

¹⁵ Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank, 527 U.S. 627, 634–35 (1999) [hereinafter *Florida Prepaid*]. Even though the language in Article III appears to restrict the Eleventh Amendment protection to diversity jurisdiction in the federal courts, the Court has understood the language to include the same protection for federal question jurisdiction in federal courts. *Id.* at 634. The Court views the Eleventh Amendment to codify the States’ inherent sovereign immunity for both diversity jurisdiction and federal question jurisdiction. *Id.* at 634–35.

¹⁶ 28 U.S.C. § 1338 (2006) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.”).

¹⁷ *Id.* § 1295 (2006). The CAFC has exclusive appellate jurisdiction in cases arising under 28 U.S.C. § 1338. *Id.*

¹⁸ *Florida Prepaid*, 527 U.S. at 651 (Stevens, J., dissenting). Patent litigation raises technical issues that the state courts are not well equipped to address. *Id.* Even among federal circuit courts, inconsistent holdings and a great divergence of interpretation of patent statutes lead to the creation of the CAFC. *Id.* at 651 n.2.

¹⁹ *Id.* at 652. It was appropriate for Congress to abrogate state sovereign immunity with respect to federal patent issues. *Id.* This is appropriate in order to close a potential loophole that would allow states to use the federal patent system as both a shield and a sword. *Id.* This would necessarily decrease the efficacy of the process afforded to patent holders. *Id.*

²⁰ *Id.*

B. Waiver of Eleventh Amendment Protection

Historically, courts held states, like private citizens, liable for infringement of intellectual property rights.²¹ Case law, however, has evolved to allow states to defend against infringement actions brought by private citizens by invoking Eleventh Amendment sovereign immunity.²²

Currently, states can enjoy an Eleventh Amendment defense against private parties under most circumstances. Some circumstances, however, prevent states from asserting Eleventh Amendment rights.

1. Congressionally-Created State Waiver

One situation that prevents states from asserting Eleventh Amendment rights is when Congress enacts legislation preventing the defense.²³ For example, in 1985, the Supreme Court determined that states do not waive Eleventh Amendment immunity in federal court unless Congress, by statute, explicitly declares its intent to abrogate the state's sovereign immunity.²⁴ In *Atascadero State Hospital v. Scanlon*,²⁵ the Supreme Court held that the state of California did not waive its sovereign immunity by adopting the Rehabilitation Act of 1973 or by receiving funds under the Act.²⁶ Not long after the Supreme Court's decision in *Atascadero*,

²¹ *Mills Music, Inc. v. Ariz.*, 591 F.2d 1278, 1285 (9th Cir. 1979). The holding provided that a state may not infringe the federally protected rights of the copyright holder and then avoid the federal system of statutory protections. *Id.* at 1286. The United States Court of Appeals for the Ninth Circuit stated that, "the Eleventh Amendment's sovereign immunity does not permit the state to nullify the rights reserved and protected by Congress, acting pursuant to the Copyright and Patent Clause." *Id.* The State of Arizona was liable for copyright infringement because it decided to use a musical composition owned by Mills Music Inc., "Happiness Is", for a theme song to the Arizona state fair in 1971. *Id.* at 1280. After Mills Music won the suit, the court also awarded it \$3,500 in attorney's fees in connection with the appeal. *Id.* at 1287.

²² See *Florida Prepaid*, 527 U.S. at 636–37 (discussing the previous holdings of *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996), and *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976)).

²³ But see *id.* at 636–37; *Coll. Savings Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 675 (1999) [hereinafter *College Savings Bank*].

²⁴ *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 241 (1985). The Court expressed concern about the balance of power between the Federal and State Government:

[B]ecause the Eleventh Amendment implicates the fundamental constitutional balance between Federal Government and the States, this Court consistently has held that these exceptions apply only when certain specific conditions are met. Thus, we have held that a State will be deemed to have waived its immunity "only where stated 'by the most express language or by such overwhelming implications from the text as will leave no room for any other reasonable construction.'"

Id. at 238–40 (quoting *Edelman v. Jordan*, 415 U.S. 651, 673 (1974)).

²⁵ 473 U.S. 234 (1985).

²⁶ *Id.* at 246–47. A statute must specifically indicate that the state is willing to be sued in federal court to waive sovereign immunity. *Id.* at 241. In *Atascadero*, an individual attempted to bring an action against a state hospital under the Rehabilitation Act of 1973. *Id.* at 236. The Supreme Court held that the Rehabilitation Act did not unequivocally abrogate sovereign immunity for a state in an action. *Id.* at 247. Therefore, the state hospital was able to successfully assert the affirmative defense of sovereign immunity. *Id.*

Congress passed the Patent and Plant Variety Protection Remedy Clarification Act (“Patent Remedy Act”)²⁷ and the Trademark Remedy Clarification Act (“TRCA”)²⁸ in an attempt to abrogate the states’ Eleventh Amendment Sovereign Immunity with respect to patent and trademark actions against states.²⁹

In *Florida Prepaid Postsecondary Education Expense Board v. College & Savings Bank*,³⁰ however, the Supreme Court ruled that Congress did not have the power to abrogate sovereign immunity under Article I Constitutional Powers or the Fourteenth Amendment.³¹ In the *Florida Prepaid* opinion, the Supreme Court addressed the circumstances in which Congress could abrogate the sovereign immunity of the states.³² First, Congress must clearly and unequivocally express its intent to abrogate sovereign immunity,³³ and second, Congress must have the authority to abrogate sovereign immunity.³⁴ In *Florida Prepaid*, the Supreme Court held that the Patent Remedy Act (a statute defining the liability of states,

²⁷ 35 U.S.C. § 271 (2006).

²⁸ 15 U.S.C. § 1122 (2006).

²⁹ 35 U.S.C. § 271(h).

As used in this section, the term “whoever” includes 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. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

Id.

Any State, instrumentality of a State or 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.

15 U.S.C § 1122(b).

³⁰ *Florida Prepaid*, 527 U.S. at 636 (“Congress may not abrogate sovereign immunity under Article I powers; hence the Patent Remedy Act cannot be sustained under either the Commerce Clause or the Patent Clause.”).

³¹ U.S. CONST. amend. XIV.

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

Id. Florida Prepaid indicated that Congress may abrogate sovereign immunity through legislation if the legislation can be viewed as a remedial or preventative legislation aimed at securing the protections of the Fourteenth Amendment. *Florida Prepaid*, 527 U.S. at 639–40. Congress never identified a pattern of infringement by the states that was depriving patent holders of their property. *Id.* at 640. Congress also did not sufficiently establish that an infringement action was the only proper relief for a patent holder for the infringement by the states. *Id.* Therefore, due process was not sufficiently denied by depriving the patent holder a remedy against a state in patent infringement actions under the Fourteenth Amendment. *Id.* at 642–43.

³² *Florida Prepaid*, 527 U.S. at 634–35.

³³ *Id.* at 634–35. The Court must establish “whether Congress has ‘unequivocally expressed its intent to abrogate the immunity.’” *Id.* (quoting *Seminole Tribe of Fla. v. Fla.*, 517 U.S. 44, 55 (1996)).

³⁴ *Id.* at 635. The Court must establish, “whether Congress acted ‘pursuant to a valid exercise of power.’” *Id.* (quoting *Seminole Tribe*, 517 U.S. at 55).

instrumentalities of states, and state officials for infringement of patents) evinced a clear intent to abrogate the states' Eleventh Amendment immunity.³⁵ The Court held, however, that Congress did not have the authority to abrogate the states' Eleventh Amendment sovereign immunity and, therefore, the Patent Remedy Act did not abrogate the states' sovereign immunity for patent infringement cases against state agencies.³⁶ Additionally, in a companion case, *College Savings Bank v. Florida Prepaid Postsecondary Expense Board*,³⁷ the Court also stated that Congress did not have the power to abrogate state sovereign immunity with respect to trademark rights under the TRCA; the Court held that Congress did not, in fact, abrogate the state's sovereign immunity.³⁸

2. Waiver by States' Affirmative Conduct

Although the Patent Remedy Act did not abrogate the states' sovereign immunity, the Supreme Court had previously indicated, in *Clark v. Barnard*,³⁹ that a state agency waived Eleventh Amendment sovereign immunity by filing suit in federal court.⁴⁰ The voluntary invocation of the federal court's jurisdiction is clearly an action that indicates consent to federal court jurisdiction.⁴¹ Therefore, a plaintiff state agency that filed suit and consented to federal court jurisdiction waived its Eleventh Amendment Sovereign Immunity.⁴²

A number of individual parties have brought suits against states after the more recent holding in *Atascadero* requiring a state to specifically indicate its willingness to be sued in federal court.⁴³ The Supreme Court indicated that various forms of affirmative conduct by a state established a state's voluntarily consent to federal court jurisdiction.⁴⁴ For example, one way, with respect to a specific patent, a state

³⁵ *Id.*

³⁶ *Id.* at 647. The CAFC explained further:

[P]atents are property subject to the protections of the Due Process Clause and that Congress' objective in enacting the Patent Remedy Act was permissible because it sought to prevent States from depriving patent owners of this property without due process. The court rejected Florida Prepaid's argument that it and other States had not deprived patent owners of their property *without due process*, and refused to "deny Congress the authority to subject all states to suit for patent infringement in the federal courts, regardless of the extent of procedural due process that may exist at any particular time."

Id. at 633 (quoting *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1351 (Fed. Cir. 1998)).

³⁷ 527 U.S. 666 (1999).

³⁸ *Id.* at 672, 691.

³⁹ 108 U.S. 436 (1883).

⁴⁰ *Id.* at 447.

⁴¹ *Id.*

⁴² *Id.* at 448.

⁴³ *Baum Research and Dev. Co. v. Univ. of Mass.*, 503 F.3d 1367, 1367 (Fed. Cir. 2007); *Vas-Cath Inc. v. Univ. of Mo.*, 473 F.3d 1376, 1376 (Fed. Cir. 2007); *Tegic Commc'n Corp. v. Bd. of Regents of the Univ. of Tex.*, 458 F.3d 1335, 1335 (Fed. Cir. 2006); *Lapides v. Bd. of Regents of the Univ. of Ga.*, 535 U.S. 613, 613 (2002).

⁴⁴ *See, e.g., Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002) (indicating that removal into federal court invokes federal court jurisdiction and waives Eleventh Amendment sovereign immunity); *Clark*, 108 U.S. at 447 (indicating that filing suit in federal court

waived Eleventh Amendment sovereign immunity was by initiating interference proceedings.⁴⁵ Interference proceedings are a means of establishing proper priority of patents.⁴⁶ The United States Patent and Trademark Office (“USPTO”) oversees interference proceedings when two or more patent applications claim the same subject matter.⁴⁷ In *Vas-Cath Inc. v. University of Missouri*,⁴⁸ Vas-Cath successfully argued the University of Missouri (“UM”) waived its sovereign immunity by initiating an interference proceeding with respect to a patent issued to Vas-Cath.⁴⁹ In *Vas-Cath*, UM filed a patent application and Vas-Cath filed for an application covering the same subject matter.⁵⁰ Then, the Vas-Cath patent issued before the UM patent and UM subsequently filed for an interference proceeding to determine priority for the patent.⁵¹ The interference proceedings lasted over six years and finally the USPTO determined that UM had priority for the invention.⁵² Next, Vas-Cath tried to appeal the USPTO’s determination, and the district court dismissed the appeal on Eleventh Amendment grounds.⁵³ The CAFC reversed the district court’s decision and held that UM had waived its Eleventh Amendment rights by initiating interference proceedings.⁵⁴ The CAFC reasoned that UM could not both retain the benefits of initiating the interference proceeding and bar the opposition from any statutory right to review.⁵⁵

Additionally, the CAFC also clearly established that state entities are liable for damages in compulsory counterclaim actions arising from state initiated declaratory judgment actions.⁵⁶ For example, in *Regents of the University of New Mexico v.*

waived immunity); *Baum Research and Dev. Co. v. Univ. of Mass.*, 503 F.3d 1367, 1372 (Fed. Cir. 2007) (indicating that a state agency may contractually waive sovereign immunity).

⁴⁵ *Vas-Cath Inc. v. Univ. of Mo.*, 473 F.3d 1376, 1385 (Fed. Cir. 2007).

⁴⁶ 35 U.S.C. § 135 (2006). When two inventors claim the same subject matter, the USPTO conducts an interference proceeding. *Id.* The proceeding involves an investigation focused on identifying the actual conception date of the claimed invention for each of the inventors in the proceeding. *Id.* The inventor that can establish an earlier conception date is awarded priority of invention and is granted the right to patent the claim. *Id.*

⁴⁷ *Id.*

⁴⁸ 473 F.3d 1376 (Fed. Cir. 2007). Finally, the CAFC court reversed the district court’s ruling, finding that Missouri waived its sovereign immunity by initiating the interference proceedings. *Id.* at 1385.

⁴⁹ *Id.*

⁵⁰ *Id.* at 1379.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.* at 1380.

⁵⁴ *Id.* at 1385.

⁵⁵ *Id.* at 1384.

Nor do we think that the constitutionally grounded principal of state sovereign immunity is any less robust where, as here, the asserted basis for constructive waiver is conduct that the State realistically could choose to abandon, that is undertaken for profit, that is traditionally performed by private citizens and corporations, and that otherwise resembles the behavior of “market participants.”

Id. at 1381 (quoting *College Savings Bank*, 527 U.S. 666, 684 (1999)).

⁵⁶ *Regents of the Univ. of N.M. v. Knight*, 321 F.3d 1111, 1125 (Fed. Cir. 2003). Dr. Knight was employed by the University of New Mexico (“UNM”) as a professor of biochemistry and medicine. *Id.* at 1114. Knight was engaged in cancer research that led to the inventions related to beta-alanine and vitaletheine. *Id.* The UNM filed a number of patents that named Knight as one of the inventors. *Id.* The UNM filed five continuation-in-part applications, but Knight never assigned the

Knight,⁵⁷ the CAFC held that a state's filing for a declaratory judgment in a patent case waived the state's Eleventh Amendment immunity from compulsory counterclaims.⁵⁸ The CAFC granted damages for the counterclaims that arose from the same patent issues raised by New Mexico in the declaratory judgment action only.⁵⁹ New Mexico successfully defended all other claims not related to the initial patent issue based on sovereign immunity.⁶⁰

Further, a state may also waive its sovereign immunity, with respect to a specific patent, by agreeing to submit to federal jurisdiction in a licensing agreement.⁶¹ To illustrate, in *Baum Research and Development Company v. University of Massachusetts*,⁶² the University of Massachusetts waived its sovereign immunity by entering into a licensing contract with Baum Research for the rights to use a Baum's patented devices.⁶³ Eventually, the language of the licensing agreement made it unequivocally clear that the university agreed to submit to the jurisdiction of a federal court in Michigan as to disputes arising from the contract.⁶⁴

3. Waiver by Removal to Federal Court

In addition to some affirmative conduct, the Supreme Court has indicated that a state waived its Eleventh Amendment sovereign immunity by removing a case from state court to federal court; in recent cases, a number of Circuit Courts of Appeals

continuation-in-part applications. *Id.* at 1115. Eventually the university laboratory that Knight worked at lost funding and Knight was terminated. *Id.* After Knight was terminated, the UNM granted Dovetail Technologies, Inc. a world-wide exclusive license for some of Knight's patents. *Id.* Dovetail analyzed the patents and decided that they needed to be modified. *Id.* Subsequently, the UNM submitted amendments to some of Knight's patents and Knight objected to the amendments, and the amendments were accepted by the USPTO as not being directed to new matter. *Id.* Dovetail filed a breach of warranty suit against the UNM because of Knight's refusal to assign the UNM their rights in the continuation-in-part applications. *Id.* UNM then filed an action against Knight seeking declaratory judgment, and ownership of the patents including the continuation-in-part applications. *Id.* Knight filed counterclaims against UNM that were dismissed by the district court based on Eleventh Amendment Sovereign immunity. *Id.* at 1116. The CAFC finally reversed the district court, holding that UNM had waived its sovereign immunity by filing the action for a declaratory judgment with respect to the counterclaims that were compulsory to the initial UNM action. *Id.* at 1128.

⁵⁷ 321 F.3d 1111 (Fed. Cir. 2003).

⁵⁸ *Id.* at 1126.

⁵⁹ *Id.* at 1128.

⁶⁰ *Id.*

⁶¹ *Baum Research and Dev. Co. v. Univ. of Mass.*, 503 F.3d 1367, 1371 (Fed. Cir. 2007).

⁶² 503 F.3d 1367 (Fed. Cir. 2007).

⁶³ *Id.* In 1998, the University executed a "Confidential License Agreement" with Baum to use two of Baum's patented devices for testing baseball bats of varying construction. *Id.* at 1368. The language in the agreement included, "this agreement will be construed, interpreted and applied according to the laws of the State of Michigan and all parties agree to proper venue and hereby submit to jurisdiction in the appropriate State or Federal Courts of Record sitting in the State of Michigan." *Id.* at 1368-69. The University argued that the official from the University signatory to the contract did not have authority to waive sovereign immunity for the University. *Id.* at 1370. The University next argued that the language was "vague" and that it did not unequivocally express to the suit. *Id.* The CAFC found both of these arguments unpersuasive and ruled against the University. *Id.* at 1371.

⁶⁴ *Id.* at 1372.

have encountered this issue and relied upon the holding in *Lapides v. The Board of Regents for the University of Georgia*⁶⁵ for guidance. In *Lapides*, a professor working for the Georgia State University system filed an action in state court against the system's Board of Regents ("Board") and university officials for placing sexual harassment allegations in personnel files.⁶⁶ The professor brought the action in state court under state tort law and 42 U.S.C. § 1983.⁶⁷ The Board then had the action removed to federal court and subsequently tried to invoke Eleventh Amendment sovereign immunity to dismiss the action.⁶⁸ The Court held that the state waived its immunity when it removed a case from state court to federal court.⁶⁹

Courts have applied the holding in *Lapides* consistently in areas of law other than patent litigation. For example, in a discrimination case with parties disputing the award of a contract, the United States Court of Appeals for the First Circuit held in *New Hampshire v. Ramsey*⁷⁰ that the state of New Hampshire consented to federal court jurisdiction by removing the case to federal court.⁷¹ New Hampshire brought actions against the United States Department of Education ("USDOE") and blind vendors.⁷² New Hampshire sought review of USDOE arbitration panel decision, finding that New Hampshire violated Surface Transpiration Assistance Act by failing to award the blind vendors vending machine contracts at interstate rest stops.⁷³ The district court awarded the blind vendors approximately \$900,000 in compensatory damages as well as equitable relief.⁷⁴ New Hampshire appealed the ruling and the United States Court of Appeals for the First Circuit held that New Hampshire had waived its immunity with respect to the equitable relief, but not with respect to the damages awarded by the district court.⁷⁵ The First Circuit reasoned that by initiating an action in federal court, New Hampshire waived sovereign immunity under the Eleventh Amendment with respect to equitable relief.⁷⁶ Additionally, the court vacated the district court's award of damages to Blind Vendors.⁷⁷

Some other circuit courts have not applied the Supreme Court's holding in *Lapides* consistently. For example, the United States Court of Appeals for the Fourth Circuit's holding in *Stewart v. North Carolina*⁷⁸ was not consistent with the holding in *Lapides*.⁷⁹ In *Stewart*, the North Carolina Department of Correction

⁶⁵ 535 U.S. 613 (2002).

⁶⁶ *Lapides*, 535 U.S. at 616.

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.* at 624.

⁷⁰ 366 F.3d 1 (1st Cir. 2004).

⁷¹ *Id.* at 4.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *Id.*

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ 393 F.3d 484 (4th Cir. 2005).

⁷⁹ Compare *Stewart v. North Carolina*, 393 F.3d 484, 490 (4th Cir. 2005) (indicating that North Carolina did not waive sovereign immunity by voluntarily removing an action to federal court because it had not already consented to suit in its own court), with *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 624 (2002) (indicating that the State's action joining the removing of the case to federal court waived its Eleventh Amendment immunity).

(“NCDOC”) investigated Stewart, the chief of security of NCDOC, for potential misconduct.⁸⁰ The investigation report concluded that Stewart had been involved in a double-billing scheme, and someone eventually leaked the report to the *Raleigh News & Observer*, a local newspaper.⁸¹ Stewart then filed an action in state court against NCDOC, officials of the NCDOC, and the state of North Carolina seeking money damages under 24 U.S.C. §1983 and several other state law claims.⁸² North Carolina removed the case to federal court and promptly moved to dismiss all of the claims based on Eleventh Amendment sovereign immunity.⁸³ The Fourth Circuit indicated that the district court read the waiver of Eleventh Amendment sovereign immunity in *Lapides* too broadly, reversed the district court, and held that North Carolina had not waived its sovereign immunity by removing the case to federal court.⁸⁴

4. A Focus on State’s Voluntary Submission to Federal Court Jurisdiction

As noted above, the focus of state waiver analysis is a state’s voluntary submission to federal court jurisdiction. After the decision in *Florida Prepaid*, the CAFC held that a counterclaim did not necessarily waive sovereign immunity.⁸⁵ In *State Contracting & Engineering Corp. v. Florida*,⁸⁶ the defendant, Florida, was not required to withdraw its counterclaims against State Contracting & Engineering to preserve its right to assert sovereign immunity as a defense.⁸⁷ The CAFC held that a defendant’s failure to withdraw counterclaims while invoking sovereign immunity after the *Florida Prepaid* decision did not constitute a waiver of sovereign immunity.⁸⁸ The CAFC reasoned that Florida had a reasonable expectation that its actions, before the decision in *Florida Prepaid*, did not waive sovereign immunity and, therefore, even after the decision in *Florida Prepaid*, the CAFC found no waiver.⁸⁹

It is clear that when a state voluntarily submits to federal court jurisdiction, the state waives its Eleventh Amendment rights.⁹⁰ Historic case law precedent indicates some of the state actions that constitute a waiver of Eleventh Amendment rights such as filing a suit in federal court or removing a case from state court to federal court.⁹¹ Until the decision in *Florida Prepaid*, however, a state could not have reasonably expected to succeed with an Eleventh Amendment immunity defense.⁹²

⁸⁰ *Stewart*, 393 F.3d at 487.

⁸¹ *Id.*

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.* at 488.

⁸⁵ *State Contracting & Eng’g. Corp. v. Florida*, 258 F.3d 1329, 1337 (Fed. Cir. 2001).

⁸⁶ 258 F.3d 1329 (Fed. Cir. 2001).

⁸⁷ *Id.*

⁸⁸ *Id.*

⁸⁹ *Id.*

⁹⁰ *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 619 (2002) (citing *Clark v. Barnard*, 108 U.S. 436, 447 (1883)).

⁹¹ *Lapides*, 535 U.S. at 620 (removing to federal court); *Clark*, 108 U.S. at 447–48 (filing in federal court).

⁹² *State Contracting & Eng’g. Corp. v. Florida*, 258 F.3d 1329, 1337 (Fed. Cir. 2001).

Therefore, pre-*Florida Prepaid*, a state filing counterclaims in a patent infringement action did not *voluntarily* submit itself to federal court jurisdiction per se. Currently, post-*Florida Prepaid*, states have a reasonable expectation that filing compulsory counterclaims in federal court is a voluntarily submission to federal court jurisdiction.⁹³

C. Waiver by States' General Conduct

Although some specific state actions waive Eleventh Amendment immunity in patent litigation, general conduct (conduct not specific to pending litigation) does not waive Eleventh Amendment immunity for states.⁹⁴ The CAFC, in *Xechem International Inc. v. University of Texas*,⁹⁵ explained that the university's active participation in the patent system did not constructively waive the university's sovereign immunity.⁹⁶ Xechem and the University entered into a Sponsored Laboratory Study Agreement ("the Agreement") in 1995.⁹⁷ The Agreement included terms that indicated that Xechem would provide financial and technical support for a study to increase the solubility and therefore the effectiveness of a cancer drug, paclitaxel.⁹⁸ Originally, the patent named Dr. Pandey of Xechem and Dr. Anderson of the University as the inventors of a patent.⁹⁹ The university objected to the patent naming Dr. Pandey as a co-inventor of the patent, and Dr. Pandey subsequently wrote a letter recognizing Dr. Anderson as the sole inventor.¹⁰⁰ Later in 1997, Xechem and the University entered into a Patent and Technology Licensing Agreement.¹⁰¹ This agreement gave exclusive rights for a license to manufacture and market paclitaxel to Xechem for a payment of a continuing sum and a royalty to the University.¹⁰² In 2000, the University notified Xechem that it had terminated the Licensing agreement because of Xechem's alleged insolvency.¹⁰³ The University also informed Xechem that it no longer had the right to manufacture and market paclitaxel.¹⁰⁴ Xechem then filed suit seeking correction of inventorship against the University.¹⁰⁵ Finally, the CAFC concluded that the University had not waived its sovereign immunity and found in favor of the University's affirmative defense of sovereign immunity.¹⁰⁶

The CAFC further supported its specific conduct requirement for a state's Eleventh Amendment immunity waiver in *Tegic Communications Corp. v. Board of*

⁹³ *Id.*

⁹⁴ *Xechem Int'l Inc. v. Univ. of Tex. M.D. Anderson Cancer Ctr.*, 382 F.3d 1324, 1330 (Fed. Cir. 2004).

⁹⁵ 382 F.3d 1324 (Fed. Cir. 2004).

⁹⁶ *Id.*

⁹⁷ *Id.* at 1327.

⁹⁸ *Id.*

⁹⁹ *Id.*

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ *Id.*

¹⁰⁴ *Id.*

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

Regents of the University of Texas.¹⁰⁷ In *Tegic*, the University of Texas brought an action against a number of cellular communication companies for infringement of a character pattern recognition apparatus.¹⁰⁸ The CAFC indicated that Texas may have waived its sovereign immunity with regard to the forty-eight companies it had filed infringement suit against.¹⁰⁹ Texas, however, did not name Tegic in the suit.¹¹⁰ Therefore, Texas did not waive its sovereign immunity with respect to a suit brought against Texas by Tegic in the United States District Court for the Western District of Washington.¹¹¹

More recently, the decision of *Biomedical Patent Management Corporation v. Department of Health Services*¹¹² establishes further limitations on whether a state's active conduct constitutes a waiver of sovereign immunity.¹¹³ BPMC and DHS were involved with three separate suits disputing a BPMC patent in two different courts.¹¹⁴ DHS had previously been involved in litigation with BPMC over a disputed patent in 1997.¹¹⁵ In one case, DHS had waived its sovereign immunity by choosing to initiate a patent suit against BPMC in federal court.¹¹⁶ Here, the CAFC

¹⁰⁷ 458 F.3d 1335, 1344–45 (Fed. Cir. 2006). The court negated the argument that a state's voluntary participation in activities controlled by federal statute imposes consent to suit arising from those activities. *Id.* at 1339. *See College Savings Bank*, 527 U.S. 666, 667 (1999) (holding that a state does not constructively waive state sovereign immunity because it undertakes conduct that would traditionally be performed by private citizens).

¹⁰⁸ *Tegic*, 458 F.3d at 1337.

¹⁰⁹ *Id.* 1337 n.2 (indicating the consolidation of cases under the caption *Bd. of Regents the Univ. of Tex. v. Alcatel*, No. A-05-CA-181-SS (W.D. Tex. Oct. 4, 2005)). "Although here the University obviously 'made itself a party to the litigation to the full extent required for its complete determination,' it did not thereby voluntarily submit itself to a new action brought by a different party in a different state and a different district court." *Tegic*, 458 F.3d at 1343 (quoting *Clark v. Barnard*, 108 U.S. 436, 448 (1883)).

¹¹⁰ *Tegic*, 458 F.3d at 1344.

¹¹¹ *Id.* at 1344–45. The CAFC, in *Tegic*, indicates a state may control where it may be sued. *Id.* at 1342. Tegic was not an original party to the suit, thus distinguishing that case from *Regents of the University of California v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed. Cir. 1997). In *Lilly*, Lilly had an action pending when it sought removal from the Northern District of California to the Southern District of Indiana. *Id.* at 1563. Tegic, however, was not a party in the suit involving Texas. *Tegic*, 458 F.3d at 1342. "The court has stressed that a 'State's constitutional interest in immunity encompasses not merely *whether* it may be sued, but *where* it may be sued.'" *Id.* (quoting *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 99 (1984)). Therefore, the Texas waiver of sovereign immunity would not continue in the *Tegic* action because the *Tegic* action was brought by a new party in a new forum, the United States District Court for the Western District of Washington. *Tegic*, 458 F.3d at 1342. Texas's suits against the other forty-eight cellular phone companies were pending in the Western District of Texas. *Id.*

¹¹² 505 F.3d 1328 (Fed. Cir. 2007), *petition for cert. filed*, 76 U.S.L.W. 3410 (U.S. Jan. 22, 2008) (No. 07-956).

¹¹³ *Id.* at 1341.

¹¹⁴ *Id.* at 1331–32. The United States District Court for the Northern District of California dismissed the 1997 case because of improper venue. *Id.* at 1331. Later, in 1998, BPMC brought an action in a the Southern District of California charging DHS with infringing the same patent disputed and dismissed because of improper venue in 1997, and the 1998 action was dismissed based on DHS's affirmative defense of sovereign immunity. *Id.* Finally, in 2006, BPMC brought an action in the Northern District of California against DHS and the CAFC dismissed the case after DHS's affirmative defense of sovereign immunity. *Id.* at 1332.

¹¹⁵ *Id.* at 1331 (noting the dismissal under the case name *Kaiser Found. Health Plan, Inc. v. Biomedical Patent Mgmt. Corp.*, 194 F.3d 1327, 1343 (Fed. Cir. 1998)).

¹¹⁶ *Biomedical Patent*, 505 F.3d at 1333.

states that it “does not mean to draw a bright-line rule whereby a State’s waiver of sovereign immunity can never extend to a re-filed or separate lawsuit.”¹¹⁷ The holdings in *Tegic* and *Biomedical Patent*, however, appear to do just that. The CAFC indicated that a state’s waiver of sovereign immunity does not extend to another action simply because it involves the same subject matter and the same parties.¹¹⁸ More specifically the CAFC’s use of the terms “case at hand” and “Eleventh Amendment immunity” provide an indication that a state’s waiver of sovereign immunity only extends to the case in which the immunity has been waived.¹¹⁹ To hold otherwise would be inconsistent within the case.¹²⁰ The CAFC indicated such narrow parameters for the waiver of sovereign immunity that the waiver only applied in the same action and not in separate cases.¹²¹ In conclusion, the holdings in *Tegic* and *Biomedical Patent* indicate that a state’s waiver of sovereign immunity is only valid in the suit if a state clearly expresses intent to waive such immunity.

After the decision in *Biomedical Patent*, BPMC filed a petition for a writ of certiorari to the Supreme Court.¹²² BPMC asked the Supreme Court to determine if a state must affirmatively waive sovereign immunity for each case it is involved in regardless of the preceding circumstances of litigation.¹²³ BPMC also asked the Court to determine if a state was constructively waiving its sovereign immunity by actively participating in the federal patent system through the enforcement of its own patent rights.¹²⁴ The Court has not yet acted on BPMC’s petition.

II. ANALYSIS

The analysis section explores current decisions regarding Eleventh Amendment sovereign immunity in patent cases. First, it analyzes whether a state must affirmatively waive sovereign immunity to effectuate waiver. Then, it explores the effect of active participation in the federal patent system with regard to waiver of sovereign immunity.

A. States Have Many Advantages in the Federal Patent System

The Supreme Court has established that a state can waive its Eleventh Amendment sovereign immunity by consenting to litigation in federal court or by

¹¹⁷ *Id.* at 1339.

¹¹⁸ *Id.* at 1335–36.

¹¹⁹ *Id.* at 1336.

¹²⁰ *Id.*

¹²¹ *Id.*; see also *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 619 (2002) (indicating the court would be inconsistent to allow states to invoke jurisdiction in the same case in which that state had waived sovereign immunity).

¹²² Petition for Writ of Certiorari, *Biomedical Patent Mgmt. Corp. v. Cal. Dept. of Health Servs.*, No. 07-596 (U.S. filed Jan 22, 2008).

¹²³ *Id.* at i (“Whether a state’s waiver of Eleventh Amendment immunity in one action extends to a subsequent action involving the same parties and the same underlying transaction or occurrence.”).

¹²⁴ *Id.* (“Whether a state waives its Eleventh Amendment immunity in patent actions by regularly and voluntarily invoking federal jurisdiction to enforce its own patent rights.”).

bringing an action in federal court.¹²⁵ The Supreme Court, however, has not addressed the extent of the waiver of immunity for a separate suit disputing issues raised in previous litigation, or the effect of a waiver in a previous suit that was dismissed without prejudice.

State agencies that invoke federal jurisdiction in patent litigation and claim Eleventh Amendment immunity in similar patent litigation are acting inconsistently.¹²⁶ These agencies' inconsistent actions lead to seriously unfair results in patent litigation.¹²⁷ Additionally, the Supreme Court has indicated that the results are unfair if a system allows one party to invoke federal jurisdiction in some cases when it is an advantage and the party can claim immunity when it is an advantage.¹²⁸ This system would allow a party, in this case a state agency, to receive all of the benefits of the "Judicial power of the United States" without any consequences for the judicial power.¹²⁹ A system that allows a party to receive the benefits of a system but not be subject to the consequences of the system is inherently unfair.¹³⁰

Many states currently rely on the Eleventh Amendment during patent litigation, but California recently became the most active state with respect to patent litigation.¹³¹ The state of California alone has received judgments and settlements from patent infringement litigation worth over \$900 million since 2000.¹³² California also derives a significant amount of revenue from licensing agreements, and California's threat of active litigation often enhances those agreements.¹³³ Private entities, however, have not been able to enforce patent rights against California because of California's faithful reliance on Eleventh Amendment sovereign immunity to patent infringement litigation.¹³⁴

The Supreme Court has noted its concern within the patent system about state entities acting as non-practicing entities ("NPEs")—companies acquiring patents merely to collect licensing fees.¹³⁵ For example, in *Genentech Inc. v. Regents of the University of California*,¹³⁶ the CAFC focused great attention on the University of California's creation of the case or controversy that is only subject to federal court jurisdiction and concerns a federally created property right for the University of California.¹³⁷ The CAFC concluded that even though the University of California did not consent to the declaratory action brought by Genentech, the University of California enabled the actions by its deliberate acts.¹³⁸ The CAFC also placed

¹²⁵ *Clark v. Barnard*, 108 U.S. 436, 447 (1883).

¹²⁶ *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 619 (2002).

¹²⁷ *Id.*

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Id.*

¹³¹ Petition for Writ of Certiorari at 4, *Biomedical Patent Mgmt. Corp. v. Cal. Dept. of Health Servs.*, No. 07-596 (U.S. filed Jan 22, 2008).

¹³² *Id.*

¹³³ *Id.* at 4–5.

¹³⁴ *Id.* at 5 (indicating that the state of California has invoked sovereign immunity at least six times since 1987).

¹³⁵ See *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (Kennedy, J., concurring).

¹³⁶ 143 F.3d 1446 (Fed. Cir. 1998).

¹³⁷ *Id.* at 1454.

¹³⁸ *Id.*

emphasis on the University of California's actions that were "not at the core of educational/research purposes for which the University was chartered as an arm of the state, although the record contains no basis for disputing that a research university's patenting activity serves to move into the public benefit scientific inventions that might otherwise languish as laboratory curiosities."¹³⁹ The CAFC then chose not to address the question "whether there may be some state instrumentalities that qualify as 'arms of the state' for some purposes but not others."¹⁴⁰ Therefore, the current state of patent law allows for these state entities acting as NPEs to operate lucrative patent machines with unfair tactical advantages.

B. States Do Not Enjoy as Many Advantages in Bankruptcy Litigation

1. The Supreme Court Has Not Held That Congress Lacks the Power to Abrogate Eleventh Amendment Immunity.

Although the Supreme Court held that Congress did not have the power to abrogate Eleventh Amendment immunity, with regard to patent litigation, in *Florida Prepaid*, the Court specifically avoided holding that Congress did not have the power to abrogate Eleventh Amendment immunity in bankruptcy litigation.¹⁴¹

In 2006, the Supreme Court decided a bankruptcy case regarding Eleventh Amendment immunity in *Central Virginia Community College v. Katz*.¹⁴² In *Katz*, the court appointed Katz as the liquidation supervisor for Wallace's Bookstore, Inc. ("Bookstore") in a chapter 11 bankruptcy.¹⁴³ Then, Katz initiated proceedings against Virginia institutions of higher education (collectively "Virginia").¹⁴⁴ Katz sought to "avoid and recover alleged preferential transfers" from Bookstore to Virginia after Bookstore became insolvent.¹⁴⁵ Then, Virginia responded with motions to dismiss the proceedings on Eleventh Amendment immunity grounds.¹⁴⁶ After a number of lower court decisions and appeals from those decisions, the Supreme Court granted certiorari.¹⁴⁷ In its decision, the Court expressly avoided holding that "Congress ha[d] abrogated States' immunity in proceedings to recover preferential transfers."¹⁴⁸ Instead, the Court held that Congress' determination that States should be amenable to chapter 11 bankruptcy proceedings is within the scope of Congress' power to enact "Laws on the subject of Bankruptcies."¹⁴⁹

¹³⁹ *Id.* at 1453–54.

¹⁴⁰ *Id.* at 1454 (quoting *Regents of the Univ. of Cal. v. Doe*, 519 U.S. 425, 428 n.2 (1997)).

¹⁴¹ *Cent. Va. Cmty. Coll. v. Katz*, 546 U.S. 356, 378–79 (2006).

¹⁴² *Id.*

¹⁴³ *Id.* at 360.

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at 359.

¹⁴⁸ *Id.* at 379.

¹⁴⁹ *Id.*

2. One Arm of a State's Waiver of Eleventh Amendment Immunity Imputes Waiver on Other Arms of the State in Bankruptcy Litigation.

Although the Supreme Court strives to apply Constitutional Amendments consistently across all practices of law, the federal Circuit Courts of Appeals have not applied the Eleventh Amendment issues in bankruptcy litigation consistently with Eleventh Amendment issues in patent litigation.¹⁵⁰ The law consistently provides protection, however, for patent infringement actions as well.¹⁵¹ While in bankruptcy actions the law protects parties from insurmountable debt, codified patent law protects inventor's right to exclude in patent infringement actions.¹⁵²

Different state agencies within a state are separate entities within the state, but, in some bankruptcy litigation, the court treats all state agencies as a single entity with respect to Eleventh Amendment immunity. For example, the United States Court of Appeals for the Second Circuit held, in *In Re Charter Oak Associates*,¹⁵³ that the litigation conduct of one agency of the state was imputed to another for the purpose of Eleventh Amendment waiver analysis in bankruptcy litigation.¹⁵⁴ In *Charter Oak*, the Connecticut Department of Revenue Services sued the operator of a mental health facility to collect unpaid taxes.¹⁵⁵ The Connecticut Department of Social Services however, owed the operator a significant amount of money.¹⁵⁶ After the Department of Revenue Services brought an action against the operator, the operator brought an action against the Department of Social Services.¹⁵⁷ The Second Circuit did not allow the Department of Social Services to invoke the defense of sovereign immunity because the Department of Revenue Services waived Connecticut's sovereign immunity by bringing the first action against the operator.¹⁵⁸

Additionally, the United States Court of Appeals for the Tenth Circuit was consistent with the Second Circuit's holdings in *Charter Oak* in *In Re Straight*.¹⁵⁹ In *Straight*, Ms. Straight, as Centerline Traffic Control & Flagging, was doing business as a Disadvantaged Business Enterprise ("DBE") in the state of Wyoming.¹⁶⁰ Her business became unprofitable and filed a petition for relief under Chapter 13 of the Bankruptcy Code.¹⁶¹ Shortly after the time of filing, the Wyoming Department of Transportation ("WDOT") notified Straight of its intent to decertify Straight's

¹⁵⁰ Compare *In re Charter Oak Assocs.*, 361 F.3d 760, 772 (2d. Cir. 2004) (holding that one state agency waived Eleventh Amendment sovereign immunity for *all* state agencies with respect to one particular cause of action), and *In re Straight*, 143 F.3d 1387, 1391 (10th Cir. 1998) (holding the same), with *Biomedical Patent Mgmt. Corp. v. Cal. Dep't. of Health Servs.*, 505 F.3d 1328, 1341 (Fed. Cir. 2007) (holding that there was a new cause of action in a separate venue in spite of having the same factual circumstances with the same parties).

¹⁵¹ 35 U.S.C § 271(e) (2006).

¹⁵² *Id.* § 271(a).

¹⁵³ 361 F.3d 760 (2d Cir. 2004).

¹⁵⁴ *Charter Oak*, 361 F.3d at 772 (2d Cir. 2004).

¹⁵⁵ *Id.* at 763.

¹⁵⁶ *Id.*

¹⁵⁷ *Id.*

¹⁵⁸ *Id.* at 772.

¹⁵⁹ 143 F.3d 1387 (10th Cir. 1998).

¹⁶⁰ *Id.* at 1389.

¹⁶¹ *Id.*

company of its DBE status.¹⁶² About a month after the notification by WDOT, WDOT decertified Straight because she had lost her ability to control the financial capacity of her firm as required by DBE Definition 1.A(b).¹⁶³ Straight then filed a show cause order in the bankruptcy court for a contempt citation.¹⁶⁴ The bankruptcy court issued an order against WDOT.¹⁶⁵ WDOT did not appeal the order at first, but then appealed the subsequent order approving the amount awarded Straight that included an award of attorney's fees.¹⁶⁶ WDOT argued that the bankruptcy court did not have jurisdiction over it.¹⁶⁷ The Tenth Circuit held that proof of a claim by the Wyoming Department of Employment and the Wyoming Workers' Safety and Compensation Division against Straight had waived Wyoming's Eleventh Amendment sovereign immunity.¹⁶⁸

The Second and Tenth Circuits have decided bankruptcy cases consistently, indicating that the litigation conduct of one arm of a state imputes waiver of Eleventh Amendment immunity to all other arms in a particular litigation.¹⁶⁹ In order to remain constant, it is reasonable to believe that bankruptcy litigation is analogous to patent litigation for the purposes of Eleventh Amendment waiver analysis.¹⁷⁰ Although the Supreme Court has held that the waiver of one state agency imputes waiver on all other arms of the state in a particular litigation in bankruptcy litigation, the Court has not ruled on whether the actions of one state agency waive Eleventh Amendment sovereign immunity for all other agencies of the same state in patent litigation.

III. PROPOSAL

This section explains how the Supreme Court should level the playing field between state agencies and private entities with respect to federal patent law. First, the Court should decide the waiver of sovereign immunity by a state in one case waives sovereign immunity in all other cases between the state and the original party with regard to a disputed patent.¹⁷¹ Then, the Court should decide a state's active participation in the federal patent system waives sovereign immunity in all patent litigation.¹⁷²

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ *Id.*

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 1392.

¹⁶⁹ *In re Charter Oak Assocs.*, 361 F.3d 760, 772 (2d Cir. 2004); *Straight*, 143 F.3d 1387, 1391 (10th Cir. 1998).

¹⁷⁰ Reply Brief for Petitioner–Appellant at 22–23, *Biomedical Patent Mgmt. Corp. v. State of Cal.*, Dept. of Health Serv., No. 2006-1515 (U.S. Nov. 30, 2006).

¹⁷¹ *See* Petition for Writ of Certiorari at 10, *Biomedical Patent*, No. 07-956; *Lapides v. Bd. of Regents of the Univ. of Ga.*, 535 U.S. 613, 621 (2002) (indicating that the Supreme Court has already held that state's can functionally waive Eleventh Amendment sovereign immunity by removing an action to federal court because to hold otherwise would be unfair).

¹⁷² *See id.* at 20–21.

A. A State's Waiver Of Eleventh Amendment Immunity in One Case Should Apply to a Later Case Involving the Same Parties Over the Same Disputed Patent.

A state's waiver of Eleventh Amendment immunity in one case should also apply to all later cases involving the same disputed patent and parties. Indeed, this application of Eleventh Amendment immunity ensures that states will not use the benefits of sovereign immunity to pursue unfair and inconsistent results.¹⁷³

Today, the CAFC has indicated a need to apply the Eleventh Amendment in a way that is consistent with the CAFC's concern about sovereign immunity's potential unfair use.¹⁷⁴ For instance, in *Biomedical Patent*, the court indicated that a state agency's waiver of Eleventh Amendment immunity did not extend from one action to another action involving the same subject matter.¹⁷⁵ In fact, the CAFC's holding increases the already significant advantage of state universities with its patent rights. The *Biomedical Patent* decision indicates that a university may bring an infringement action, voluntarily consenting to federal court jurisdiction, and if a court dismisses the action, the university will have the privilege of a defense of sovereign immunity in an action brought by the former defendant on the same issues.¹⁷⁶ This unfair and inconsistent use of the Eleventh Amendment was addressed by the United States Court of Appeals for the Ninth Circuit in *Hill v. Blind Industries & Services*,¹⁷⁷ indicating that a rule of immunity that allows a state to litigate on its own terms, "undermines the integrity of the judicial system[,] . . . wastes judicial resources, burdens jurors and witnesses, and imposes substantial costs upon the litigants."¹⁷⁸ The Supreme Court subsequently reaffirmed this policy of restricting a state's unfair advantage in patent litigation.¹⁷⁹ Therefore, the state's waiver of Eleventh Amendment immunity in one case should apply to all later cases involving the same parties and the same disputed patent.

¹⁷³ Petition for Writ of Certiorari at 23, *Biomedical Patent*, No. 07-956.

¹⁷⁴ *Biomedical Patent Mgmt. Corp. v. Cal. Dep't of Health Servs.*, 505 F.3d 1328, 1341 (Fed. Cir. 2007), *petition for cert. filed*, 76 U.S.L.W. 3410 (U.S. Jan. 22, 2008) (No. 07-956). The holding by the CAFC indicates that the unfairness or inconsistency that would arise from allowing DHS to assert Eleventh Amendment Sovereign immunity would not be substantial enough to overcome the general principles of waiver. *Id.* The litigation conduct by DHS did not demonstrate a clear intent to waive sovereign immunity. *Id.*

¹⁷⁵ *Id.* at 1341.

¹⁷⁶ *Id.* at 1339–40.

¹⁷⁷ 179 F.3d 754 (9th Cir. 1999).

¹⁷⁸ *Id.* at 756. *Blind Industries & Services of Maryland* ("BISM") contracted to purchase a large portion of assets from Hill's business. *Id.* Subsequently BISM failed to make payments to Hill, and Hill brought an action against BISM for breach of contract and fraud. *Id.* BISM made two motions to dismiss and neither of those motions mentioned Eleventh Amendment sovereign immunity. *Id.* BISM conducted discovery and attended a pre-trial conference while never even mentioning the Eleventh Amendment. *Id.* Then on the first day of trial, BISM asserted for the first time that it is an arm of the state and thus the Eleventh Amendment bared Hill's action. *Id.* The United States Court of Appeals for the Ninth Circuit eventually affirmed the district court's holding indicating that BISM unequivocally consented to the jurisdiction of the federal court by its conduct in appearing and actively litigating the case on the merits. *Id.* at 763. The holding also indicates that an appellate court is not automatically barred from considering Eleventh Amendment defenses asserted for the first time on appeal. *Id.* at 762.

¹⁷⁹ *Lapides v. Bd. of Regents of the Univ. of Ga.*, 535 U.S. 613, 620–21 (2002).

B. A State's Active Participation in the Federal Patent System Should Constitute an Action Sufficient to Waive Eleventh Amendment Immunity in All Patent Litigation.

The Supreme Court, in *Florida Prepaid*, held that Congress did not validly abrogate the State's sovereign immunity from infringement suits by the Patent Remedy Act.¹⁸⁰ The Court, however, did not address the circumstances in which the State waives its sovereign immunity.

One state agency's waiver of sovereign immunity should waive immunity for all of that state's agencies. Many state universities have become very active in the patent community. These universities' research and development programs create and patent numerous inventions and technologies.¹⁸¹ The revenue generated by the enforcement of each university's patent rights and licensing agreements helps fund further research and development.¹⁸² Eleventh Amendment sovereign immunity, however, prevents patent holders from successful infringement suits against state agencies.¹⁸³ During the research and development process, these universities are free to infringe privately owned patents without any fear of infringement litigation.

One position is that sovereign immunity in the federal patent system does not establish a significant advantage for state agencies because state agencies are unlikely to steal or infringe patents on a large scale.¹⁸⁴ Proponents of this position indicate that state agencies only infringe patents for research purposes and that the research contributes to the promotion of science and the useful arts.¹⁸⁵

This policy, however, is contrary to the holding in *Lapides*.¹⁸⁶ The double standard allowing state universities to enforce patent rights and claim immunity from patent rights against them creates a significant tactical advantage for state universities in the federal patent system.¹⁸⁷ For example, in California since 1987, California has invoked sovereign immunity to obtain dismissal of at least six patent actions.¹⁸⁸ Meanwhile, from 2000 to 2006, California has obtained over \$900 million in judgments and settlements in patent infringement actions.¹⁸⁹ This lucrative patent strategy is precisely the unfair tactical advantage that the Supreme Court prohibited in *Lapides*.¹⁹⁰

¹⁸⁰ *Florida Prepaid*, 527 U.S. 627, 647 (1999).

¹⁸¹ Petition for Writ of Certiorari at 4, *Biomedical Patent Mgmt. Corp. v. Cal. Dept. of Health Servs.*, No. 07-596 (U.S. filed Jan 22, 2008).

¹⁸² *Id.* at 4-5.

¹⁸³ *Florida Prepaid*, 527 U.S. at 647.

¹⁸⁴ Christopher L. Beals, Comment, *Review of the State Sovereignty Loophole in Intellectual Property Rights Following Florida Prepaid and College Savings*, 9 U. PA. J. CONST. L. 1233, 1266 (2007). States, however, would probably not infringe patents on a large scale partly because of economic and social factors. *Id.* at 1266.

¹⁸⁵ *Id.* at 1271-72.

¹⁸⁶ *Lapides v. Bd. of Regents of the Univ. of Ga.*, 535 U.S. 613, 624 (2002) (holding that a state's action of removing a case to federal court waived Eleventh Amendment immunity).

¹⁸⁷ *Id.* at 614.

¹⁸⁸ Petition for Writ of Certiorari at 5, *Biomedical Patent Mgmt. Corp. v. Cal. Dept. of Health Servs.*, No. 07-596 (U.S. filed Jan. 22, 2008). "Since the implementation of the PACER system in the district courts in the 1990s, at least 32 states have filed at least 173 affirmative patent actions." *Id.*

¹⁸⁹ *Id.* at 4. Michael Ward, California's outside patent council, has indicated that the University of California has begun, and plans to continue an aggressive enforcement strategy with respect to patent litigation. *Id.* at 4-5.

¹⁹⁰ *Lapides*, 535 U.S. at 624.

Furthermore, when state universities waive sovereign immunity by actively participating in the federal patent system, all other state agencies should also waive the sovereign immunity defense in patent litigation. In *Biomedical Patent*, DHS, a state agency in California, invoked sovereign immunity and the CAFC dismissed the action against DHS.¹⁹¹ The University of California, however, had been very active in enforcing its own patent rights.¹⁹² The Second and Tenth Circuits have both already established that the litigation conduct of one arm of a state is legally indistinguishable from another.¹⁹³ Therefore, the voluntary participation in the federal patent system by the University should waive sovereign immunity for all of the state agencies of California, including DHS.

State universities have used the federal patent system and the Eleventh Amendment to benefit from all of the rights of a state agency as well as all of the rights of a private patent holder. If state universities want to receive the patent system benefits of acting as a private company, they should be subject to the same infringement limitations as a private company. Therefore, a state's active participation in the federal patent system should constitute an action sufficient to waive Eleventh Amendment immunity in all patent litigation.

CONCLUSION

The CAFC did hold correctly that DHS clearly waived sovereign immunity in the 1997 lawsuit.¹⁹⁴ The CAFC in *Biomedical Patent*, however, did not hold correctly that DHS qualified for Eleventh Amendment Sovereign immunity by actively participating in the 1997 lawsuit against BPMC and was free to invoke sovereign immunity in the 2006 lawsuit between the same parties over the same patent. This erroneous holding allows the inconsistent, unfair and prohibited use of the Eleventh Amendment by states.¹⁹⁵ It allows states to forum shop for a court of its choosing or not to litigate any patent issues at all.¹⁹⁶

Additionally, one state agency's conduct that constitutes waiver of sovereign immunity should waive immunity for all other state agencies. Several Circuit Courts of Appeals have held that the waiver of one arm of a state can waive sovereign immunity for all other arms of the state in bankruptcy litigation.¹⁹⁷ The only reason

¹⁹¹ *Biomedical Patent Mgmt. Corp. v. Cal. Dept. of Health Servs.*, 505 F.3d 1328, 1341 (Fed. Cir. 2007).

¹⁹² Petition for Writ of Certiorari at 5, *Biomedical Patent*, No. 07-596.

¹⁹³ *In re Charter Oak Assocs.*, 361 F.3d 760, 772 (2d Cir. 2004); *In re Straight*, 143 F.3d 1387, 1391 (10th Cir. 1998).

¹⁹⁴ *Biomedical Patent*, 505 F.3d at 1341.

¹⁹⁵ *Lapides*, 535 U.S. at 614.

¹⁹⁶ Petition for Writ of Certiorari at 13, *Biomedical Patent*, No. 07-596. BPMC argues that the removal to federal jurisdiction in *Lapides* was demonstrated the state's clear intent to waive Eleventh Amendment sovereign immunity. *Id.* Likewise, the conduct of DHS, California's motion to intervene in the 1997 action over BPMC's objection also demonstrated a clear intent to waive immunity. *Id.*

¹⁹⁷ *See In re Charter Oak Assocs.*, 361 F.3d 760, 772 (2d Cir. 2004); *see also In re Straight*, 143 F.3d 1387, 1392 (10th Cir. 1998) (indicating the actions of one arm of the state could waive Eleventh Amendment Sovereign immunity for all other arms of the state in bankruptcy litigation that arose out of the same transaction or occurrence).

to deviate from consistent established law is when an area of law contains unique circumstances that require a deviation.¹⁹⁸ Patent law does not contain any unique circumstances that would require such a deviation. Therefore, sovereign immunity analysis for patent litigation should remain consistent with the established sovereign immunity analysis in bankruptcy litigation. The waiver of sovereign immunity conduct by one state agency should waive immunity for all other state agencies.

Finally, the CAFC incorrectly held that a state's active participation in the federal patent system does not waive sovereign immunity for the state with respect to all patent litigation. In the interest of fairness, the courts should not allow a state to exploit patents owned by private parties while avoiding the same consequences it imposes on others. In conclusion, the courts should not allow states to use the federal patent system as both a shield and a sword.

¹⁹⁸ *Lapides*, 535 U.S. at 621.