

South Carolina Law Review

Volume 63
Issue 4 *ANNUAL SURVEY OF SOUTH CAROLINA
LAW*

Article 9

Summer 2012

State Immunity from Patent Infringement Lawsuits: Inverse Condemnation as an Alternative Remedy

Wesley D. Greenwell

Follow this and additional works at: <https://scholarcommons.sc.edu/sclr>



Part of the [Law Commons](#)

Recommended Citation

Greenwell, Wesley D. (2012) "State Immunity from Patent Infringement Lawsuits: Inverse Condemnation as an Alternative Remedy," *South Carolina Law Review*: Vol. 63 : Iss. 4 , Article 9.
Available at: <https://scholarcommons.sc.edu/sclr/vol63/iss4/9>

This Article is brought to you by the Law Reviews and Journals at Scholar Commons. It has been accepted for inclusion in South Carolina Law Review by an authorized editor of Scholar Commons. For more information, please contact digres@mailbox.sc.edu.

**STATE IMMUNITY FROM PATENT INFRINGEMENT LAWSUITS:
INVERSE CONDEMNATION AS AN ALTERNATIVE REMEDY**

I. INTRODUCTION	975
II. STATE UNIVERSITY SOVEREIGN IMMUNITY FROM PATENT INFRINGEMENT LAWSUITS	977
A. <i>Congressional Attempts to Abrogate Sovereign Immunity</i>	979
B. <i>State Waiver of Sovereign Immunity</i>	980
C. <i>A Limited Exception to Immunity: The Ex parte Young Doctrine</i>	983
D. <i>The Scope of the Problem and the Need for a Solution</i>	984
III. RECOURSE IN THE STATE COURTS	986
A. <i>Trespass to Chattels or Conversion</i>	987
B. <i>Unjust Enrichment</i>	988
C. <i>Unfair Competition or Interference with Prospective Contractual Relations</i>	990
IV. THE TAKINGS CLAUSE	990
A. <i>Scope of Private Property Protected Under the Fifth Amendment</i>	992
B. <i>What Constitutes a “Taking” for the Purposes of the Fifth Amendment?</i>	992
1. <i>Economic Impact of Taking</i>	994
2. <i>Interference with Investment-Backed Expectations</i>	995
3. <i>Character of Governmental Action</i>	996
C. <i>What Constitutes a “Public Use”?</i>	997
D. <i>Advantages of the Inverse Condemnation Approach</i>	998
V. CONCLUSION	999

I. INTRODUCTION

Under the constitutional authority to “promote the Progress of Science and useful Arts,”¹ Congress enacted patent laws that provide for a quid pro quo exchange—inventors fully disclose their inventions in exchange for limited monopoly rights in those inventions.² Those rights are aimed at incentivizing creation and promoting the disclosure of inventions to the public so that the

1. U.S. CONST. art. I, § 8, cl. 8.

2. See *Eldred v. Ashcroft*, 537 U.S. 186, 216 (2003) (citing *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 (1964)).

inventions may be used as building blocks for future innovation.³ The most fundamental right provided in this exchange is the right to exclude others from using the invention.⁴ However, due to a constitutional anomaly, state universities may use patented inventions without fear of reprimand because the Eleventh Amendment provides state universities with immunity from patent infringement lawsuits.⁵ That unauthorized use directly violates the patent owner's right to exclude, resulting in less effective protection than was contemplated by Congress in the quid pro quo exchange.

The inequity that is apparent in the foregoing is compounded by state universities' extensive use of patent laws for their own benefit. State universities benefit from patent laws, not only by obtaining and enforcing patents, but also through aggressive licensing efforts that generate millions upon millions of dollars in revenue each year.⁶ As state universities increase their use of federal patent laws to protect and profit from their inventive and researching efforts, there has been increased concern about the fact that state universities may use the patent laws for their benefit, but are not bound by the laws themselves.⁷

In *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*,⁸ the Supreme Court rejected a congressional attempt to abrogate state sovereign immunity and restore the balance set out in the patent laws.⁹ The Court made clear that a state university can be sued for patent infringement only if Congress properly abrogates immunity, or if the state itself consents to suit.¹⁰

As an alternative to a patent infringement lawsuit, a patent owner may seek a limited remedy in federal court by suing a state official under the doctrine expounded in *Ex parte Young*.¹¹ However, under that doctrine, injured plaintiffs face a virtually unreachable burden of proof and even in a successful case are limited to injunctive relief.¹² Since patent law falls exclusively within federal

3. Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262 (1979) (citing *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480–81 (1974)).

4. See *Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 433 (1982) (citing *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979)); *In re Etter*, 756 F.2d 852, 859 (Fed. Cir. 1985).

5. See U.S. CONST. amend. XI (governing state sovereign immunity).

6. See Tejas N. Narechania, Note, *An Offensive Weapon?: An Empirical Analysis of the "Sword" of State Sovereign Immunity in State-Owned Patents*, 110 COLUM. L. REV. 1574, 1612 (2010); Elizabeth A. Rowe, *The Experimental Use Exception to Patent Infringement: Do Universities Deserve Special Treatment?*, 57 HASTINGS L.J. 921, 924 (2006) ("[Universities] gain billions of dollars in revenues annually from patent licenses and royalties.").

7. U.S. GEN. ACCOUNTING OFFICE, GAO-01-811, *INTELLECTUAL PROPERTY: STATE IMMUNITY IN INFRINGEMENT ACTIONS* 6 (2001) [hereinafter GAO REPORT].

8. 527 U.S. 627 (1999).

9. See *id.* at 647–48.

10. *Id.* at 634, 637 (citing *Seminole Tribe v. Florida*, 517 U.S. 44, 54, 59 (1996)).

11. 209 U.S. 123, 159–60 (1908).

12. See Abhay Watwe, Note, *Ex Parte Young Remedy for State Infringement of Intellectual Property*, 12 LEWIS & CLARK L. REV. 793, 795 (2008) (citing *Green v. Mansour*, 474 U.S. 64, 68 (1985)).

jurisdiction,¹³ and because the remedies available against state universities in federal court are often insufficient, injured patent owners have tried to recover under various innovative theories in state court.¹⁴ However, those attempts have been largely unsuccessful due to the doctrine of federal preemption, state immunity in its own tribunals, and the lack of appropriate state causes of action.¹⁵

Another alternative to a patent infringement lawsuit against a state university by the patent owner is an inverse condemnation action, which is based on the Takings Clause of the Fifth Amendment, and may be brought in state or federal court.¹⁶ In an inverse condemnation action, the patent owner would allege that the university has “taken” an intangible property right—the patent owner’s right to exclude—thus entitling the patent owner to just compensation under the Fifth Amendment.¹⁷

Part II of this Note discusses state university sovereign immunity from patent infringement lawsuits and describes the current state of that doctrine in the federal court system. Part III focuses on the availability of alternative remedies for injured patent owners in state courts, and discusses several proposed state causes of action and their likelihood of success. Part IV of this Note discusses the Fifth Amendment and the possibility of a claim for inverse condemnation brought by a patent owner for alleged patent infringement by a state university. Part IV also suggests that inverse condemnation lawsuits would best promote the goals of federalism and the federal patent system, while simultaneously protecting the interests of patent owners.

II. STATE UNIVERSITY SOVEREIGN IMMUNITY FROM PATENT INFRINGEMENT LAWSUITS

The Eleventh Amendment to the United States Constitution provides the states with sovereign immunity from causes of action arising under federal laws.¹⁸ The Eleventh Amendment did not create this immunity; instead, the amendment is merely an affirmation of preexisting concepts of federalism and

13. See 28 U.S.C. § 1338 (2006).

14. See, e.g., GAO REPORT, *supra* note 7, at 19–20 (noting that a plaintiff may seek to recover by employing legal theories such as reverse eminent domain, unfair competition, conversion, and trespass to chattel).

15. See *id.* at 23–24.

16. See Christopher Serkin & Nelson Tebbe, *Condemning Religion: RLUIPA and the Politics of Eminent Domain*, 85 NOTRE DAME L. REV. 1, 47 (2009). However, “federal ripeness doctrines require property owners to pursue inverse condemnation or its equivalent in state court before bringing a federal constitutional claim.” *Id.* (citing *Williamson Cnty. Reg’l Planning Comm’n v. Hamilton Bank*, 473 U.S. 172, 195 (1985)).

17. See *id.*

18. 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.”).

limited government that are inherent in the Constitution.¹⁹ Upon joining the Union, states did not forfeit their sovereign status, and, therefore, retained their immunity from private lawsuits.²⁰ The purpose of the immunity was to prevent states, as sovereign entities, from being subjected to the indignity of a lawsuit by private individuals.²¹

The scope of state immunity includes not only actions where the state is a named defendant, but also certain actions against state agents and instrumentalities.²² In general, state entities may invoke the protections of sovereign immunity in any case in which the potential recovery might be paid from the state treasury,²³ or where the lawsuit would offend the dignity of the sovereign state.²⁴ The Eleventh Amendment provides state universities, as arms of the state, with sovereign immunity from suit under federal law by virtue of their relationship to the state sovereign.²⁵

Patent law falls exclusively within federal jurisdiction.²⁶ Therefore, if patent owners wish to enforce the rights granted to them by federal patent laws, their only recourse is the federal court system.²⁷

In general, the Eleventh Amendment and federal patent law operate in their own domains, without overlap or conflict. However, when a state university uses a patented invention without the patent owner's authorization, the patent owner is in a predicament; the unauthorized use is a violation of the patent owner's right to exclude under federal patent law, however, the patent owner cannot sue the university for patent infringement because the university has Eleventh Amendment immunity. Thus, the university can infringe patents with impunity, completely without fear of reprimand. This unauthorized use directly violates the patent owner's right to exclude, resulting in an imbalance of incentives in the invention and patent process. As mentioned, this inequity that

19. See *Alden v. Maine*, 527 U.S. 706, 728–29 (1999).

20. *Fed. Mar. Comm'n v. S.C. State Ports Auth.*, 535 U.S. 743, 752 (2002).

21. See *In re Ayers*, 123 U.S. 443, 505 (1887).

22. *Regents of the Univ. of Cal. v. Doe*, 519 U.S. 425, 429 (1997) (citing *Ford Motor Co. v. Dep't of Treasury of Ind.*, 323 U.S. 459, 464 (1945), *overruled by* *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613 (2002); *Smith v. Reeves*, 178 U.S. 436, 438–39 (1900); *Ayers*, 123 U.S. at 487; *Poindexter v. Greenhow*, 114 U.S. 270, 287 (1885)).

23. See *Hess v. Port Auth. Trans-Hudson Corp.*, 513 U.S. 30, 48–49 (1994) (compiling cases that held that the implication of the state treasury is the most important factor in determining whether Eleventh Amendment immunity applies).

24. See *Fed. Mar. Comm'n*, 535 U.S. at 760.

25. See, e.g., *Watson v. Univ. of Utah Med. Ctr.*, 75 F.3d 569, 575 (10th Cir. 1996) (“Our cases have consistently found state universities are arms of the state.”); *Martin v. Clemson Univ.*, 654 F. Supp. 2d 410, 425 (D.S.C. 2009) (holding that Clemson University “is an arm of the state” and thus was entitled to Eleventh Amendment immunity).

26. 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.”).

27. See *id.*

is apparent in the foregoing situation is compounded by state universities' extensive use of patent laws for their own benefit.²⁸

In order to hold state universities accountable for patent infringement in the federal court system, Congress has attempted to abrogate state immunity,²⁹ and plaintiffs have argued that universities' consent to suit through express or constructive waiver of their immunity. However, as discussed below, thus far the available federal remedies provide inadequate protection for the rights of patent owners.³⁰

A. Congressional Attempts to Abrogate Sovereign Immunity

In 1990, the Federal Circuit held in *Chew v. California*³¹ that the Eleventh Amendment provides states with immunity from patent infringement lawsuits.³² The court explained that in order for a state to be subject to a patent infringement lawsuit, Congress must amend the statute, clearly and unmistakably expressing its intention to abrogate state immunity.³³ Two years later, Congress responded to *Chew* by passing the Patent Reform Act,³⁴ which expressly abrogated state immunity from patent infringement lawsuits.³⁵ Congress claimed it had

28. See *supra* text accompanying notes 6–7.

29. See generally *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 647 (1999) (rejecting Congress's attempt to make "all States immediately amenable to suit in federal court for all kinds of possible patent infringement").

30. See Staci R. DeRegnaucourt, Comment, *Anything You Can Do, I Can Do Better and Without Consequences: The Public University Monopoly on Research Technologies and the Educational Market*, 2010 MICH. ST. L. REV. 471, 489–90.

31. 893 F.2d 331 (Fed. Cir. 1990).

32. *Id.* at 336.

33. *Id.* at 334 (citing *Dellmuth v. Muth*, 491 U.S. 223, 230 (1989); *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 243 (1985)).

34. Patent and Plant Variety Protection Remedy Clarification Act, Pub. L. No. 102-560, 106 Stat. 4230 (1992) (codified as amended in scattered sections of 35 U.S.C.), *invalidated by* *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999).

35. 35 U.S.C. § 296(a) (1992), *invalidated by* *Fla. Prepaid*, 527 U.S. 627. The Act stated: 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.

§ 271(h). The Act further stated:

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 section 271, or for any other violation under this title.

§ 296(a).

authority to abrogate immunity with respect to patent infringement under the Due Process Clause of the Fourteenth Amendment.³⁶

In 1999, the Supreme Court invalidated the Patent Reform Act in *Florida Prepaid*, holding that the legislation was an unconstitutional attempt by Congress to exercise its Fourteenth Amendment Due Process Power.³⁷ In *Florida Prepaid*, a patentee sued a Florida state agency for allegedly infringing its patented apparatus and method for administering a college investment program.³⁸ The Supreme Court reversed the Federal Circuit Court of Appeals' decision to allow the lawsuit because Florida's state immunity had been abrogated under the Act.³⁹ The Court reasoned that, although Congress has the power under the Fourteenth Amendment Due Process Clause to abrogate state immunity, Congress could only invoke this power by showing that the states exhibited a pattern of patent infringement and that there were no other suitable remedies—a showing Congress failed to make.⁴⁰ After *Florida Prepaid*, the law regarding state immunity from patent infringement lawsuits is clear: absent proper congressional abrogation,⁴¹ sovereign immunity can be circumvented only if the state consents to suit in federal court.⁴² However, federal case law sets a very high bar for establishing such consent.⁴³

B. State Waiver of Sovereign Immunity

A state may consent to a lawsuit in federal court through express or constructive waiver of its sovereign immunity, but it must be clear that the state

36. *Fla. Prepaid*, 527 U.S. at 635–36. Congress also claimed authority to abrogate state sovereign immunity under art. I, § 8, cl. 8 (the Patent Clause) and art. I, § 8, cl. 3 (the Interstate Commerce Clause) of the Constitution, however the Court disagreed, stating that “*Seminole Tribe* makes clear that Congress may not abrogate state sovereign immunity pursuant to its Article I powers . . .” *Id.* (citing *Seminole Tribe v. Fla.*, 517 U.S. 44, 72–73 (1996)).

37. *See id.* at 633–34.

38. *Id.* at 630–31.

39. *Id.* at 630, 633–34.

40. *See id.* at 640.

41. In 2003, Congress's latest statutory attempt to abrogate state immunity from patent infringement lawsuits, the *Intellectual Property Protection Restoration Act*, failed to make it out of subcommittee. *See* Bruce E. O'Connor & Emily C. Peyser, Ex Parte Young: *A Mechanism for Enforcing Federal Intellectual Property Rights Against States*, 10 B.U. J. SCI. & TECH. L. 225, 230 (2004). This Act would have required states to voluntarily and permanently waive state immunity to patent infringement lawsuits as a condition to enforcing their patents in federal court. *See* Intellectual Property Protection Restoration Act of 2003, H.R. 2344, 108th Cong. § 3 (1st Sess. 2003). No further legislation relating to abrogation of state immunity has since been introduced. *See* Leah Chan Grinvald, *Making Much Ado About Theory: The Chinese Trademark Law*, 15 MICH. TELECOMM. & TECH. L. REV. 53, 80 n.142 (2008) (citing H.R. 2344).

42. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 131 F.3d 353, 356 (3d Cir. 1997), *aff'd*, 527 U.S. 666 (1999).

43. *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 675 (1999) (citing *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 241 (1985)).

has submitted itself to federal jurisdiction.⁴⁴ Examples of clear submission to federal jurisdiction include: cases where a state voluntarily removes a case to federal court,⁴⁵ cases that are a part of one continuous action in which the state previously waived its immunity,⁴⁶ cases where a state enacts legislation waiving its sovereign immunity,⁴⁷ and cases where the state enters into a contract with a provision waiving immunity.⁴⁸ Additionally, in certain situations, a court may infer from the state's actions that it has constructively waived its immunity.⁴⁹

In *Biomedical Patent Management Corp. v. California, Department of Health Services*,⁵⁰ the Federal Circuit Court of Appeals set a high bar for what constitutes a constructive waiver of immunity, and noted that any waiver does not extend to subsequently filed actions, even if they involve the same parties and the same subject matter.⁵¹ In that case, the Biomedical Patent Management Corporation (BPMC) sued the California Department of Health Services (DHS) for infringing its patented method for screening birth defects in pregnant women.⁵² When DHS claimed immunity, BPMC argued that by filing for declaratory judgment in a prior related lawsuit DHS had constructively waived its immunity.⁵³ According to the court, by voluntarily appearing and filing for a declaratory judgment in the prior lawsuit, DHS submitted itself to the federal court's jurisdiction—an act constituting waiver of Eleventh Amendment

44. See *id.* at 675–76 (citing *Great N. Life Ins. Co. v. Read*, 322 U.S. 47, 54 (1944); *Gunter v. Atl. Coast Line R.R. Co.*, 200 U.S. 273, 284 (1906)).

45. See, e.g., *Lapides v. Bd. of Regents of the Univ. Sys. of Ga.*, 535 U.S. 613, 619 (2002) (noting that Congress would not have intended to create the unfair situation in which a State both submits itself to federal jurisdiction and asserts sovereign immunity in the same case).

46. See, e.g., *City of S. Pasadena v. Mineta*, 284 F.3d 1154, 1156–57 (9th Cir. 2002) (noting that a state's waiver of immunity "only helps plaintiffs if it carries over to the current lawsuit," and that if it does not, then any waiver expires).

47. Christopher Cowan, Note, *An Unworkable Rule of Law: The ADA, Education, and Sovereign Immunity; An Argument for Overruling Seminole Tribe of Florida v. Florida Consistent with Stare Decisis*, 80 S. CAL. L. REV. 347, 370 (2007).

48. See David G. Ebner, *Smaller Exploration Companies on the International Frontier*, 37 NAT. RESOURCES J. 707, 724 (1997).

49. See, e.g., *Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 675–76 (1999) (citing *Gunter v. Atl. Coast Line R.R. Co.*, 200 U.S. 273, 284 (1906)) (stating that waiver occurs "if the State voluntarily invokes our jurisdiction"). In *Central Virginia Community College v. Katz*, 546 U.S. 356 (2006), the Supreme Court concluded that Congress implicitly waived sovereign immunity as it related to the laws of bankruptcy. *Id.* at 377, 379. For a colorful argument that the *Katz* abrogation of immunity related to bankruptcy should be extended to the Patent Act, see James F. Caputo, Note, *Copy-Katz: Sovereign Immunity, the Intellectual Property Clause, and Central Virginia Community College v. Katz*, 95 GEO. L.J. 1911, 1930–40 (2007). But see *Nat'l Ass'n of Bds. of Pharmacy v. Bd. of Regents of Univ. Sys. of Ga.*, 633 F.3d 1297, 1313–14 (11th Cir. 2011) (declining to extend implicit waiver of immunity to the Copyright Act and noting that "[t]he holding in *Katz* is carefully circumscribed to the bankruptcy context").

50. 505 F.3d 1328 (Fed. Cir. 2007).

51. *Id.* at 1339.

52. *Id.* at 1331.

53. *Id.* at 1334.

immunity.⁵⁴ However, the court made clear that any waiver of immunity is only temporary; if the court dismisses the action or a new action is filed, waiver in the initial lawsuit is extinguished.⁵⁵

In *Vas-Cath, Inc. v. Curators of the University of Missouri*,⁵⁶ the Federal Circuit held that the University of Missouri waived its immunity by initiating and participating in an interference proceeding before the Board of Patent Appeals and Interferences (BPAI).⁵⁷ In that case, the university invoked an interference proceeding before the BPAI and successfully established inventorship; however, when Vas-Cath appealed the decision to the Federal Circuit, the university claimed it was immune from lawsuit in federal court.⁵⁸ The court distinguished mere participation in the federal patent system from the “litigation-type” proceeding before the BPAI: a university does not waive its immunity through the routine prosecution of a patent before the Patent and Trademark Office (PTO), but waiver could be implied when a university invokes a hostile, adversarial proceeding before the BPAI similar to a declaratory judgment action in federal court.⁵⁹ The court would not allow the university to invoke such a proceeding, obtain a favorable ruling, and then claim immunity when the losing party appealed to the Federal Circuit.⁶⁰ Allowing the university to invoke sovereign immunity on appeal would result in the state’s “selective use of ‘immunity’ to achieve litigation advantages.”⁶¹

In summary, absent express or implied consent, a state university may not be sued for patent infringement. Because obtaining a university’s express consent is unlikely, a patentee would likely rely on a theory of constructive waiver in any patent infringement lawsuit. Routine use of federal patent law does not constitute a general waiver of state immunity, but waiver may be implied with respect to counterclaims when a university has initiated litigation-style proceedings, filed for a declaratory judgment, or requested an interference proceeding before the BPAI. However, consent is given on a proceeding-by-proceeding basis; therefore, the immunity is restored once the proceeding or lawsuit is over.

54. *Id.* at 1333 (citing *Regents of Univ. of N.M. v. Knight*, 321 F.3d 1111, 1124 (Fed. Cir. 2003)).

55. *See id.* at 1339.

56. 473 F.3d 1376 (Fed. Cir. 2007).

57. *Id.* at 1378.

58. *Id.* at 1380–81.

59. *See id.* at 1383 (citing *Clark v. Barnard*, 108 U.S. 436, 447 (1883)).

60. *Id.* at 1385; *see also* *Bd. of Regents of Univ. of Wis. Sys. v. Phx. Int’l Software, Inc.*, 653 F.3d 448, 467 (7th Cir. 2011) (citing *In re Friendship Med. Ctr., Ltd.*, 710 F.2d 1297, 1301 (7th Cir. 1983)) (holding that waiver of immunity is limited to the same transaction or occurrence, such that waiver only extends to compulsory, not permissive, counterclaims).

61. *Vas-Cath*, 473 F.3d at 1383 (quoting *Lapides v. Bd. of Regents of Univ. Sys. of Ga.*, 535 U.S. 613, 620 (2002)) (internal quotation marks omitted).

C. *A Limited Exception to Immunity: The Ex parte Young Doctrine*

Although the Eleventh Amendment is likely to bar a patent infringement lawsuit against a state university, patent owners may obtain equitable relief by suing a state official under the doctrine of *Ex parte Young*. In general, lawsuits against state officials in their official capacity are considered suits against the state itself;⁶² however, under *Ex parte Young*, actions in violation of federal law remove state officials from their official capacity and place them outside the scope of sovereign immunity.⁶³ In order to successfully invoke the doctrine, the plaintiff must establish an ongoing or prospective violation of federal law,⁶⁴ and the remedy is limited to injunctive relief.⁶⁵ The plaintiff must also establish an adequate connection between the state official and the alleged violation of federal law.⁶⁶

In *Pennington Seed*, the Federal Circuit held that in order to invoke the *Ex parte Young* doctrine, the patentee must show a causal connection between the official charged and the act of infringement.⁶⁷ In this case, after a lawsuit against the University of Arkansas was dismissed by the district court on grounds of sovereign immunity,⁶⁸ the plaintiff amended the complaint to name four university officials: the chairman of the board for the university system, the president of the university, the chancellor of the university, and a professor.⁶⁹ The district court once again dismissed the case.⁷⁰ On appeal, the Federal Circuit affirmed the district court, finding that the plaintiff failed to allege any causal connection between the university officials and the alleged infringement, since the plaintiff merely argued that they supervised intellectual property activity and were capable of stopping the ongoing violation of federal patent law.⁷¹ The court held that the alleged causal connection between the university officials and the patent infringement insufficient because the nexus between the

62. See Gary R. Rom, *RLUIPA and Prisoner's Rights: Vindicating Liberty of Conscience for the Condemned by Targeting a State's Bottom Line*, 44 VAL. U. L. REV. 283, 300 (2009).

63. See *Ex parte Young*, 209 U.S. 123, 159–60 (1908).

64. *Pennington Seed, Inc. v. Produce Exch. No. 299*, 457 F.3d 1334, 1342 (Fed. Cir. 2006) (citing *Frew v. Hawkins*, 540 U.S. 431, 437 (2004); *Verizon Md., Inc. v. Pub. Serv. Comm'n*, 535 U.S. 635, 645 (2002)).

65. *Id.* at 1341 (citing *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 102–03 (1984)).

66. *Id.* at 1342 (citing *Ex Parte Young*, 209 U.S. at 157).

67. *Id.* at 1342–43.

68. *Id.* at 1337 (citing *Pennington Seed Inc. v. Produce Exch. No. 299*, No. 04-4194-CV CSOW, 2004 WL 5180533, at *2 (W.D. Mo. Nov. 29, 2004) (dismissing all claims against the university because “the Eleventh Amendment bars plaintiffs’ state law conversion claim”)).

69. *Id.*

70. *Id.* (citing *Pennington Seed Inc. v. Produce Exch. No. 299*, No. 04-4194-CV-C-SOW, 2005 WL 1312940, at *3, *4 (W.D. Mo. June 1, 2005) (dismissing claims based on Eleventh Amendment immunity and lack of personal jurisdiction in the district court)).

71. *Id.* at 1342–43 (citing Plaintiff’s Suggestions in Opposition to University Defendants’ Motion to Dismiss at 7, *Pennington Seed*, 2005 WL 1312940 (No. 04-4194-CV-C-SOW) [hereinafter Plaintiff’s Suggestions]).

patent infringement and the accused infringer requires more than an obligation to prevent a violation, it requires that the accused individual actually violated a federal law.⁷² The court reasoned that absent a causal connection between the university officials and the infringement, the suit was essentially one against the official as a representative of the state, and the state was thereby incorporated as a party to the suit in violation of the Eleventh Amendment.⁷³ In addition, the Supreme Court has refused to allow artful pleading to circumvent the protection of the state, underscoring its view of the Eleventh Amendment as a real limit on federal jurisdiction.⁷⁴

In sum, to invoke the doctrine of *Ex parte Young*, patent owners who seek a remedy for the unauthorized use of their patented invention by a state university must show a current or prospective infringement, as well as meet the Federal Circuit's standard of a sufficient nexus between the state official and the alleged violation of federal law. The Federal Circuit seems hesitant to find a sufficient allegation of the required nexus and will not allow artful pleading to help establish that nexus. Moreover, even if a patent owner is successful, a university will not be liable for monetary damages or past violations of federal patent law, but may only be enjoined from any future infringement. Considering the heavy burden of proof required for relief under *Ex parte Young*, the limited remedy a patent owner would receive in the rare case of success, and the high costs of litigation, relief under this doctrine is an insufficient alternative to lawsuits for patent infringement in federal court.

D. *The Scope of the Problem and the Need for a Solution*

Some commentators consider the impact of problematic state immunity from patent infringement lawsuits so limited that the problem does not merit efforts at correction.⁷⁵ Indeed, in *Florida Prepaid*, Chief Justice Rehnquist noted that there were only eight patent infringement lawsuits against states in the 110-year period leading up to that case.⁷⁶ However, a later government study showed that the caseload is more pervasive than initially thought—finding fifty-eight patent

72. *Id.*; but see *Salerno v. City Univ. of N.Y.*, 191 F. Supp. 2d 352, 357 (S.D.N.Y. 2001) (holding that the *Ex parte Young* doctrine was properly asserted in a copyright infringement action against a university chancellor and university director who were responsible for the administration and implementation of copyright policies).

73. *Pennington Seed*, 457 F.3d at 1342–43.

74. *Idaho v. Coeur d'Alene Tribe of Idaho*, 521 U.S. 261, 270 (1997).

75. See Jesse H. Choper & John C. Yoo, *Who's Afraid of the Eleventh Amendment? The Limited Impact of the Court's Sovereign Immunity Rulings*, 106 COLUM. L. REV. 213, 217 (2006) (“[T]he criticism of the Court’s sovereign immunity cases is considerably exaggerated.”); but see Narechania, *supra* note 6, at 1576 (explaining that, while states may not use patents for litigation advantages, empirical evidence shows that states “may use their immunity to become aggressive patent licensors”).

76. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 640 (1999).

infringement lawsuits in which the state was a defendant in a sixteen year period beginning in 1985.⁷⁷ In addition, a small caseload does not mean that there is no need for a solution, because a low number of cases can be attributed to a variety of other issues.⁷⁸ Litigation is expensive and preferably avoided,⁷⁹ however, the secondary effects of state immunity are not limited to the courtroom. These effects are likely also present in licensing deals, in which universities have a strong upper hand in negotiations because they know that if the terms of the deal do not suit them they have precedential authority to infringe the patent with impunity.⁸⁰ Indeed, some scholars in the intellectual property community claim that the low caseload is due to the fact that states previously thought they were not immune from patent infringement suits in federal court and, consequently, would more often settle, but *Florida Prepaid* revealed the falsity of that impression.⁸¹ The parties' inequality in bargaining power obliterates the concept of arms length bargaining in favor of the conception of contracts of adhesion. That is so even though universities may be less vicious in their licensing practices than they could be under their broad Eleventh Amendment protection. Furthermore, for every lawsuit filed against a state, it is possible that a handful of patent owners with similar meritorious claims chose not to pursue a lawsuit because the time, money, and effort of proving infringement while avoiding the immunity issue would be prohibitive when compared to any potential reward.⁸² Likewise, those lawsuits that are brought against a state, with the expectation of a long uphill battle, are likely of extreme importance to the patent owner,⁸³ who should not be denied a fair chance at arguing an infringement case due to the small overall caseload.

In addition, due to the increasing effects of university technology transfer offices and the general increase in intellectual property licensing,⁸⁴ the problem of state immunity from patent infringement may already be—or soon might become—more pervasive than the case statistics indicate. The extent of the relationship between state universities and federal patent law is evident from the PTO's recent mobilization of satellite patent offices: Congress authorized the creation of three satellite offices of the PTO as part of the America Invents Act

77. GAO REPORT, *supra* note 7, at 2.

78. See Eric B. Cheng, Note, *Alternatives to District Court Patent Litigation: Reform by Enhancing the Existing Administrative Options*, 83 S. CAL. L. REV. 1135, 1151 (2010) (“[P]atent litigation in the United States can be extraordinarily expensive and uncertain.”).

79. See *id.*

80. See Eugene Volokh, *Sovereign Immunity and Intellectual Property*, 73 S. CAL. L. REV. 1161, 1166–67 & n.14 (2000) (“[I]t’s possible that *Florida Prepaid* will embolden state governments to infringe patents much more often.”).

81. See GAO REPORT, *supra* note 7, at 24.

82. See Cheng, *supra* note 78, at 1151.

83. See GAO REPORT, *supra* note 7, at 14.

84. See Kristen Osenga, *Rembrandts in the Research Lab: Why Universities Should Take a Lesson from Big Business to Increase Innovation*, 59 ME. L. REV. 407, 426 (2007) (citing KEVIN G. RIVETTE & DAVID KLINE, *REMBRANDTS IN THE ATTIC: UNLOCKING THE HIDDEN VALUE OF PATENTS* 12–13 (2000)) (“Intellectual property licensing in academia has been skyrocketing.”).

of 2011.⁸⁵ The Director of the PTO, David Kappos,—who makes the final decision on new office locations—emphasized the presence of universities as a primary objective measure related to site selection.⁸⁶ Even if the problem has not come to a head since 1999, the imbalance of rights between private patent holders and the states needs to be corrected.

III. RECOURSE IN THE STATE COURTS

At the federal level, patent owners have insufficient opportunities for redress when a state university infringes their patents: Congress failed to successfully abrogate state sovereign immunity, it is difficult to prove the constructive waiver of a state's immunity, and the *Ex parte Young* doctrine requires a high burden of proof and provides only injunctive relief.⁸⁷ As an alternative to suit in federal court, patent owners can try to obtain a remedy in state court using a state law cause of action,⁸⁸ but they will experience several obstacles.

First, most state constitutions or state laws provide state agencies with immunity in state tribunals—the same problem the patent owner was likely trying to avoid by bringing an action in state, rather than federal court.⁸⁹ Second, it is unlikely that any state law will provide a cause of action for unauthorized use of a patented invention; states have never needed such a law because patent laws are enacted by Congress and are enforced by the PTO.⁹⁰ Therefore, patent owners would have to find an alternative cause of action. Finally, if such a law did exist, federal patent law would preempt it anyway—Congress granted original jurisdiction over patent disputes to the federal district courts⁹¹—and federal patent law will preempt any state law that either looks like a patent infringement lawsuit or provides a similar remedy.⁹² Therefore, a patent owner might have difficulty fitting a patent infringement action within any available state causes of action.⁹³

One conflict a patent owner will likely encounter when seeking redress in state court for the unauthorized use of an invention is federal preemption. Courts have consistently held that federal patent law preempts any state cause of action that attempts to provide “patent-like protection.”⁹⁴ This creates a dilemma for

85. Leahy–Smith America Invents Act, Pub. L. No. 112-29 § 23, 125 Stat. 336 (2011).

86. See Brooks Boliek, *Patent Satellite Offices Sought by Politicians*, POLITICO (Oct. 11, 2011, 11:40 PM), <http://www.politico.com/news/stories/1011/65687.html>.

87. See *supra* Part II.

88. See GAO REPORT, *supra* note 7, at 14.

89. *Id.* at 23. See, e.g., S.C. CODE ANN. § 15-78-20 (2005) (governing state immunity in South Carolina).

90. See GAO REPORT, *supra* note 7, at 18–21.

91. See 28 U.S.C. § 1338 (2006).

92. See GAO REPORT, *supra* note 7, at 17–18.

93. See *id.* at 18–20.

94. E.g., *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1377–78 (Fed. Cir. 2005) (internal quotation marks omitted) (“[Federal] law preempts state law that offers ‘patent-like

patent owners who attempt to hold a university accountable in state court—they must find a way to distinguish their state action from an attempt to circumvent Eleventh Amendment immunity by bringing a patent infringement suit in a state court.⁹⁵ Although the patent owner may try to conceal its true intent—for example, by labeling the unauthorized use as a trespass to chattels—the preemption inquiry focuses on the conduct underlying the claim,⁹⁶ so attempts to artfully plead patent infringement in state court will likely fail.

The Supreme Court acknowledged that Congress, by providing limited monopoly rights for patentable inventions and relegating all other designs to the public domain, attempted to balance two competing interests—incentivizing creation and fostering free competition.⁹⁷ Any state law that affects the scope of patent law risks upsetting this balance, and is therefore prohibited.⁹⁸ Just as a state court could not adjust the rights granted to a patent owner under federal patent law without violating the Supremacy Clause of the Constitution,⁹⁹ it may not use its own state law to provide protection that is contrary to the objectives of federal patent law.¹⁰⁰

Several alternative remedies may be available to private patent owners when a patent infringement lawsuit in federal court is not an option. Although they vary from state to state, some common alternative causes of action include: trespass to chattels, conversion, contract, unjust enrichment, and unfair competition.¹⁰¹ These alternative state remedies and their likelihood of success are discussed below.

A. *Trespass to Chattels or Conversion*

The Federal Tort Claims Act (FTCA) acts as a limited waiver of the federal government's sovereign immunity, thus exposing it to limited liability for the torts of its employees.¹⁰² Most states have enacted similar legislation, allowing private individuals to recover for injuries sustained by a tortious act of the

protection' to discoveries unprotected under federal patent law." (quoting *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156 (1989))).

95. See *Veto Pro Pac, LLC v. Custom Leathercraft Mfg. Co.*, No. 3:08-cv-00302 (VCB), 2009 WL 276369, at *2 (D. Conn. Feb. 5, 2009) (holding that claims filed in state court that simply incorporate by reference a claim of patent infringement are preempted).

96. *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1335 (Fed. Cir. 1998), *overruled on other grounds by* *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999).

97. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230–31 (1964).

98. *Id.* at 231 (citing U.S. CONST. art. VI, cl. 2).

99. See U.S. CONST. art. VI, cl. 2.

100. *Sears*, 376 U.S. at 231.

101. See GAO REPORT, *supra* note 7, at 19–20; see also *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1382 (Fed. Cir. 2005) (holding that plaintiff's alleged claim of unjust enrichment was preempted).

102. See 28 U.S.C. §§ 1346, 2674 (2006).

state.¹⁰³ Therefore, patent owners seeking redress in state court for unauthorized use of their inventions may try to establish trespass to chattels or conversion—state causes of action similar to a patent infringement lawsuit.¹⁰⁴

Someone “who dispossesses another of a chattel . . . is liab[le] in trespass for the damage done” to the chattel or “for the loss of the value of its use.”¹⁰⁵ If the dispossession is a serious interference with the owner’s right to control the chattel, the dispossession might rise to the level of conversion.¹⁰⁶ Conversion and trespass to chattels are both based on the interference with possession of property, differing only in the seriousness of the interference and the available remedies.¹⁰⁷ Chattels include personal property, such as a patent owner’s intangible right to exclude others from using its inventions.¹⁰⁸ Therefore, ignoring jurisdiction concerns and assuming the action is not preempted by federal law, a state court might view unauthorized use of a patented invention as a serious interference with the patent owner’s right to exclude, thus constituting a conversion.

Although a claim for tortious conversion of patent rights might not be subject to a sovereign immunity defense under the state or federal tort claims acts, such a claim may be dismissed on the grounds that it is preempted due to conflict with federal patent law.¹⁰⁹ A conversion claim would necessarily focus on the university’s use of a patented invention in violation of the patent owner’s right to exclude; therefore, because the tort claim is based on conduct that is governed by federal patent law, it is preempted.¹¹⁰

B. Unjust Enrichment

Unjust enrichment is the retention of a benefit to the detriment of another without an offer of the compensation that is reasonably expected under the circumstances.¹¹¹ In the absence of an enforceable agreement between the

103. See RESTATEMENT (SECOND) OF TORTS § 895C cmt. f (1979); e.g., S.C. CODE ANN. § 15-78-20 (2005) (governing state immunity in South Carolina).

104. See GAO REPORT, *supra* note 7, at 19–20 & n.22.

105. RESTATEMENT (SECOND) OF TORTS § 222 & cmt. a (1965).

106. *Id.* § 222.

107. *Id.* §§ 222 & cmt. a, 222A & cmt. c.

108. BLACK’S LAW DICTIONARY 268 (9th ed. 2009).

109. See *Auburn Univ. v. Int’l Bus. Machs. Corp.*, No. 3:09cv694-WHA, 2009 WL 3757049, at *3 (M.D. Ala. Nov. 9, 2009) (citing *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1335 (Fed. Cir. 1998), *overruled on other grounds by* *Midwest Indus., Inc. v. Karavan Trailers, Inc.*, 175 F.3d 1356 (Fed. Cir. 1999)).

110. *Id.* (citing *Hunter Douglas*, 153 F.3d at 1335); see also *Miracle Boot Puller Co. v. Plastray Corp.*, 269 N.W.2d 496, 498 (Mich. Ct. App. 1978) (citing 60 AM. JUR. 2D *Patents* § 6 (2003)) (holding that conversion of patent rights is wrong under federal patent law only because there is no common law right of patent owners’ to exclude others from copying and using their inventions); *but see* *Jacobs Wind Elec. Co., Inc. v. Dep’t of Transp.*, 626 So. 2d 1333, 1334–35, 1337 (Fla. 1993) (holding that a conversion claim was not preempted by federal patent law).

111. BLACK’S LAW DICTIONARY 1678 (9th ed. 2009).

university and the patent owner, this quasi-contractual method of recovery, based upon equitable principles, has been proposed as a viable method for recovery.¹¹² However, there is some debate about whether an unjust enrichment claim is preempted by federal patent law.¹¹³ An unjust enrichment claim asserted by a private party against a state university for the use of a patented invention is clearly a patent-like state remedy where a federal remedy would not exist. This remedy, if allowed, would effectively circumvent congressional efforts involved in the fine line drawing of the Patent Act.¹¹⁴ However, a claim of unjust enrichment may be allowed when its real purpose is to compensate for the wrongful misappropriation or disclosure of privileged information and it is not a covert attempt to enforce patent rights.¹¹⁵

Assuming that a claim of unjust enrichment is not preempted, a successful plaintiff must establish a benefit to the defendant resulting from detriment to the plaintiff and that “equity and good conscience require restitution.”¹¹⁶ Showing the correlation between the benefit to an infringing university and the detriment to the patent owner is straightforward, a court need only look at the potential licensing revenue. Establishing that equity and good conscience require the patent owner to receive some compensation may be more difficult. The court will have broad discretion to consider all factors and determine whether forced compensation or an injunction is the most appropriate remedy.¹¹⁷

An advantage of the unjust enrichment cause of action is that the plaintiff need not show a wrongful act, but only an injury and unjust benefit;¹¹⁸ therefore, the focus will be less on the action of the university—which state courts may be reluctant to scrutinize—and more on the injury to the private patent owner. However, courts are reluctant to impose liability in any action where the state treasury might be implicated in a recovery;¹¹⁹ therefore, the infringing university will not be completely overlooked. Given the long history of university use of

112. See Robert A. Cohen, *Patent Infringement and the Eleventh Amendment: Can the Sovereign Be Held Accountable?*, 49 IDEA 85, 118 (2008).

113. See *Ultra-Precision Mfg., Ltd. v. Ford Motor Co.*, 411 F.3d 1369, 1382 (Fed. Cir. 2005) (affirming a district court ruling that federal patent law preempted a state claim for unjust enrichment because it offered patent-like protection to discoveries in the public domain); *but see Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 491–92 (1974) (holding that a claim for violation of Ohio trade secret law did not sufficiently conflict with federal patent law and therefore was not preempted after examining the objectives of patent and trade secret law).

114. See *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 156–57 (1989).

115. See *Univ. of Colo. Found., Inc. v. Am. Cyanamid Co.*, 342 F.3d 1298, 1306–07 (Fed. Cir. 2003) (citations omitted) (distinguishing between an unjust enrichment claim that is based on the enforcement of property rights versus the wrongful use of misappropriated information).

116. *Beth Isr. Med. Ctr. v. Horizon Blue Cross & Blue Shield of N.J., Inc.*, 448 F.3d 573, 586 (2d Cir. 2006) (quoting *Kaye v. Grossman*, 202 F.3d 611, 616 (2d Cir. 2000)) (internal quotation marks omitted).

117. See Orit Fischman Afori, *Flexible Remedies as a Means to Counteract Failures in Copyright Law*, 29 CARDOZO ARTS & ENT. L.J. 1, 4 (2011).

118. *Beth Isr.*, 448 F.3d at 586.

119. See *supra* note 23 and accompanying text.

patented inventions, the Supreme Court's pronouncement in *Florida Prepaid*, and the relationship between the state and university, a finding of unjust enrichment is unlikely.

C. Unfair Competition or Interference with Prospective Contractual Relations

Unfair competition, a cause of action intended to prevent dishonest dealings, is another potential remedy available in state courts; it essentially prevents one party from passing off its own goods as those of another.¹²⁰ This cause of action has received mixed success in courts when patents are involved, as courts are hesitant to allow the cause of action when doing so might upset the balance created by Congress in the federal patent laws or provide protection over designs in the public domain.¹²¹ When a university uses a patented invention without authorization, it is typically not in a commercial context where a court would find that it is trying to pass off its goods as those of another party;¹²² therefore, even if this cause of action is not preempted, the patent owner will have difficulties establishing a prima facie case of unfair competition in court.

An alternative but related cause of action is interference with prospective contractual relations. A prima facie case of intentional interference with prospective contractual relations requires a plaintiff to establish that an injury resulted from an intentional interference that was improper in either method or purpose.¹²³ However, if a claim for tortious interference with contractual relations is based on the same conduct that allegedly violated the patent laws, i.e. infringement, that claim is preempted.¹²⁴

IV. THE TAKINGS CLAUSE

The Takings Clause of the Fifth Amendment provides that the federal government may not take private property for public use unless it pays just compensation.¹²⁵ This clause limits the government's power of eminent domain

120. See 87 C.J.S. *Trade-Marks, etc.* §§ 24, 26 (2010).

121. See, e.g., *Dow Chem. Co. v. Exxon Corp.*, 139 F.3d 1470, 1475 (Fed. Cir. 1998) (holding that the state law cause of action for unfair competition did not interfere with the enforcement of patent laws); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230–31 (1964) (finding that a cause of action for unfair competition was preempted because it altered the balance of interests in the federal patent laws).

122. See DUKE UNIV., FACULTY HANDBOOK: POLICY ON INVENTIONS, PATENTS, AND TECHNOLOGY TRANSFER P-7 (2008), available at http://olv.duke.edu/Inventors/PoliciesAndProcedures/policy_on_inventions.pdf.

123. *Eldeco, Inc. v. Charleston Cnty. Sch. Dist.*, 372 S.C. 470, 480, 642 S.E.2d 726, 731 (2007) (citing *Crandall Corp. v. Navistar Int'l Transp. Corp.*, 302 S.C. 265, 266, 395 S.E.2d 179, 180 (1990)).

124. *Cardiovention, Inc. v. Medtronic, Inc.*, 430 F. Supp. 2d 933, 939 (D. Minn. 2006).

125. U.S. CONST. amend. V (“[N]or shall private property be taken for public use, without just compensation.”).

and is applicable to the states through the Fourteenth Amendment Due Process Clause.¹²⁶ In addition, nearly all of the states have express provisions similar to the Takings Clause in their state constitutions.¹²⁷ However, the Takings Clause analysis used in the state and federal courts is nearly the same, regardless of the source of governing law.¹²⁸

The government exercises its power of eminent domain by bringing a condemnation action: a proceeding where the government admits to taking private property, leaving the court only to determine the amount of just compensation.¹²⁹ When a private property owner believes that the government has violated the Takings Clause by seizing property without bringing a condemnation action, that party may bring an inverse condemnation action.¹³⁰ In an inverse condemnation proceeding, the government has not admitted to taking private property, so the court must first determine if there was in fact a government taking.¹³¹ The amount of just compensation is a secondary issue only addressed if a taking occurred.¹³² To be successful in a patent infringement context, a patent owner would need to show that the unauthorized use of its patented invention by the state or federal government constitutes a taking of its personal property—the intangible right to exclude others.¹³³ If the patent owner can successfully establish such a taking, the Takings Clause requires the government to pay just compensation.

In determining whether a taking has occurred, the court must answer three central questions: what constitutes “private property,” when is property “taken,” and what is “public use”?¹³⁴ If the court finds that a taking has occurred, it must

126. *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 536 (2005).

127. See Robert Meltz, *Takings Law Today: A Primer for the Perplexed*, 34 *ECOLOGY L.Q.* 307, 311 (2007); e.g., S.C. CONST. art. I, § 13 (“Except as otherwise provided in this Constitution, private property shall not be taken for private use without the consent of the owner, nor for public use without just compensation being first made for the property.”).

128. See Meltz, *supra* note 127, at 311–12; e.g., *Byrd v. City of Hartsville*, 365 S.C. 650, 656 n.6, 620 S.E.2d 76, 79 n.6 (2005) (citing *Westside Quik Shop, Inc. v. Stewart*, 341 S.C. 297, 306, 534 S.E.2d 270, 275 (2000), *overruled by Byrd*, 365 S.C. 650, 620 S.E.2d 76) (“Takings analysis under South Carolina law is the same as the analysis under federal law.”).

The South Carolina Supreme Court has adopted the most broad view of what constitutes a taking; the analysis is bound only by the limits of the Fifth Amendment to the United States Constitution. See *Kline v. City of Columbia*, 249 S.C. 532, 537, 155 S.E.2d 597, 599 (1967) (citing *Webb v. Greenwood Cnty.*, 229 S.C. 267, 278, 92 S.E.2d 688, 692 (1956)).

129. See Meltz, *supra* note 127, at 310.

130. See *id.* (citing *United States v. Clarke*, 445 U.S. 253, 257 (1980)).

131. See *id.*

132. See *id.*

133. See, e.g., Christopher S. Storm, *Federal Patent Takings*, 2 *J. BUS. ENTREPRENEURSHIP & L.* 1, 28–29 (2008) (citations omitted) (demonstrating how a government regulation that eliminates a patent owner’s right to exclude can destroy all economic value in a patent, thus constituting a regulatory taking).

134. See *id.* (“[N]or shall private property be taken for public use, without just compensation.” (emphasis added)).

award just compensation¹³⁵—usually the amount of money required to return the injured property owner to the position that the owner would have been in had no taking occurred.¹³⁶

A. *Scope of Private Property Protected Under the Fifth Amendment*

The scope of property protected by the Fifth Amendment is broad, including property that is real or personal, tangible or intangible.¹³⁷ In general, Congress and most legal scholars consider patents to be personal private property and, therefore, protected under the Fifth Amendment.¹³⁸ Indeed, patents have long been considered property protected against both individual and governmental appropriation.¹³⁹ Although this interpretation is not without debate,¹⁴⁰ for the purposes of this Note, it is assumed that patents are personal property subject to protection under the Takings Clause.

B. *What Constitutes a “Taking” for the Purposes of the Fifth Amendment?*

Takings are generally broken down into two categories: physical takings and regulatory takings.¹⁴¹ The “paradigmatic” takings case arises when the

135. *See id.*; *see also* Storm, *supra* note 133, at 25.

136. *See* Storm, *supra* note 133, at 25 (citing JAN G. LAITOS, LAW OF PROPERTY RIGHTS PROTECTION: LIMITATIONS ON GOVERNMENTAL POWERS § 17.03[A], at 17–9 (2012)). While the issue of just compensation is beyond the scope of this Note, for a good summary of compensation in takings cases, *see id.* at 25–26.

137. *Huntleigh USA Corp. v. United States*, 525 F.3d 1370, 1377–78 (Fed. Cir. 2008); *see also* *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003–04 (1984) (holding that trade secret property rights provided under state law are protected by the Takings Clause of the Fifth Amendment); *Maritrans Inc. v. United States*, 342 F.3d 1344, 1352 (Fed. Cir. 2003) (rejecting the argument that personal property is not subject to Fifth Amendment protection); *S.C. State Highway Dep’t v. Smith*, 253 S.C. 639, 641, 172 S.E.2d 827, 828 (1970) (citations omitted) (holding that personal property is property for Takings Clause purposes under South Carolina state law).

138. *See* 35 U.S.C. § 261 (2006) (“[P]atents shall have the attributes of private property.”); *e.g.*, Joshua I. Miller, 28 U.S.C. § 1498(a) and the Unconstitutional Taking of Patents, 13 YALE J.L. & TECH. 1, 7–18 (2011) (citations omitted) (demonstrating that patents are property under the Fifth Amendment through an examination of the Patent Act and case law).

139. *Hartford-Empire Co. v. United States*, 323 U.S. 386, 415 (1945), *supplemented*, 324 U.S. 570 (1945) (citing *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 189 (1933); *William Cramp & Sons Ship & Engine Bldg. Co. v. Int’l Curtis Marine Co.*, 246 U.S. 28, 39–40 (1918); *Hollister v. Benedict & Burnham Mfg. Co.*, 113 U.S. 59, 67 (1885); *James v. Campbell*, 104 U.S. 356, 357–58 (1881)).

140. *See* *Zoltek Corp. v. United States*, 442 F.3d 1345, 1352–53 & n.3 (Fed. Cir. 2006), *opinion vacated on reh’g en banc*, No. 2009-5135, 2012 WL 833892 (Fed. Cir. Mar. 14, 2012) (citing *Ruckelshaus*, 467 U.S. at 1003–04) (holding that patents are not property for purposes of the Fifth Amendment and distinguishing them from trade secrets); *but see, e.g.*, Miller, *supra* note 138, at 20–21; Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689, 712–24 (2007); Storm, *supra* note 133, at 2 (providing an academic criticism of *Zoltek*).

141. Storm, *supra* note 133, at 13.

government asserts its power of eminent domain to seize real private property for public use—an example of a physical, or *per se*, taking.¹⁴² When the government has determined that private property is necessary for a public use and the owner is unwilling to sell, the government may exercise its power of eminent domain to seize the property without the owner's consent.¹⁴³ The Takings Clause acts as a limitation on this power, requiring that "just compensation" be paid to the owner of the seized private property.¹⁴⁴

While physical takings are relatively straightforward—involving the physical invasion of land or dispossession of property from its owner—regulatory takings are more loosely defined.¹⁴⁵ A regulatory taking can occur when the government imposes a limitation or condition on the use or disposal of private property, even without dispossessing the owner.¹⁴⁶ By regulating the use or control of private property, the government has effectively intruded on the property owner's "bundle of rights,"¹⁴⁷ resulting in a loss in value for which the owner must be compensated. Regulatory takings analysis involves a fact-intensive, policy-oriented, and flexible approach that weighs all the factors in each case in order to determine whether the loss in value due to the regulation "goes too far."¹⁴⁸

Regulatory takings fall into two categories: total or partial.¹⁴⁹ A total regulatory taking occurs when a government regulation completely deprives private property of all economic value.¹⁵⁰ A successful showing of a total regulatory taking is very rare, requiring total elimination of property value: a diminution in value of 95% does not qualify as a total regulatory taking.¹⁵¹ In

142. See *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 537 (2005).

143. See 26 AM. JUR. 2D *Eminent Domain* § 6 (2004) (citations omitted).

144. See *Cabins v. City of N. Myrtle Beach*, 345 S.C. 418, 429, 548 S.E.2d 595, 601 (2001) (quoting and citing U.S. CONST. amend. V; *First English Evangelical Lutheran Church of Glendale v. Cnty. of L.A.*, 482 U.S. 304, 314 (1987)) (internal quotation marks omitted).

145. See *Penn Cent. Transp. Co. v. City of New York*, 438 U.S. 104, 124–25 (1978) (providing a flexible approach focusing on the economic impact of the regulation on the property owner, among other factors).

146. See *Storm*, *supra* note 133, at 18 (citing RICHARD A. EPSTEIN, *SUPREME NEGLECT: HOW TO REVIVE CONSTITUTIONAL PROTECTION FOR PRIVATE PROPERTY* 97 (2008)); see also *Penn Cent.*, 438 U.S. at 127–28 (discussing the case of *Pa. Coal Co. v. Mahon*, 260 U.S. 393 (1922)).

147. See Gary E. Marchant, *Property Rights and Benefit-Sharing for DNA Donors?*, 45 JURIMETRICS J. 153, 154 n.4 (2005) ("The term 'property rights' generally refers to a 'bundle' of rights that the owner of property enjoys, including the right to use, control, sell, and exclude others from the property.").

148. See *Tahoe-Sierra Pres. Council, Inc. v. Tahoe Reg'l Planning Agency*, 535 U.S. 302, 326 (2002) (citing and quoting *Lucas v. S.C. Coastal Council*, 505 U.S. 1003, 1015 (1992); *Pa. Coal Co.*, 260 U.S. at 415) (internal quotation marks omitted).

149. Meltz, *supra* note 127, at 329 (citing *Lucas*, 505 U.S. at 1015, 1029; *Penn Cent.*, 438 U.S. at 124).

150. See *Lucas*, 505 U.S. at 1029.

151. *Id.* at 1064 (Stevens, J., dissenting).

addition, total regulatory takings are likely confined to cases involving real property.¹⁵²

If a property owner cannot establish the full loss in value required for a total regulatory taking, the owner may still recover for a partial regulatory taking if the government's regulation causes a substantial loss in value.¹⁵³ Requiring substantial diminution in value is the court's way of balancing the public and private interests in the property: if the detriment to the private party does not meet the substantial diminution threshold, the benefit to the public outweighs the private injury and there is no taking.¹⁵⁴ In *Penn Central*, the Supreme Court set forth a balancing test for determining whether a partial loss in value was substantial and thus constituting a partial regulatory taking.¹⁵⁵ This test requires the court to consider the following factors: the regulation's economic impact on the property owner, the degree of interference with investment-backed expectations, and the character of the governmental action.¹⁵⁶

1. *Economic Impact of Taking*

Although no single *Penn Central* factor is necessarily dispositive, the factor given the most weight is the "magnitude of a regulation's economic impact and the degree to which it interferes with legitimate property interests."¹⁵⁷ The magnitude of the economic impact is often measured by the remaining economic use or the remaining market value, including any factors generally perceived in commerce to improve the marketability of property.¹⁵⁸ Unless the other factors weigh heavily in favor of a taking, the loss must be very substantial—the economic impact must be the equivalent of physical appropriation of land.¹⁵⁹

Because *Penn Central* requires comparing the property's lost value to its remaining value in determining the magnitude of the economic impact, how the court defines the unit of property is often outcome determinative.¹⁶⁰ For example, in the patent infringement context, if a court views the property interest as the intangible right to exclude, infringement by the government would result

152. See *id.* at 1027–28 (majority opinion) (noting that, in the context of personal property, an owner should be aware of the possibility of a government regulation rendering the property economically worthless given the State's pervasive control over commercial dealings); see also Meltz, *supra* note 127, at 329.

153. See Meltz, *supra* note 127, at 329 (citing *Penn Cent.*, 438 U.S. at 124).

154. See *Sea Cabins v. City of N. Myrtle Beach*, 345 S.C. 418, 430, 548 S.E.2d 595, 601 (2001) ("If the public benefit outweighs the harm to the landowner, there is no taking and the government need not pay compensation.").

155. Meltz, *supra* note 127, at 329 (citing *Penn Cent.*, 438 U.S. at 124).

156. *Penn Cent.*, 438 U.S. at 124.

157. See *Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 540 (2005).

158. See Meltz, *supra* note 127, at 334.

159. See *Keystone Bituminous Coal Ass'n v. DeBenedictis*, 480 U.S. 470, 497 (1987) (citing Frank I. Michelman, *Property, Utility, and Fairness: Comments on the Ethical Foundations of "Just Compensation" Law*, 80 HARV. L. REV. 1165, 1192 (1967)).

160. See *id.* (quoting Michelman, *supra* note 159, at 1192).

in the complete loss of the patent owner's right to exclude the government. Because the value of the patent depends on this right of exclusivity, the value of the patent is significantly decreased, especially in cases where the market for the technology is limited to only a few potential licensees.

Alternatively, if a court views the property interest as the patent owner's right to license an invention, the unauthorized use of that invention by the government would only result in the loss of one potential license. This view would leave the patent owner with significant remaining value—the right to license the invention to others—and would only be considered a loss of potential licensing fees. The distinction is slight—the government's unauthorized use is effectively the same as the appropriation of a license—but the court's view could have a potential effect on its valuation of the economic loss. However, disaggregation of the patent owner's rights would likely be contrary to the Supreme Court's directive to consider the property as a whole in performing a takings analysis.¹⁶¹

2. *Interference with Investment-Backed Expectations*

In determining the magnitude of interference with investment-backed expectations, courts often perform a two-step analysis: first, courts determine whether there actually was an expectation; second, courts consider the objective reasonableness of any expectation.¹⁶² In *Ruckelshaus v. Monsanto Co.*,¹⁶³ the Supreme Court concluded that the frustration of statutorily created expectations would constitute a taking, without even considering the other two *Penn Central* factors.¹⁶⁴ The Court also explained that a “unilateral expectation or an abstract need” is not reasonable.¹⁶⁵ In addition, courts are more protective of uses that are a primary expectation in terms of use and ownership of the property.¹⁶⁶

Companies invest a significant portion of their revenue in research and development in order to perform well in competitive markets.¹⁶⁷ The advancement of technology is the goal of the patent laws; a goal the government has sought to encourage by providing the limited period of exclusivity as an incentive for innovation.¹⁶⁸ The ability to “exclude freeriders” is fundamental to

161. *Tahoe-Sierra Pres. Council, Inc. v. Tahoe Reg'l Planning Agency*, 535 U.S. 302, 327 (2002) (citing *Penn Cent.*, 438 U.S. at 130–31).

162. Meltz, *supra* note 127, at 339.

163. 467 U.S. 986 (1984).

164. *See id.* at 1005, 1011, 1013.

165. *Id.* at 1005–06 (quoting *Webb's Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980)) (internal quotation marks omitted).

166. *Penn Cent.*, 438 U.S. at 136.

167. A recent study estimated that United States corporations spent approximately 2.8% of the U.S. gross domestic product on research and development in 2008. Organisation for Economic Co-operation and Development, *Gross Domestic Expenditure on R&D*, OECD (Apr. 27, 2011), <http://dx.doi.org/10.1787/rdxp-table-2011-1-en>.

168. *See supra* note 3 and accompanying text.

economic development because it provides an advantage in competitive markets where exclusive control over the next new invention is invaluable.¹⁶⁹ In general, inventors invest significant time and money to develop patentable inventions. In disclosing those inventions to the PTO in exchange for the exclusive right to make, use, or sell them, the inventors clearly intend to reap the benefits of their inventions. When the government uses patented inventions without authorization, it denies patent owners their right to obtain licensing fees and their right to exclude. Therefore, a court would likely find that the unauthorized use of patented inventions significantly interferes with the investment-backed expectations of the patent owners. These expectations are not unilateral on the part of the patent owner, but are instead the primary expectations of both the patent applicant and the government¹⁷⁰—factors weighing strongly in favor of a taking.

3. Character of Governmental Action

Takings law is based on “fairness and justice”—the idea that the cost of a benefit received by all should not be borne by one or a few people.¹⁷¹ Therefore, when the government “singles out” a small portion of a similarly situated group to bear the burden of a government project, a court will likely find that this action offends fairness and justice and suggests bad faith.¹⁷² A court might also find bad faith if the government’s action results in significant governmental benefits.¹⁷³

In *Lingle v. Chevron U.S.A.*,¹⁷⁴ the Supreme Court suggested that the *Penn Central* factor concerning the character of the government action should receive reduced weight in the takings analysis.¹⁷⁵ The Court seemed to indicate that the central focus of the *Penn Central* inquiry is the impact of the government action rather than the underlying government purpose.¹⁷⁶

When a university uses a private patent, even for research purposes, it benefits economically from that use without compensating the inventor. Not only does the university receive an unjust and uncompensated benefit, but that

169. See *Hendler v. United States*, 952 F.2d 1364, 1375 (Fed. Cir. 1991); cases cited *supra* note 4 and accompanying text.

170. See U.S. CONST. art. I, § 8, cl. 8; see also Christopher Gibson, *A Look at the Compulsory License in Investment Arbitration: The Case of Indirect Expropriation*, 25 AM. U. INT’L L. REV. 357, 396 (2010) (noting that there is an expectation of “relatively strong and permanent protection” of the invention “during the patent term”).

171. *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

172. Meltz, *supra* note 127, at 346.

173. See *United States v. Sec. Indus. Bank*, 459 U.S. 70, 77–78 (1982).

174. 544 U.S. 528 (2005).

175. See *id.* at 538–40 (citing *Penn Cent. Transp. Co. v. City of New York*, 438 U.S. 104, 124 (1978)) (noting that while the character of the governmental action “may be relevant” in the takings analysis, the predominant focus will be on the “magnitude of a regulation’s economic impact”).

176. See *id.* at 540.

benefit is spread among the public at the sole burden of the patent owner—exactly the type of unfairness and unjustness that takings law is meant to eliminate.¹⁷⁷ This reduces the inventor's future incentive to create and is contrary to the fundamental objectives of the patent laws.

Finally, a court might look unfavorably upon a state university that uses the patent laws to obtain and enforce its own intellectual property rights, but then raises the defense of immunity when the tables are turned. The intent to use the patent laws to its advantage, but to simultaneously not be bound by them would likely be viewed as bad faith on the university's part.

It is difficult to meet the burden of showing a partial regulatory taking under the *Penn Central* test,¹⁷⁸ but this may be the only feasible option for a patent owner to assert a successful claim under the Takings Clause. The unauthorized use of a patented invention is not a physical taking of the patent, but instead is merely a restriction on the patent owner's intangible right to exclude—a regulatory taking.¹⁷⁹ Moreover, even if total regulatory takings applied to personal property, patent owners in that situation have not been totally deprived of economic value in the patent because they may still license to others. Therefore, in order to recover under the Takings Clause, a patent owner must show that a university's unauthorized use constitutes a partial regulatory taking under the *Penn Central* test.

C. What Constitutes a "Public Use"?

Absent the owner's consent, the taking of private property for a use that is not public is unconstitutional and no amount of compensation can cure the wrong by the government. However, that is often a moot point because a use is considered public so long as it is "rationally related to a conceivable public purpose."¹⁸⁰ The public does not need to be in actual possession of the property, but only needs to derive some benefit from the property.¹⁸¹ In *Kelo v. City of New London*,¹⁸² the Supreme Court held that even when private property was transferred to another private entity, the taking was for a public purpose so long as that private entity intended that the future use would benefit the public.¹⁸³

177. See *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

178. Vicki Been & Joel C. Beauvais, *The Global Fifth Amendment?: NAFTA's Investment Protections and the Misguided Quest for an International "Regulatory Takings" Doctrine*, 78 N.Y.U. L. REV. 30, 62 & n.152 (2003).

179. See David A. Dana, *The Foreclosure Crisis and the Antifragmentation Principle in State Property Law*, 77 U. CHI. L. REV. 97, 115 (2010).

180. *Hawaii Hous. Auth. v. Midkiff*, 467 U.S. 229, 241 (1984); see also Meltz, *supra* note 127, at 326–27 (citing *Berman v. Parker*, 348 U.S. 26 (1954)) (noting that the trend spanning the past half century has been for courts to expansively interpret public use to include any taking for a public purpose).

181. See *Midkiff*, 467 U.S. at 244.

182. 545 U.S. 469 (2005).

183. See *id.* at 483–84.

The Supreme Court does not even consider public use a requirement in regulatory takings cases.¹⁸⁴ In general, courts have expansively interpreted the public use requirement such that it will rarely block the government's exercise of its power of eminent domain.¹⁸⁵

State universities challenged with a takings claim for unauthorized use of a patented invention would likely have no difficulty meeting the public use prong of the takings analysis. If the court required a public use, the university could likely show that the research is intended to benefit the public in general, if not immediately, then sometime in the future. The university is advancing or promoting the progress of technology—a goal falling in line with the objectives of the federal patent laws.¹⁸⁶ This showing would be sufficient to pass the low threshold set forth for the public use prong of the takings analysis. Moreover, because university patent infringement would be categorized as a partial regulatory taking, Supreme Court precedent indicates that public use will likely not even be a consideration.¹⁸⁷

D. Advantages of the Inverse Condemnation Approach

Because the primary purpose of the Eleventh Amendment is to spare states the indignity of being subject to a foreign judiciary,¹⁸⁸ any theory of recovery based solely on state common law will likely be immediately suspect to a court interpreting a doctrine meant to protect ideas of federalism inherent in the Constitution. However, an action for inverse condemnation is based on the Fifth Amendment—an amendment aimed at limiting the authority of the government in cases of overreaching and preventing intrusion upon the sovereign state entities. In addition, as discussed in Part III, Section A, a patent owner whose invention is used by a state university without authorization could likely establish a claim for trespass to chattels or conversion in state court, absent immunity and federal preemption issues.¹⁸⁹ Therefore, a claim based on the Takings Clause, which is the federal equivalent of the tort of trespass,¹⁹⁰ seems like a reasonable alternative if immunity bars a direct suit for patent infringement and if a claim for trespass to chattels is preempted.

There is a need for a delicate balance between the goals of Congress in passing the Patent Act and the protections provided to the states under the Eleventh Amendment. The regulatory takings analysis allows courts to broadly and flexibly apply precedent and policy in order to achieve equitable results

184. *Tahoe-Sierra Pres. Council, Inc. v. Tahoe Reg'l Planning Agency*, 535 U.S. 302, 326 (2002).

185. *See Meltz, supra* note 127, at 326–27 (citing *Berman*, 348 U.S. 26).

186. *See* U.S. CONST. art. I, § 8, cl. 8.

187. *See supra* text accompanying note 184.

188. *See In re Ayers*, 123 U.S. 443, 505 (1887).

189. *See supra* Part III.A.

190. *See Hansen v. United States*, 65 Fed. Cl. 76, 79, 96 (2005).

when a state university “goes too far”¹⁹¹ in its use of a patented invention.¹⁹² Under the *Penn Central* test for partial regulatory takings, a court will be able to look at each case on an individual basis to determine if the benefits to the public outweigh the rights of the patent owner.¹⁹³ This is perhaps the primary benefit of the takings analysis: it allows a court to use case-by-case balancing to arrive at the result that fairness and justice require—likely a compromise somewhere along a continuum between complete immunity and no immunity. Indeed, a regulatory takings analysis similar to the one set forth in *Penn Central*, when properly applied to patent infringement cases, would seek to achieve a balance “to promote the common good.”¹⁹⁴

A lawsuit based on the Takings Clause is also reasonable because the goals of the Takings Clause and patent law are aligned. The Takings Clause promotes the public good by allowing government takings, but requiring the burden to be spread amongst those benefited—the public.¹⁹⁵ Private property owners relinquish rights to their property for the public good in exchange for just compensation paid by the taxpaying public.¹⁹⁶ Federal patent laws promote the public good by advancing science—indeed, that is their purpose as expressed in the Constitution.¹⁹⁷ However, when a state university uses a patented invention without authorization, the public is benefited at the sole burden of the patent owner who loses the right to exclude and receives no compensation. That is the precise type of situation the Takings Clause was intended to prohibit.¹⁹⁸

For example, if patent owners bear the burden of a state university’s unauthorized use of their patented invention, the lost licensing revenue is localized among only the patent owners. Alternatively, if the state-funded university were required to pay just compensation for the use of patented inventions, the burden would be spread among the taxpayers of that state. This approach makes sense in light of the goals of the patent laws because innovation is less likely to be stifled if a university is required to pay a reasonable licensing fee, versus when patent owners, after investing significant time and money, have their inventions appropriated by the state, and are subsequently denied recourse.

V. CONCLUSION

The Eleventh Amendment provides state universities with sovereign immunity from suit under federal law by virtue of their relationship to the state

191. *Pa. Coal Co. v. Mahon*, 260 U.S. 393, 415 (1922).

192. *See Storm*, *supra* note 133, at 24.

193. *See Penn Cent. Transp. Co. v. City of New York*, 438 U.S. 104, 124 (1978).

194. *Id.*

195. *Armstrong v. United States*, 364 U.S. 40, 49 (1960).

196. *See Nicole Stelle Garnett*, *The Public-Use Question as a Takings Problem*, 71 *GEO. WASH. L. REV.* 934, 944 (2003).

197. *See U.S. CONST.* art. I, § 8, cl. 8.

198. *See Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 542 (2005) (noting that distribution of the regulatory burden is a factor to consider in the takings analysis); *Armstrong*, 364 U.S. at 49.

sovereign. This protection is founded on principles of federalism and limited government. Based on a constitutional mandate, Congress created the federal patent laws to “promote the Progress of Science and useful Arts.”¹⁹⁹ Those laws provide inventors with the incentive to disclose inventive efforts in exchange for a limited monopoly on an invention. When state universities intrude on that monopoly, two areas of constitutionally supported jurisprudence clash—one aimed at protecting the inventor, and the other aimed at ensuring that a state is not subject to suit in federal court. The conflict must be resolved in a way that will result in as little violation of each area’s fundamental principles as possible.

Patent owners necessarily must seek relief in state courts because all avenues for relief under federal patent law in the federal courts is effectively precluded by the Eleventh Amendment and related doctrine. Many state causes of action are unsuccessful due to federal preemption, state immunity from suit in the state tribunal, or the lack of a related cause of action. Therefore, an inverse condemnation proceeding, founded upon constitutional principles, best serves the delicate balancing between the two doctrines. The flexible test used to determine if there was a partial regulatory taking allows courts to weigh all relevant factors on a case-by-case basis in order to properly balance public and private interests, thereby achieving an outcome consistent with “fairness and justice,”²⁰⁰ as required by the Fifth Amendment.

Wesley D. Greenwell

199. U.S. CONST. art. I, § 8, cl. 8.

200. *Armstrong*, 364 U.S. at 49.