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Indian Tribes Immune From Private Suits Under U.S. Patent Act

Ruling in Slot Machine Patent Infringement Action Underscores Importance of Sovereign Immunity Waiver in Private Transactions Involving Tribes

On January 27, 2011, a federal district court dismissed a private party's patent infringement claim against an Indian tribe, ruling that the tribe is immune from private lawsuits brought under the U.S. Patent Act, unless the tribe independently waives its sovereign immunity. Specifically, in *Specialty House of Creation, Inc. v. Quapaw Tribe of Oklahoma*, 2011 WL 308903 (N.D. Okla., Jan. 27, 2011), the court held that although the Patent Act is a statute of general applicability to all persons including Indians and Indian tribes, Congress did not waive tribal sovereign immunity from private suits thereunder. Accordingly, a tribe must independently waive its sovereignty through contract, government compact or otherwise, in order to be subject to private patent claims.

Facts of the Case

Specialty House of Creativity Inc. ("Specialty House"), a New Jersey corporation, owns United States Design Patent No. D486,531 for the gaming machine known as Slot Machine Card Holder. In 2006, Specialty House contracted with the Quapaw Tribe of Oklahoma (the "Tribe") for the sale of 14,000 Slot Machine Card Holders.

In June 2010, Specialty House discovered Slot Machine Card Holders at the Tribe's casinos that it alleged were counterfeit and sued the Tribe in the Northern District of Oklahoma for patent infringement. The Complaint alleged that the Tribe "either directly or through an intermediary, and without the permission or knowledge of Specialty House, arranged for the production of counterfeit Slot Machine Card Holders." The Complaint further alleged that the counterfeit devices were manufactured outside of the United States and imported to the Tribe's casinos, and were even stamped with the number of the patent owned by Specialty House.

In response, the Tribe filed a Motion to Dismiss for lack of subject matter jurisdiction, asserting immunity from private suits brought under the Patent Act because it had not formally or independently waived its sovereignty. The Court agreed with the Tribe and dismissed the case.

Regulatory Background – the Patent Act and Sovereign Immunity

As a matter of federal law, Indian tribes are subject to suit only where Congress has authorized the suit or the tribe has waived its immunity.¹ A waiver of sovereign immunity "cannot be implied but must be unequivocally expressed."² The Patent Act is considered a statute of general applicability, meaning that its terms apply to all persons.³ However, the fact that a general statute applies to tribes does not mean that Congress has waived tribal sovereign immunity from private suits brought thereunder.⁴ In fact, the Patent Act specifically waives state sovereign immunity,⁵ but does not expressly waive the sovereign immunity of Indian tribes.

Although case law is sparse, courts have confirmed the principle of tribal sovereign immunity from private suits under federal intellectual property laws. In *Home Bingo Network v. Multimedia Games, Inc.*, the court held that an Oklahoma tribe was immune from a patent lawsuit because federal patent laws contain no express waiver of tribal

¹ *Kiowa Tribe of Okla. v. Mfg. Tech., Inc.*, 523 U.S. 751, 754 (1998).

² *U.S. v. Testan*, 424 U.S. 392, 399 (1976).

³ *Home Bingo Network v. Multimedia Games, Inc.*, 2005 WL 2098056 (N.D.N.Y. Aug. 30, 2005).

⁴ *Basseett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 357 – 58 (2nd Cir. 2000).

⁵ 35 U.S.C. § 271(a) – (c).

sovereign immunity.⁶ Similarly, in *Bassett v. Mashantucket Pequot Tribe*, the Second Circuit held that even though the federal Copyright Act is a law of general application, the tribe had not abrogated its immunity in adopting it.⁷

The Specialty House Court's Ruling

Following this precedent, the Oklahoma District Court dismissed Specialty House's patent infringement suit against the Quapaw Tribe, finding that the Tribe had not waived its sovereign immunity from suits under the Patent Act.

The Court found that Specialty House provided no evidence that Congress expressly abrogated tribal sovereign immunity with respect to the enforcement of patents. Moreover, the Court found that Specialty House provided no evidence that the Tribe waived its immunity from private suits under federal patent law through private contract. Despite Specialty House's argument that the Tribe waived immunity in the Tribal-State Gaming Compact between the Tribe and the State of Oklahoma, the Court held that the Tribe's waiver of immunity from suit under the Compact for "tort claims for personal injury or property damage...arising out of incidents occurring at a [gaming] facility" was not with respect to torts generally, or for patent infringement particularly. As a result, the Court dismissed Specialty House's suit against the Tribe for lack of subject matter jurisdiction.

Practical Implications

The *Specialty House* case highlights several practical implications of transactions between private entities and Indian tribes. Foremost, private entities should seek specific, express waivers of tribal sovereign immunity for claims that may arise in connection with commercial transactions, keeping in mind that such waivers must be in accordance with the tribe's Constitution and often require a formal resolution by the tribal governing body.

In addition, private entities should become familiar with the legal and regulatory framework surrounding transactions with Indian tribes, and the unique challenges they present. For example, private parties should seek review from the National Indian Gaming Commission (the "NIGC") of any proposed agreement with an Indian tribe relating to (or impacting upon) Indian gaming operations – either to receive approval of the agreement as a management contract, or to receive a declination letter. Ultimately, if a contract is determined to be a management contract and has not received the prior approval of the NIGC, the entire contract may be *void ab initio* and its provisions – including any provisions related to waiver of tribal sovereign immunity – cannot be enforced.

Conclusion

Specialty House underscores the need for careful and expert review of private party transactions with Indian tribes. Issues related to tribal sovereign immunity are of particular import, and parties may be well-advised to seek formal, express, independent waivers of such immunity – not only for transactions involving federal patent laws, but for all transactions involving statutes of general applicability.

This document is intended to provide you with general information about issues related to Indian tribes immune from private suits under U.S. patent act. The contents of this document are not intended to provide specific legal advice. If you have any questions about the contents of this document or if you need legal advice as to an issue, please contact the attorney listed below or your regular Brownstein Hyatt Farber Schreck, LLP attorney. This communication may be considered advertising in some jurisdictions.

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⁶ 2005 WL 209856 (N.D.N.Y. Aug. 30, 2005).

⁷ *Basseett*, 204 F.3d at 357 – 58.