

# THE INTERSECTION OF INTELLECTUAL PROPERTY AND GOVERNMENT LAW

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## I. INTRODUCTION

The legal considerations regarding the ownership, use, and enforcement of intellectual property by individuals and companies in the private sector are well recognized. Less clear to many is the manner in which these considerations change when the intellectual property is owned, used, or enforced by local governments. This confusion is due to the specific statutes in place to control ownership, use, and enforcement by governments, requirements for public disclosure, and any applicable immunities.

After a discussion on the different types of intellectual property in Part II of this Article, Part III discusses local government ownership and enforcement of intellectual property in Florida. Part IV describes important considerations for local governments in relation to contracts involving intellectual property. Part V explores potential liability and immunity of government and its vendors in the event it infringes on another's intellectual property.

## II. AN INTRODUCTION TO INTELLECTUAL PROPERTY

At the federal level, Article I, Section 8 of the United States Constitution grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and

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Discoveries.”<sup>1</sup> Fulfilling this mandate, Congress established the first Patent Board in 1790, which evolved into what is now the United States Patent and Trademark Office (USPTO).<sup>2</sup> The USPTO is an agency that protects an individual’s or entity’s new ideas, inventions, and investments by issuing patents and trademarks on behalf of the government.<sup>3</sup>

Patents fall into one of three distinct categories: utility, design, and plant.<sup>4</sup> Once granted by the USPTO, a patent grant provides its owner with “the right to exclude others from making, using, offering for sale, or selling’ the invention in the United States or ‘importing’ the invention into the United States” for the duration of the patent.<sup>5</sup> Of the three distinct categories of patents, a utility patent is most common,<sup>6</sup> providing protection for “any new and useful process, machine, [article of] manufacture, or composition of matter, or any new and useful improvement thereof.”<sup>7</sup> Utility patents typically last for twenty years from the filing date, as long as the appropriate maintenance fees are paid to the USPTO.<sup>8</sup> A design patent is the second most common;<sup>9</sup> it provides protection for ornamental design elements<sup>10</sup> and lasts for fifteen years from the date the patent was granted.<sup>11</sup> A plant patent, which is the least common type of patent,<sup>12</sup> “may be

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1. U.S. CONST. art. I, § 8.

2. *Records of the Patent and Trademark Office*, NAT’L ARCHIVES, <https://www.archives.gov/research/guide-fed-records/groups/241.html> (last updated Aug. 15, 2016).

3. Office of the Chief Commc’ns Officer, *About Us*, U.S. PAT. & TRADEMARK OFF., <https://www.uspto.gov/about-us> (last updated June 5, 2018).

4. *General Information Concerning Patents: What Are Patents, Trademarks, Servicemarks, and Copyrights?*, U.S. PAT. & TRADEMARK OFF. (Oct. 2015), <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents#heading-2> [hereinafter *General Information Concerning Patents*] (pointing to 35 U.S.C. § 154(a)(1) (2017)).

5. *Id.*

6. J. David Gonce, *My Client Has This Great Idea. Now, What am I Supposed to Do With It? Protecting Your Client’s Intellectual Property*, 42 TENN. B.J., Oct. 2006, at 14, 15.

7. *General Information Concerning Patents*, *supra* note 4.

8. U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE (MPEP) § 1502.01 (A)–(B) (9th ed. 2015), <https://www.uspto.gov/web/offices/pac/mpep/s1502.html> (discussing the duration of utility patents and the maintenance fee requirement); *see* 35 U.S.C. § 154(a)(2) (2017) (listing the duration of patents); 37 C.F.R. § 1.20 (2017) (listing the maintenance fees for utility patents).

9. *See* Gonce, *supra* note 6, at 15 (explaining that design patents are the “second principal type of patent” after the most common utility patent).

10. 35 U.S.C. § 171 (2012).

11. *Id.* § 173.

12. *See* Gonce, *supra* note 6, at 16 (describing plant patents, which are used to protect asexually reproducing plants, and therefore are only of interest in the agricultural field).

granted to anyone who invents or discovers and asexually reproduces any distinct and new variety of plant,<sup>13</sup> which has a duration of twenty years from the filing date.<sup>14</sup> An example of a patent owned by a governmental entity is the “[t]errestrail [sic] delivery compositions and methods for controlling insect and habitat-associated pest populations in terrestrial environments” owned by Lee County Mosquito Control District.<sup>15</sup>

Trademarks consist of a “word, name, symbol, device, [color, sound, smell,] or any combination thereof,” used to “identify and distinguish . . . the source of [specific] goods . . . [or] services” to the consuming public.<sup>16</sup> Federal trademark registrations provide protection nationwide and within the territories of the United States, whereas state trademark registrations provide protection only within the state where the trademark is registered.<sup>17</sup> Both state and federal trademark registrations have the potential to last indefinitely, so long as the trademarks are timely renewed.<sup>18</sup>

Looking specifically to government-owned intellectual property, state and agency logos, terms, and acronyms may be protected as trademarks;<sup>19</sup> however, in Florida, the government agency seeking trademark protection must have specific statutory authorization to obtain intellectual property rights in a trademark.<sup>20</sup> For example, Section 24.105(10), Florida Statutes, grants the Department of Lottery “the authority to hold patents, copyrights, trademarks, and service marks and enforce its rights with respect thereto. The department shall notify the Department of State in writing whenever property rights by patent, copyright, or trademark are secured by the department.”<sup>21</sup> This statute

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13. *General Information Concerning Patents*, *supra* note 4 (citing 35 U.S.C. § 161 (1954)).

14. *Id.* (quoting 35 U.S.C. § 154).

15. U.S. Patent No. US4983390A (filed Apr. 1, 1987).

16. 15 U.S.C. § 1127 (2012).

17. Trademark Information Network, *Basic Facts 04: Should I Register My Mark?*, at 01:35–01:57 (USPTO video Sept. 30, 2016), <https://www.youtube.com/watch?v=6qzZL2yfUgI&t=2s>.

18. Trademark Information Network, *TMIN News 12: Post-Registration Issues*, at 00:30–05:57 (USPTO video Sept. 29, 2017), <https://www.youtube.com/watch?v=MIA4ddz5x-I>.

19. 15 U.S.C. § 1127.

20. Harvard Univ., *Florida*, COPYRIGHT AT HARV. LIBR., <http://copyright.lib.harvard.edu/states/florida/> (last visited Jan. 29, 2018) (referencing Copyrights; Trademarks, Fla. Att’y Gen. Op. AGO 2000-13 (Feb. 22, 2000), <http://www.myfloridalegal.com/ago.nsf/Opinions/D075E0A97B38D2288525688E005B1F59>).

21. FLA. STAT. § 24.105(10) (2017).

expressly grants the Department of Lottery statutory authority to obtain and own trademarks in its name, such as the Department's logo for the Florida Lottery:



®.<sup>22</sup>

The following trademark registrations are a small sample of those have been obtained by Florida state agencies at both the state and federal trademark level:



®. U.S. Registration Number: 5,373,584. Owner: State University System of Florida, Board of Governors.<sup>23</sup>



®. U.S. Registration Number: 3,972,142. Owner: Florida Department of Citrus.<sup>24</sup>



®. U.S. Registration Number: 4,338,082. Owner: Florida Department of Agriculture and Consumer Services.<sup>25</sup>

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22. FLORIDA LOTTERY, Registration No. 4,420,927.

23. THINK FLORIDA A HIGHER DEGREE FOR BUSINESS, Registration No. 5,373,584.

24. FLORIDA GRAPEFRUIT, Registration No. 3,972,142.

25. FRESH FOR FLORIDA KIDS, Registration No. 4,338,082.



®. U.S. Registration Number: 4,241,389. Owner: State of Florida, Department of Transportation.<sup>26</sup>



®. Word plus design mark. U.S. Registration Number: 4,596,423. Owner: Pinellas County Government.<sup>27</sup>



®. Word mark. U.S. Registration Number: 4,637,257. Owner: Pinellas County Government.<sup>28</sup>

A copyright protects “original works of authorship fixed in any tangible medium of expression,”<sup>29</sup> providing the author the exclusive right to control the use and distribution of the works.<sup>30</sup> Congress implemented the Copyright Act of 1790, which “was meant to provide an incentive to authors, artists, and scientists to create original works by providing creators with a monopoly.”<sup>31</sup> Books, illustrations, movies, songs, and architectural works are all tangible mediums of expression that may enjoy the benefit of

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26. SUNRAIL, Registration No. 4,241,389.

27. ST. PETERSBURG CLEARWATER, Registration No. 4,596,423.

28. GULF TO BAY, Registration No. 4,637,257.

29. 17 U.S.C. § 102(a) (2017).

30. *Copyright Basics*, COPYRIGHT.GOV, <https://www.copyright.gov/circs/circ01.pdf> (last updated Sept. 2017).

31. *Copyright Timeline: A History of Copyright in the United States*, ASS'N OF RES. LIBR., <http://www.arl.org/focus-areas/copyright-ip/2486-copyright-timeline#.Wc8uC2Wleu5> (last visited Jan. 29, 2019).

copyright protection.<sup>32</sup> The duration of a copyright depends on whether the author is a natural person or a business entity.<sup>33</sup> If the author is a natural person, the copyright exists from the creation of the work and terminates seventy years after the death of the author.<sup>34</sup> If the author is a business entity, the copyright exists from the creation of the work and terminates in ninety-five to 120 years depending upon a variety of factors.<sup>35</sup> Unlike a patent or trademark, there are no maintenance fees required to keep a copyright active.<sup>36</sup> However, similar to the statutory authorization requirement for state-owned trademarks, an agency in Florida can only obtain copyright protection pursuant to an express statutory authorization.<sup>37</sup>

A trade secret is information that holds independent economic value because it is not generally known or ascertainable to the public.<sup>38</sup> Per Florida's Uniform Trade Secret Act, a trade secret can encompass a "formula, pattern, compilation, program, device, method, technique, or process."<sup>39</sup> Unlike the types of intellectual property law discussed above, trade secrets are not filed with a governmental agency, so there are no filing or maintenance fees.<sup>40</sup> Trade secrets may last indefinitely, so long as they are not exposed to the public.<sup>41</sup> An example of this protection is "software security and validation procedures" developed by the California State Lottery Commission to maintain the integrity of its lottery game.<sup>42</sup>

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32. *General Information Concerning Patents*, *supra* note 4.

33. See 17 U.S.C. § 302 (a)–(c) (2017) (stating copyright durations for works with a single author and "works made for hire").

34. *Id.* § 302(a)–(b).

35. *Id.* § 302(c).

36. See *Copyright Office Fees*, COPYRIGHT.GOV, <https://www.copyright.gov/circs/circ04.pdf> (last updated Apr. 2018) (listing the services the Copyright Office can provide for a fee: "registering claims to copyright, recording documents, and searching copyright records").

37. Harvard Univ., *supra* note 20.

38. 27 AM. JUR. 2D *Employment Relationship* § 165 (Westlaw through Nov. 2018).

39. FLA. STAT. § 688.002(4) (2017).

40. Tom C.W. Lin, *Executive Trade Secrets*, 87 NOTRE DAME L. REV. 911, 941–42 (2012).

41. Audra A. Dial, *Modern Protection of Business Interests Through Trade Secret Enforcement*, 10 J. MARSHALL L.J. 19, 19 (2016–2017).

42. CALIFORNIA STATE AUDITOR, STATE-OWNED INTELLECTUAL PROPERTY 19 (2000), <https://www.auditor.ca.gov/pdfs/reports/2000-110.pdf>.

### III. GOVERNMENT OWNERSHIP AND ENFORCEMENT OF INTELLECTUAL PROPERTY

The Department of State is authorized to do and perform any and all things necessary to secure letters patent, copyright and trademark on any invention or otherwise, and to enforce the rights of the state therein; to license, lease, assign, or otherwise give written consent to any person, firm or corporation for the manufacture or use thereof . . . .<sup>43</sup>

Ownership of intellectual property drives the world of innovation, challenging its subscribers to constantly and consistently explore uncharted territory. But what happens when state agencies and state entities want to pursue ownership and enforcement of their intellectual property? At first, it may seem counterintuitive to allow state agencies to hold all rights associated with intellectual property protection; however, these entities can and do enforce the rights to maintain proper ownership.<sup>44</sup>

#### A. Local Government Ownership of Intellectual Property

In addition to having ownership rights, Florida state agencies may license or assign the rights to use the intellectual property to third parties, just as non-governmental applicants do in regular practice.<sup>45</sup>

##### 1. Government Ownership of Patents

A distinguishing concept of patents is the difference between “inventorship” and ownership. An inventor is the individual or entity that contributed to the conceptualization or creation of the patent claims.<sup>46</sup> Conversely, ownership allows a patent owner to exclude third parties from making, using, or selling the claimed invention.<sup>47</sup> Therefore, inventorship and ownership are not one in the same, but are instead separate and unique components of a patent.

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43. FLA. STAT. § 286.031 (2017).

44. *Id.* § 286.021.

45. *Id.* § 286.031.

46. 60 AM. JUR. 2d *Patents* § 233 (2018).

47. 35 U.S.C. § 154(a)(1) (2015).

## 2. *Government Ownership of Trademarks*

Within the State of Florida, logos and seals of state agencies can be protected; however, as previously mentioned, specific state agencies may not retain trademarks without statutory permission.<sup>48</sup> State logos and seals are heavily protected by statutes criminalizing the misuse of the logos and seals.<sup>49</sup>

Legislation in Florida is another vehicle for state agencies to obtain trademarks. Many statutes address specific government agencies, awarding the agencies these trademarks. For instance, “Keep Florida Beautiful” is a registered mark with the USPTO and is statutorily assigned to Keep Florida Beautiful, Incorporated.<sup>50</sup>

## 3. *Government Ownership of Copyrights*

Copyright ownership is one of the more complicated categories of intellectual property when discussing local government. Due to the Florida Public Records Law, the state is prevented from obtaining copyrights on government documents unless expressly provided in the state code.<sup>51</sup> Specifically, Florida public records are not copyrightable.<sup>52</sup> In contrast, certain types of data processing software may be copyrighted.<sup>53</sup>

## 4. *Government Ownership of Trade Secrets*

As discussed above, to qualify as a trade secret, the trade secret must hold economic value and not be “generally known or readily ascertainable” by others.<sup>54</sup> Because of this value, if a state agency holds a trade secret, the misappropriation of the secret could cause glaring repercussions to the state.<sup>55</sup> All assets devoted to the creation and maintenance of the trade secret would then become a sunk cost to the state because the information could be marketable by others.<sup>56</sup>

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48. Fla. Att’y Gen. Op. AGO 2000-13 (Feb. 22, 2000).

49. *Id.*

50. FLA. STAT. § 15.041 (2017).

51. *Microdecisions, Inc. v. Skinner*, 889 So. 2d 871, 876 (Fla. 2d Dist. Ct. App. 2004).

52. *Id.*

53. FLA. STAT. § 119.084 (2006).

54. *See supra* text accompanying note 38 (explaining the requirements of a trade secret).

55. CALIFORNIA STATE AUDITOR, *supra* note 42, at 19.

56. *Id.*



## B. Use by Others and Enforcement

The ability to enforce is one of the rights associated with intellectual property protection.<sup>57</sup> Enforcement is necessary in order to preserve the value of the intellectual property.<sup>58</sup> In the State of Florida, the Department of State is permitted to enforce the rights to patents, trademarks, and copyrights on behalf of the state.<sup>59</sup>

In attempting to protect such rights from infringement, awareness is vital. Allowing a third-party to make use of one's intellectual property without asserting the right to enforce can create issues. For instance, if a particular trademark is commonly used without the owner objecting to the infringement, the rights of the trademark can become diluted.<sup>60</sup> Ultimately, the USPTO can then strip the trademark owner of its trademark registration.<sup>61</sup> Thus, governmental agencies must be knowledgeable in the intricacies of intellectual property protection and enforcement.<sup>62</sup> A lack of knowledge could lead to the inability to identify infringers,<sup>63</sup> weakening enforcement and thereby contributing to the risk of diluting the respective rights.

A recent Florida Supreme Court case exemplifies an instance in which a state agency asserted the right to protect its trademark.<sup>64</sup> Despite receiving the trademarks on behalf of the Department of State, Florida Virtual School vested the power to file claims to protect these trademarks.<sup>65</sup> Combined with Section 286.031, Florida Statutes, it can be inferred that both the Department of State and the government agency receiving the intellectual property have standing to file claims to protect against infringers.

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57. Alan S. Gutterman, *A Legal Due Diligence Framework for Inbound Transfers of Foreign Technology Rights*, 24 INT'L LAW. 976, 1006 (1990).

58. *Id.*

59. FLA. STAT. § 286.031 (2017).

60. See Courtland L. Reichman, *State and Federal Trademark Dilution*, 17 FRANCHISE L.J., Spring 1998, at 111, 112 (stating that “[t]rademark dilution occurs when the ability of a mark to clearly and unmistakably distinguish one source and the quality of that source has been weakened”).

61. See 74 AM. JUR. 2d *Trademarks and Tradenames* § 19 (2017) (discussing the doctrine of abandonment and stating that “[w]here another has adopted the abandoned mark, the former owner is no longer entitled to use it”).

62. CALIFORNIA STATE AUDITOR, *supra* note 42, at 1.

63. *Id.* at 13.

64. Fla. Virtual Sch. v. K12, Inc., 148 So. 3d 97, 98–99 (Fla. 2014).

65. *Id.* at 99.

#### IV. CONTRACTUAL ISSUES

##### A. Assignment of Ownership Rights Between Employers and Their Employees

It is imperative to understand the default rules of ownership of intellectual property before looking toward the complexities in the relationship between creator or inventor and owner.

###### 1. *Employee Invention*

An important and sometimes complex issue in the realm of patent law is whether the owner of a specific invention is the employee, who created the invention, or the employer of that employee. It is sometimes questioned why an employer should be entitled to an assignment of ownership rights for an invention not created by the employer, but by their employee(s) who are using their own inventive faculties.

The general rule is the ownership of an invention initially vests in the inventor(s).<sup>66</sup> This default rule applies even when the inventor conceives the invention or reduces it to practice within the course of their employment.<sup>67</sup> Common law defines an invention as “the property of the inventor who conceived, developed, and perfected it.”<sup>68</sup> These general rules attempt to draw a clear line between ownership that is afforded to an employee versus to an employer when the employee conceptualizes and reduces to practice an invention during the term of their employment, but not for the purpose of their employment.

One manner in which an employer can gain ownership of an employee’s invention is through a written assignment, wherein the employee, as the inventor, assigns the ownership rights to the employer.<sup>69</sup> There are two exceptions to the default rule of patent ownership, where even absent a written assignment an employer

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66. *City of Cocoa v. Leffler*, 762 So. 2d 1052, 1055 (Fla. 5th Dist. Ct. App. 2000) [hereinafter *City of Cocoa I*].

67. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 193–96 (1933) (finding that an employer-employee relationship does not entitle an employer to an assignment of any inventions that their employees devise during their employment); *Hapgood v. Hewitt*, 119 U.S. 226, 233 (1886) (where the employee “was not expressly required, by his contract, to exercise his inventive faculties for the benefit of his employer”).

68. *City of Cocoa I*, 762 So. 2d at 1055.

69. *Id.*

can be found to have some rights related to the patent: equitable claims to ownership and an implied non-exclusive license.<sup>70</sup>

Equitable claims to ownership involve two separate doctrines: hired to invent and implied-in-fact assignments.<sup>71</sup> Hired to invent can occur in two instances. First, the employee or independent contractor is hired specifically to invent and for a specific purpose, or second, the employee is hired for a general purpose and is assigned a specific inventive task.<sup>72</sup> In a hired to invent scenario, legal ownership of the invention is not transferred to the employer.<sup>73</sup> However, the employer is protected from claims of patent infringement, and the employee would have a duty to assign ownership rights to the employer through a written assignment agreement.<sup>74</sup> The written assignment agreement transferring ownership rights from the employee to the employer is required for legal ownership of the patent along with all benefits that derive from such ownership.<sup>75</sup>

Courts determine whether an employee was hired to invent based on the implied terms of their employment.<sup>76</sup> Determinations based on implied terms, as opposed to express terms, are beneficial to employers because it is not necessary, although recommended, for employers to expressly state in employment contracts that individuals have been employed for the sole purpose of “inventing” and that the employers retain all rights to the inventions created

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70. See *State Bd. of Educ. v. Bourne*, 7 So. 2d 838, 841 (Fla. 1942) (holding that an employer may establish ownership to a patent or patentable object against the employee who created the patentable material if he can “show beyond question that the employment was for that specific purpose of making the invention”); see also *State v. Neal*, 12 So. 2d 590, 591 (Fla. 1943) (demonstrating that circumstances can change an employee’s contract from general to specialized to claim patent rights); *City of Cocoa v. Leffler*, 803 So. 2d 869, 872 (Fla. 5th Dist. Ct. App. 2002) [hereinafter *City of Cocoa II*] (reaffirming that an employer seeking rights over an employee’s invention must demonstrate that “the contract of employment by express terms or unequivocal inference shows that the employee was hired for the express purpose of producing the thing patented”).

71. *Bourne*, 7 So. 2d at 839–40; see also *Neal*, 12 So. 2d at 591; *City of Cocoa II*, 803 So. 2d at 872.

72. *Dubilier*, 289 U.S. at 187 (holding that one “who succeeds, during his term of service,” in making an invention he was employed to make “is bound to assign to his employer any patent obtained”); see *City of Cocoa II*, 803 So. 2d at 873 (finding that a city was not entitled to its employee’s patent for a water treatment system).

73. *City of Cocoa I*, 762 So. 2d at 1055; *Standard Parts Co. v. Peck*, 264 U.S. 52, 59–60 (1924).

74. *City of Cocoa I*, 762 So. 2d at 1055.

75. *Id.* 35 U.S.C. § 261 (2013).

76. *City of Cocoa I*, 762 So. 2d at 1057.

in the proper course of employment.<sup>77</sup> When looking at the implied terms of employment, courts can look at factors such as how the employer (1) directed the employee; (2) compensated the employee for their efforts; and (3) whether the employer paid for the patent protection.<sup>78</sup>

In the leading Florida case regarding ownership of inventive rights, the Court recognized that employers are entitled to an assignment of ownership rights over an employee's invention under certain circumstances:

When an employer undertakes to establish a claim to a patent or a patentable object as against his employee who is the inventor, he must show beyond question that the employment was for that specific purpose of making the invention. If the employment was general and the invention was an incident to that, the employer cannot claim the patent.<sup>79</sup>

Although courts may look at the implied terms of employment to determine whether ownership rights of an invention should be assigned to an employer, the burden is still on employers to prove beyond a reasonable doubt that they hired the employee for the purpose of creating the invention at issue or that the employee created it during the proper course of their employment.<sup>80</sup> It is therefore in the best interest of employers to expressly include in their employment contracts that they claim all ownership and inventive rights to inventions created by their employees during the proper course of their employment or to consider an assignment agreement.<sup>81</sup>

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77. *See id.* at 1055–56 (discussing how the contractual relationships between employers and employees impact patent ownership).

78. *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 407–08 (Fed. Cir. 1996) (finding that it could be implied that an employee's employment was contingent on them assigning the patent rights to the employer because the employer was directing the employee, compensated the employee for their tasks, and paid for the costs of the patent protection).

79. *State Bd. of Educ. v. Bourne*, 7 So. 2d 838, 841 (Fla. 1942) (finding that an employee who is employed for the express purpose of using employee's inventive faculty on behalf of employer's interest is entitled to all inventions made by employee in performance of the contract).

80. *Id.*

81. *Id.* at 840; *see Mount Sinai Hosp. of Greater Miami, Inc. v. Cordis Corp.*, 329 So. 2d 380, 380–81 (Fla. 3d Dist. Ct. App. 1976) (affirming the denial of a directed verdict where there was conflicting evidence as to whether the employee was hired to create an implantable synchronous pacemaker); *see also State v. Neal*, 12 So. 2d 590, 591–92 (Fla. 1943) (finding that an employee hired for the sole purpose of aiding in the study of animal

An implied-in-fact contract of assignment is found to exist when an employer and employee or independent contractor have mutual intent for the employer to own the employee's or contractor's invention.<sup>82</sup> Sufficient intent can be found in the following instances: (1) an employee handbook stating the employer's policy on assignment rights; (2) a written patent policy stating the employer's ownership; or (3) another form of written acknowledgement of the employer's ownership of employee's inventions.<sup>83</sup> This "mutual intent" has been questioned when an employee refuses to sign a written assignment, the employer does not raise issues of ownership with the employee, or the employer otherwise acquiesces to the employee's ownership.<sup>84</sup>

Under an implied non-exclusive license, also referred to as the "Shop Right" doctrine, an employer has an implied right to use an employee's or contractor's invention upon analysis of the following three factors: (1) the employee conceived and developed the invention on the employer's time *and* at the employer's expense; (2) the employee used the employer's materials, tools, or facilities to develop the invention; and (3) the employee allowed the employer to use the patented invention, without seeking additional compensation or specifying restrictions.<sup>85</sup> The rights granted to the employer are irrevocable for the patent's duration, nonexclusive, and nontransferable, except if a sale or merger of the employer occurs.<sup>86</sup>

## 2. Employee Selection of Trademark

Trademark ownership is determined by who first uses the trademark to identify a product or service.<sup>87</sup> Simply conceiving or designing a trademark, without using the trademark in connection

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nutrition was not entitled to patent rights for his discovery because he was acting within the scope of employment for which he was hired when he made the discovery). If courts are still unable to determine to whom ownership rights belong as a matter of law, they may leave the question of who owns the rights for a jury. *Mount Sinai Hosp.*, 329 So. 2d at 380.

82. *Bourne*, 7 So. 2d at 841; *see also Neal*, 12 So. 2d at 592; *City of Cocoa II v. Leffler*, 803 So. 2d 869, 872–73 (Fla. 5th Dist. Ct. App. 2002).

83. *Bourne*, 7 So. 2d at 840; *see also Neal*, 12 So. 2d at 595; *City of Cocoa II*, 803 So. 2d at 872–73.

84. *City of Cocoa II*, 803 So. 2d at 872–73.

85. *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 188 (1933).

86. *Id.*

87. TRADEMARK MANUAL OF EXAMINING PROCEDURES (TMEP) § 806.01(a) (USPTO, Oct. 2018), <https://www.uspto.gov/trademark/guides-and-manuals/tmep-archives>.

with a particular product or service, does not establish trademark rights.<sup>88</sup> Generally speaking, an employer owns a trademark when that employer is the first to use the trademark to identify its products or services.<sup>89</sup> Under common law agency principles, any use of a trademark by an employee or independent contractor is considered to be use on behalf of or for the benefit of their employer.<sup>90</sup>

### 3. *Employee Creation of Copyrightable Works*

Under copyright law, the ownership of a creative work vests in the person(s) who created the work.<sup>91</sup> There are two exceptions to this default rule.<sup>92</sup> The first is the most clear cut, in which the creator of the work signs a written assignment transferring ownership.<sup>93</sup> The second exception is commonly misunderstood and is referred to as “Works Made for Hire.”<sup>94</sup> Under this doctrine, an employer automatically owns the copyright in “work made for hire,” unless there is a contrary agreement.<sup>95</sup> The employer is considered the “author” of a work made for hire, even though the employee is actually the creator of the work.<sup>96</sup> It is important to note there are different rules for employees and independent contractors in a work made for hire scenario.<sup>97</sup> Employee work is considered work made for hire if the work is made within the scope of the employee’s employment.<sup>98</sup> An independent contractor’s work is considered work made for hire if the work is commissioned, the work falls into one of nine statutory categories, and the parties agree in writing that the work is made for hire.<sup>99</sup> An employee’s

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88. Although the designer or the one who conceived the design would like to have a copyright claim of ownership, the work must meet the requirement of a “modicum of creativity.” *Feist Publ’n, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 346 (1991).

89. *Supra* note 87, at §§ 1201.01, 1201.03.

90. *Supra* note 87, at § 1201.01.

91. 17 U.S.C. § 201(a) (2012).

92. *Id.* § 201(b), (d).

93. *Id.* § 201(d).

94. *Id.* § 201(b).

95. *Id.*

96. *Id.*

97. 17 U.S.C. § 101 (2012); *Cmtty. for Creative Non-Violence v. Reid*, 490 U.S. 730, 750–52 (1989).

98. 17 U.S.C. § 101; *Reid*, 490 U.S. at 744.

99. *Reid*, 490 U.S. at 738. The statutory categories are as follows: “contribution to a collective work, as part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas.” *Id.* (quoting 17 U.S.C. § 101).

work is considered to be within the scope of their employment when the work is of the kind that the employee was hired to create; is created substantially within the authorized time and space limits; and is motivated, at least in part, by a purpose to serve the employer.<sup>100</sup>

#### 4. *Employee Creation of Trade Secrets*

Ownership of trade secrets is somewhat ambiguous, as no federal or state statute exists which addresses initial ownership of a trade secret. However, courts generally apply the hired to invent doctrine of patent law as a basis for initial ownership of a trade secret.<sup>101</sup>

#### 5. *Policies Related to Ownership of Intellectual Property*

The above explanation as to the default rules of ownership of intellectual property illustrates why it is crucial that government agencies and entities not rely on default ownership rules, but become familiar with the proper policies and procedures to identify and protect their intellectual property. The clearest way to avoid these ownership issues is for government entities to make use of employee and independent contractor agreements with enforceable intellectual property rights provisions, assigning outright all intellectual property from the employee to the entity or agency.

Government entities and agencies should also look toward developing or updating existing internal intellectual property policies. Looking specifically to patents, a corporate patent policy can set out how the entity or agency operates to protect its inventions and technology. The policy should also outline the proper ways for employees to document and report development activities on inventions and projects the employees are working on or contributing to. For trademarks, the policy should establish the proper ways to use the entity's or agency's trademarks. This not only educates the employees but also strengthens and assists with the enforceability of an entity's or agency's trademarks. Government entities and agencies can also establish information

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100. *Reid*, 490 U.S. at 751–52.

101. *Bldg. Innovation Indus., L.L.C. v. Onken*, 473 F. Supp. 2d 978, 984 (D. Ariz. 2007).

technology securities and policies which limit access to company data based upon an employee's job duties.

Best practices for government entities and agencies consist of including an Intellectual Property Rights Provision (IP Provision) in all employee contracts, wherein the IP Provision states that the employee assigns to the government entity or agency all of the employee's rights in inventions, creative works, work product, and any other intellectual property. It is imperative that the assignment be a *present* assignment, not an agreement to assign in the future.<sup>102</sup> The IP Provision should also acknowledge the entity's or agency's ownership of the employee's or contractor's copyrightable work-product that constitutes a work for hire and also address the employee's or contractor's pre-existing intellectual property rights.

An additional best practice for government entities and agencies is to obtain signed written intellectual property assignments and confidentiality agreements<sup>103</sup> at the *beginning* of an employee's employment or contractor's term of work.<sup>104</sup> While an overarching employee agreement should define work product broadly, assignment agreements should clearly identify the work product being assigned from the employee to the government entity or agency.

To support the assignment of rights, government entities and agencies should use provisions that require employees or contractors to assist in protecting and enforcing their intellectual property rights. For example, a government entity or agency requires the employee or contractor to execute oaths, declarations, assignments, or other documents to assist in filing a patent, trademark, or copyright application. Planning for the possibility of litigation also calls for a clause requiring the employee or

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102. The "magic language" to make this present assignment effective is "hereby assigns." *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 583 F.3d 832, 841-42 (Fed. Cir. 2009), *aff'd*, 563 U.S. 776 (2011).

103. While this Article does not dive into a discussion on confidentiality agreements, it is important to note that these agreements must comply with both state and federal law. Under the Defend Trade Secrets Act of 2016, confidentiality agreements must include a whistleblower immunity clause. 18 U.S.C. § 1833(b) (Supp. V 2017).

104. Agreements that are set in place after the start of employment must be supported by consideration. *Preston v. Marathon Oil Co.*, 684 F.3d 1276, 1285 (Fed. Cir. 2012). In Florida, continued employment has been deemed sufficient consideration. *Larson v. Correct Craft, Inc.*, 537 F. Supp. 2d 1264, 1270 (M.D. Fla. 2008), *vacated and remanded*, 569 F.3d 1319 (Fed. Cir. 2009) (vacating on other grounds).



contractor to provide testimony concerning the development of the intellectual property.

#### B. Patent Rights in Independent Consultant and Contractor Agreements

When engaging an individual for their inventive faculties, employers need to establish whether there is an employer-employee or an employer-independent contractor relationship because of the different laws that apply. In deciding whether the person was hired to “invent” as an employee or independent contractor, the following factors must be analyzed to gauge the degree of independence or subservience of the person:

- (1) the existence of a contract for the performance of a specific job,
- (2) payment of a fixed price for the work,
- (3) employment by the contractor of assistants who are under his control, and
- (4) the furnishing of tools and materials and the right to control the conduct of the work while in progress.<sup>105</sup>

By applying traditional agency law, courts use the right-to-control test to determine if a worker is an independent contractor or an employee.<sup>106</sup> The purpose of making this determination is

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105. *Villaronga v. Gelpi P'ship No. 3*, 536 So. 2d 1307, 1311 (La. Ct. App. 5th Cir. 1988) (finding that a general contractor is not liable for the negligence of a subcontractor unless “the general contractor retained the right to exercise or did exercise direction or control over the performance of the subcontractor’s work”).

106. RESTATEMENT (SECOND) OF AGENCY § 220 (AM. LAW INST. 1958):

- (1) A servant is a person employed to perform services . . . subject to the other’s control or right to control.
- (2) In determining whether one acting for another is a servant or an independent contractor, the following matters of fact, among others, are considered:
  - (a) the extent of control . . . ;
  - (b) whether or not the one employed is engaged in a distinct occupation or business;
  - (c) the kind of occupation . . . ;
  - (d) the skill required in the particular occupation;
  - (e) whether the employer or the workman supplies the instrumentalities, tools, and the place of work . . . ;
  - (f) the length of time for which the person is employed;
  - (g) the method of payment . . . ;
  - (h) whether or not the work is a part of the regular business of the employer;
  - (i) whether or not the parties believe they are creating the relation of master and servant . . . ; and
  - (j) whether the principal is or is not in business.

because an employer is able to exercise control over their employees and therefore may be entitled to all inventions created during the employee's course of employment.<sup>107</sup> However, because an employer has less control over independent contractors, the employer is less likely to successfully claim an assignment of ownership rights for an invention created by an independent contractor, unless there is a written assignment agreement that expressly transfers all inventive rights from the independent contractor to the employer.<sup>108</sup> An issue that commonly arises in this determination is when agreements between employers and independent contractors appear, on their face, to be employer-employee agreements.

It is often opined that, as a way to address the ambiguity created by employment agreements, courts should also look at how the employer is filing tax forms.<sup>109</sup> More specifically, Form W-2 versus Form 1099-MISC.<sup>110</sup> Then, based on the implied terms of the employees' employment, a court would more regularly find a Form W-2 employee is not as entitled to the ownership rights of the invention, whereas a Form 1099-MISC employee would be entitled to the invention's ownership rights.<sup>111</sup> In any event, these minor details such as which tax forms an employer files can provide governmental agencies with clearer pictures as to when a

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*Id.*

107. See *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 187 (1933) ("One employed to make an invention, who succeeds, during his term of service, in accomplishing that task, is bound to assign to his employer any patent obtained."); see also *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 407 (Fed. Cir. 1996) (noting that "employers may still claim an employee's inventive work where the employer specifically hires or directs the employee to exercise inventive faculties").

108. See *Villaronga*, 536 So. 2d at 1310–11 (discussing the level of control employers exercise over employees versus independent contractors).

109. See generally James M. Patterson, *Independent Contractor or Employee? Classify Workers Correctly or Risk Sanctions*, 48 TENN. B.J., June 2012, at 26, 27 (urging employers to "[e]nsure that contractors are treated correctly for federal tax purposes and that they are not listed on the payroll with employees. Independent contractors should receive an IRS form 1099 for their earnings rather than a W-2").

110. See *About 1099-Misc, Miscellaneous Income*, IRS, <https://www.irs.gov/forms-pubs/about-form-1099-misc> (last updated Jan. 29, 2019) (explaining who must file Form 1099-MISC); *About Form W-2, Wage and Tax Statement*, IRS, <https://www.irs.gov/forms-pubs/about-form-w-2> (last updated Nov. 29, 2018) (explaining who must file Form W-2).

111. See Patterson, *supra* note 109, at 27 (noting that all workers classified as "employees" should receive a W-2 form). Employers generally exercise a greater degree of control over employees than they do over independent contractors, making it more likely a court will find an employer has ownership rights in an invention created by an employee. RESTATEMENT (SECOND) OF AGENCY § 220.

separate assignment agreement may be needed for the work that was performed.

Do independent contractors, however, have a fiduciary duty to turn over ownership and inventive rights to companies that hire them for a specific job if it is not expressly written in an assignment agreement? For instance, a governmental agency hires an individual to create new software with its requested specifications and oversight, but there is no assignment agreement signed between the parties. The programmer later has a change of heart after realizing that she could license her software to various entities for a lucrative pay day. In this example, it is likely that the programmer would be classified as an independent contractor.

Does the independent contractor have a fiduciary duty to turn over the software to the agency who in good faith paid her for the specific purpose of developing the software for it? Florida courts have addressed this question and held that there must be a factual basis to establish a fiduciary duty and that “[s]uch agreements do not automatically give rise to fiduciary obligations.”<sup>112</sup> Fiduciary duties cannot be implied from an employer-independent contractor employment agreement unless it is specifically stated in the contract that the independent contractor accepts that role.<sup>113</sup> Thus, if employers wish to retain ownership rights over the work product created for them by hired independent contractors, it is important to expressly state in a written assignment agreement that the contractor has knowledge of and agrees to transfer ownership rights of the work product created.<sup>114</sup>

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112. *Amoco Oil Co. v. Gomez*, 125 F. Supp. 2d 492, 509 (S.D. Fla. 2000) (explaining that “no court in the Eleventh Circuit or Florida has yet found that the fiduciary duty of disclosure extends to franchisor/franchisee relationships”); *Barnes v. Burger King Corp.*, 932 F. Supp. 1420, 1430 (S.D. Fla. 1996) (explaining that courts refuse to imply fiduciary duties in franchisor-franchisee relationships because those parties contract at arms’ length); *Riddle v. Mobil Oil Corp.*, No. 861636-CIV, 1992 WL 81321, at \*13 (M.D. Fla. Apr. 8, 1992) (“The mere existence of a franchise agreement does not give rise to fiduciary obligations.”).

113. *See Amoco Oil*, 125 F. Supp. 2d at 509 (explaining that if the language of the agreement explicitly creates an independent contractor relationship, courts will not imply “any other kind of fiduciary relationship”).

114. *State Bd. of Educ. v. Bourne*, 7 So. 2d 838, 840 (Fla. 1942).

V. *INFRINGEMENT OF THIRD-PARTY INTELLECTUAL PROPERTY: LIABILITY AND IMMUNITIES OF GOVERNMENT AND VENDORS*

Intellectual property infringement is a deeply rooted area of law. Trademark infringement occurs when someone produces, counterfeits, copies, or imitates another's trademark without permission, and it causes confusion as to the source of those goods or services.<sup>115</sup> Patent infringement arises when a patented invention is made, used, offered for sale, or sold without the patent owner's permission.<sup>116</sup> Copyright infringement ensues when actual copying of an original work occurs "without the consent of the [copyright] owner."<sup>117</sup>

The aforementioned types of intellectual property infringement share the same concept: infringement occurs when someone uses the intellectual property of another without consent.<sup>118</sup> In most cases, the infringer is liable to the owner of the intellectual property for remedies such as lost profits, damages, and attorney's fees.<sup>119</sup> However, in 1999 the Supreme Court held that states were not subject to intellectual property infringement suits in the controversial case of *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*.<sup>120</sup>

Those within the intellectual property community are divided regarding governmental immunity from these suits; some find it unjust that states, which are owners of intellectual property, "benefit from the protection of the federal intellectual property laws but do not have to be bound by them."<sup>121</sup> Those who align with this opinion feel that an adequate remedy is not available for government infringement if states cannot be sued and believe "Congress should enact new legislation" holding states more accountable.<sup>122</sup> Generally, the remedy for intellectual property infringement is a lawsuit for injunctive relief and/or monetary

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115. 15 U.S.C. § 1114(1) (2012).

116. 35 U.S.C. § 271(a) (2012).

117. 17 U.S.C. § 1309(e) (2012).

118. *See supra* text accompanying notes 115–17.

119. 15 U.S.C. §§ 1114(2), 1116 (2012); 17 U.S.C. §§ 1322–1323 (2012); 35 U.S.C. §§ 283–284 (2012).

120. 527 U.S. 627, 630 (1999).

121. U.S. GEN. ACCOUNTING OFFICE, GAO-01-811 INTELLECTUAL PROPERTY: STATE IMMUNITY IN INFRINGEMENT ACTIONS 6 (2001), <https://www.gao.gov/new.items/d01811.pdf>.

122. *Id.* at 3.

damages.<sup>123</sup> However, since the *Florida Prepaid* decision, monetary relief is no longer awarded because states are immune from being sued for monetary damages.<sup>124</sup> Those on the other side believe no action needs to be taken because obtaining an injunction is sufficient relief, as states rarely infringe on another's intellectual property.<sup>125</sup>

The instant case shed light on this issue when College Savings Bank sued Florida Prepaid Postsecondary Education for patent infringement.<sup>126</sup> In New Jersey, College Savings, a chartered savings bank, was selling "annuity contracts for financing future college expenses."<sup>127</sup> The bank was marketing and selling these annuity contracts as CollegeSure CD certificates of deposit.<sup>128</sup> College Savings acquired a patent for these annuity contracts "for its financing methodology," which was designed for investors to secure that their funds would cover the costs of future college tuition.<sup>129</sup> "College Savings claim[ed] that, in the course of administering its tuition pre-payment program, Florida Prepaid . . . infringed [upon its] patent."<sup>130</sup> Created by the State of Florida, Florida Prepaid administered "similar tuition prepayment contracts available to Florida residents and their children."<sup>131</sup> Thus, an important finding in the case was that "Florida Prepaid is an arm of the State of Florida" consistent with an agreement by both parties during the duration of the lawsuit.<sup>132</sup> Additionally,

Florida Prepaid moved to dismiss the action on the grounds of sovereign immunity. Florida Prepaid argued that the Patent Remedy Act was an unconstitutional attempt by Congress to use its Article I powers to abrogate state sovereign immunity. College Savings responded that Congress had properly exercised its power pursuant to § 5 of the Fourteenth Amendment to enforce the guarantees of the Due Process

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123. *Id.* at 4.

124. *Id.* at 13.

125. *Id.* at 3.

126. Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank, 527 U.S. 627, 630 (1999).

127. *Id.*

128. *Id.*

129. *Id.* at 630–31.

130. *Id.* at 631. College Savings' infringement action under 35 U.S.C. § 271(a) (2012) against Florida Prepaid "sought declaratory and injunctive relief as well as damages, attorney's fees, and costs." *Id.* at 633.

131. *Id.* at 631.

132. *Id.* at 633 n.3.

Clause in § 1 of the Amendment. The United States intervened to defend the constitutionality of the statute. Agreeing with College Savings, the District Court denied Florida Prepaid's motion to dismiss, and the Federal Circuit affirmed.<sup>133</sup>

However, the Federal Circuit noted that under the Fourteenth Amendment, "Congress had clearly expressed its intent to abrogate [state sovereign] immunity from suit in federal court for patent infringement."<sup>134</sup> The Federal Circuit held that patents were considered protected property under the Due Process Clause.<sup>135</sup> Additionally, the Federal Circuit stated "that significant harm results from state infringement of patents, and [t]here is no sound reason to hold that Congress cannot subject a state to the same civil consequences that face a private party infringer."<sup>136</sup> Thus, the Federal Circuit "rejected Florida Prepaid's argument that it . . . had not deprived patent owners of their property *without due process*."<sup>137</sup>

The Supreme Court reversed the lower court's ruling, using the Eleventh Amendment to reject College Savings' first argument that Florida Prepaid impliedly waived its sovereign immunity.<sup>138</sup> The Court determined that although Florida Prepaid did not expressly consent to the suit, College Savings and the United States could not argue implied waiver of immunity since the Court

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133. *Id.* at 633 (internal citations and footnote omitted).

134. *Id.*

135. *Id.* ("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.")

136. *Id.* at 634 (quoting *College Savings Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 148 F.3d 1343, 1355 (Fed. Cir. 1998) (internal citations omitted)); *id.* at 663 n.14 (Stevens, J., dissenting) (quoting S. REP. NO. 102-280, at 9 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087, 3088) ("[T]he current state of the law leaves the protection afforded to patent and trademark holders dependent on the status of the infringing party. A public school such as UCLA can sue a private school such as USC for patent infringement, yet USC cannot sue UCLA for the same act.")

137. *Fla. Prepaid*, 527 U.S. at 633.

138. *Id.* at 634-35. The Eleventh Amendment provides: "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." U.S. CONST. amend. XI; *see* *Hans v. Louisiana*, 134 U.S. 1, 13 (1890) (confirming that each State is a sovereign entity in the federal system and that "[i]t is inherent in the nature of sovereignty not to be amenable to the suit of an individual *without its consent*"). The *Hans* Court reaffirmed that federal jurisdiction over suits against nonconsenting States "was not contemplated by the Constitution when establishing the judicial power of the United States." *Id.* at 15.

overruled the constructive waiver theory.<sup>139</sup> In order to address College Savings' next argument regarding whether the enactment of the Patent Remedy Act by Congress "validly abrogated the States' sovereign immunity,"<sup>140</sup> the Court had to determine if Congress "unequivocally" intended to abrogate the state's immunity and, if Congress' intent is clear, whether Congress properly exercised its power.<sup>141</sup> The Court agreed with the Federal Circuit that Congress' intention was "unmistakably clear" through the language of the Patent Remedy Act.<sup>142</sup> The more difficult determination was whether Congress had the power to revoke state sovereign immunity. Using the Patent Clause, Interstate Commerce Clause, and the Fourteenth Amendment, Congress was able to justify the Patent Remedy Act.<sup>143</sup>

College Savings and the United States instead based their main argument on "the Fourteenth Amendment's protections against deprivations of property without due process of law."<sup>144</sup> The Court agreed with College Savings' and the United States' suggestion "that 'appropriate' legislation pursuant to the Enforcement Clause of the Fourteenth Amendment could abrogate state sovereignty."<sup>145</sup>

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139. *Fla. Prepaid*, 527 U.S. at 635. See *Parden v. Terminal Ry. of Alabama Docks Dep't.*, 377 U.S. 184, 192 (1964) (stating that "operating a railroad in interstate commerce, [the state] must be taken to have accepted that condition and thus to have consented to suit"), *overruled by* *College Savings Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 691 (1999) (holding that a state's activity in interstate commerce does not waive sovereign immunity, thus overturning *Parden's* constructive waiver theory).

140. *Fla. Prepaid*, 527 U.S. at 635.

141. *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 55 (1996) (quoting *Green v. Mansour*, 474 U.S. 64, 68 (1985)).

142. *Fla. Prepaid*, 527 U.S. at 635 (quoting *Dellmuth v. Muth*, 491 U.S. 223, 228 (1989) and referencing 35 U.S.C. § 296(a) (1994)).

143. *Id.* at 635–36.

144. *Id.* at 636. Section 1 of the Fourteenth Amendment states in part that "No State shall . . . deprive any person of life, liberty, or property, without due process of law." U.S. CONST. amend XIV, § 1. Section 5 of the Fourteenth Amendment states that "Congress shall have power to enforce, by appropriate legislation, the provisions of this article." *Id.* § 5.

145. *Fla. Prepaid*, 527 U.S. at 637. The Court previously explained:

In *Fitzpatrick*, we recognized that the Fourteenth Amendment, by expanding federal power at the expense of state autonomy, had fundamentally altered the balance of state and federal power struck by the Constitution. . . . We held that through the Fourteenth Amendment, federal power extended to intrude upon the province of the Eleventh Amendment and therefore that § 5 of the Fourteenth Amendment allowed Congress to abrogate the immunity from suit guaranteed by that Amendment.

*Seminole Tribe of Fla. v. Florida*, 517 U.S. 44, 59 (1996) (citing *Fitzpatrick v. Bitzer*, 427 U.S. 445, 455 (1976)).

Congress believed the Patent Remedy Act met the “appropriate” standard because a “patent is a form of property,” and patent infringement allows the patent holder compensation.<sup>146</sup> Congress further used the Court’s previous recognition that patent rights were property rights, and states were prohibited from depriving a patent holder of their patent right “without due process of law.”<sup>147</sup>

However, the standard for “appropriate” legislation, as determined by the Court in *City of Boerne v. Flores*, reiterates the notion that Congress’ enforcement power is in fact “remedial,” thus limiting the scope of what is considered “appropriate” legislation.<sup>148</sup> The Court held that for Congress to raise Section 5 of the Fourteenth Amendment, Congress “must identify conduct transgressing the Fourteenth Amendment’s substantive provisions, and must tailor its legislative scheme to remedying or preventing such conduct.”<sup>149</sup>

Following the holding of *City of Boerne*, the Court sought to examine the state’s conduct of infringing on patents while claiming sovereign immunity to bypass infringement claims by patent owners.<sup>150</sup> The Court identified this conduct of the state as unremedied patent infringement that violates the Fourteenth Amendment, which was the opposite of Congress’ intent in enacting the Patent Remedy Act.<sup>151</sup> In creating the Patent Remedy

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146. *Fla. Prepaid*, 527 U.S. at 637 (quoting S. REP. NO. 102-280, at 8 (1992), reprinted in 1992 U.S.C.C.A.N. 3087, 3088).

147. *Id.* (quoting S. REP. NO. 102-280, at 8).

148. *Id.* at 637–38 (quoting *City of Boerne v. Flores*, 521 U.S. 507, 519 (1997)). The Court discussed the term “appropriate” as it was construed in *City of Boerne*: “We recognized that ‘[l]egislation which deters or remedies constitutional violations can fall within the sweep of Congress’ enforcement power even if in the process it prohibits conduct which is not itself unconstitutional and intrudes into ‘legislative spheres of autonomy previously reserved to the States.’” *Id.* at 638 (quoting *City of Boerne*, 521 U.S. at 518). The Court again referred to its decision in *City of Boerne* where it noted that “[a]s broad as the congressional enforcement power is, it is not unlimited’ . . . and held that ‘Congress does not enforce a constitutional right by changing what the right is. It has been given the power “to enforce,” not the power to determine what constitutes a constitutional violation.’” *Id.* (quoting *City of Boerne*, 521 U.S. at 519). Using the history of the Fourteenth Amendment, the Court in *City of Boerne* explained that “[t]here must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end. Lacking such a connection, legislation may become substantive in operation and effect.” *City of Boerne*, 521 U.S. at 520.

149. *Fla. Prepaid*, 527 U.S. at 639.

150. *Id.* at 639–40 (citing H.R. REP. NO. 101-960(I), at 37–38 (1990)) (“[P]atent owners are effectively denied a remedy for damages resulting from infringement by a State or State entity.”).

151. *Id.* at 640.



Act, however, Congress did not identify any pattern of state patent infringement or constitutional violation that warranted the remedy. Moreover, evidence demonstrated that states complied with the law whereas there were only two patent infringement suits against the states.<sup>152</sup>

Further, “[t]estimony before the House Subcommittee in favor of the bill acknowledged that ‘states are willing and able to respect patent rights,’” with the bill’s sponsor conceding that, regardless of state sovereign immunity, there was no evidence of states violating patent laws.<sup>153</sup> Based on the testimony, there seemed to be widespread agreement that state patent infringement was a speculative problem, and it was not confirmed that patent infringement cases against states would increase if the Patent Remedy Act was not passed.<sup>154</sup>

College Savings argued that the Florida’s infringement of the patent and its subsequent immunity pleading to the suit was a violation of due process because Florida took the patented property and did not pay “just compensation required by the Fifth Amendment.”<sup>155</sup> Based on the legislative record of the Patent Remedy Act, there is very “little support for the proposition that Congress sought to remedy a Fourteenth Amendment violation” despite having identified patent rights as property rights.<sup>156</sup> “[I]n procedural due process claims, the deprivation by state action of a constitutionally protected interest . . . is not in itself unconstitutional; what is unconstitutional is the deprivation of such an interest *without due process of law*.”<sup>157</sup> Under Court precedent and the plain language of the Clause, it follows that a state’s patent infringement “interfer[es] with a patent owner’s right to exclude others” from use of the patent owner’s property,

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152. *Id.* (citing H.R. REP. NO. 101-960(I), at 38).

153. *Id.* at 641. Jeffrey M. Samuels, Acting Commissioner of Patents and Trademarks, U.S. Department of Commerce, when questioned by Representative Kastenmeier, said: “There have not been many cases that have raised this issue. I guess our feeling is that it is a step that should be taken now because the possibility exists in light of *Atascadero* and in light of the *Chew* case that more States will get involved in infringing patents.” *Id.* at 641 n.6. Further, there was “no evidence that unremedied patent infringement by [the] States had become a [national] problem” in the Senate Report. *Id.* at 641.

154. *Id.*

155. *Id.* at 641–42.

156. *Id.* at 642.

157. *Zinerman v. Burch*, 494 U.S. 113, 125 (1990) (referring to U.S. CONST. amend. XIV, § 1).

but it “does not by itself violate the Constitution.”<sup>158</sup> The Court concluded that if the state does not provide an adequate remedy to an injured patent owner that has had their patent infringed, a “deprivation of property without due process results.”<sup>159</sup>

In implementing the Patent Remedy Act, Congress “barely considered the availability of state remedies for patent infringement” and whether this conduct amounts to a violation of the Fourteenth Amendment.<sup>160</sup> The witnesses in the House Hearings did not concentrate on whether “state remedies were constitutionally inadequate” but instead focused on state remedies being “less convenient than federal remedies.”<sup>161</sup> The House Report only made surface level comments regarding the adequacy of state remedies in the Patent Remedy Act.<sup>162</sup> Congress and the Senate Report were silent on this issue.<sup>163</sup>

The Court also focused on state patent infringement that was purposeful instead of negligent and held that the latter was not what Congress focused on protecting; thus, Congress focused on alleviating “innocent or at worst negligent” conduct by the states.<sup>164</sup> As such, it also decided that negligent infringement “does not violate the Due Process Clause of the Fourteenth Amendment.”<sup>165</sup>

The Court concluded that the legislative record advised that the Patent Remedy Act did not meet the appropriate standard cited to in *City of Boerne*, and Congress did not have any “widespread and persisting deprivation of constitutional rights” to remedy.<sup>166</sup> Congress concluded that based upon the evidence in the

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158. *Fla. Prepaid*, 527 U.S. at 643.

159. *Id.*

160. *Id.* “[I]t is true that you may have State remedies, alternative State remedies . . . You could bring a deceit suit. You could try just a general unfair competition suit. A restitution is one that has occurred to me as a possible basis of recovery.” *Id.* at 643 n.8 (quoting *Patent Remedy Clarification Act: Hearing on H.R. 3886 Before the Subcomm. on Courts, Intellectual Property, and the Administration of Justice of the H. Comm. on the Judiciary*, 101st Cong., 61 (1990) (statement of Robert Merges) [hereinafter *House Hearing*]). “Another problem with this approach is that it assumes that such state law remedies will be available in every state in which the patentee’s product is sold. *This may or may not be true.*” *Id.* (emphasis added) (quoting *House Hearing*, 101st Cong. at 47 (statement of William Thompson)).

161. *Id.* at 644.

162. *Id.*

163. *Id.*

164. *Id.* at 645 (quoting H.R. REP. NO. 101-960(1), at 39 (1990) (“[I]t should be very rare for a court to find . . . willful infringement on the part of a State or State agency.”)).

165. *Id.*

166. *City of Boerne v. Flores*, 521 U.S. 507, 526 (1997); *Fla. Prepaid*, 527 U.S. at 645.

record, “States were [not] depriving patent owners of property without due process of law by pleading sovereign immunity.”<sup>167</sup> The provisions of the Patent Remedy Act as applied were therefore disproportionate to the supposed remedial purpose of the legislation; if the unconstitutional behavior cannot be specified, then states would be exposed to an “unlimited range” of conduct seen as patent infringement.<sup>168</sup>

“Congress did nothing to limit the coverage of the Act to cases involving arguable constitutional violations, such as where a State refuses to offer any state-court remedy” or compensation for patent infringement or where a state purposefully infringes on a patent.<sup>169</sup> The Patent Remedy Act allowed any state to be susceptible to a broad range of patent infringement suits in federal court, and the Patent Remedy Act was found to be “particularly incongruous in light of the scant support” for its need.<sup>170</sup> The Court held that the Patent Remedy Act could not “be sustained under [Section] 5 of the Fourteenth Amendment.”<sup>171</sup> While the statute’s purpose to provide a uniform remedy for infringement and hold states to the same standard as private parties was a proper concern under Article I, Congress no longer has the power to enact such pre-emptive legislation after *Seminole Tribe*.<sup>172</sup> The judgment was reversed and remanded for proceedings consistent with the Court’s ruling.<sup>173</sup>

## VI. CONCLUSION

By understanding the most common forms of intellectual property law and the legal considerations surrounding the authorship, creatorship, ownership, and use of that intellectual property, local governments will be equipped to register and enforce their own intellectual property rights. Local governments should also be aware of potential liabilities and possible applicable immunities should they find themselves facing a case of infringement of another’s intellectual property rights.

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167. *Fla. Prepaid*, 527 U.S. at 646.

168. *Id.*

169. *Id.* at 646–47.

170. *Id.* at 647.

171. *Id.*

172. *Id.* at 647–48 (referencing *Seminole Tribe of Fla. v. Florida*, 517 U.S. 44 (1996)).

173. *Id.* at 648.