

***Ninth Circuit Holds Tribal Court Lacks Jurisdiction
Over Federal Trademark Infringement and Related State Law Claims***

The Ninth Circuit Court of Appeals' recent decision in *Phillip Morris U.S.A., Inc. v. King Mountain Tobacco Company, Inc.*, 552 F.3d 1098 (9th Cir. 2009), adds to the growing body of case law defining the scope of tribal court jurisdiction. In that case, the Ninth Circuit Court of Appeals held that the Yakama Nation Tribal Court does not have jurisdiction over Phillip Morris U.S.A., Inc.'s ("Philip Morris") federal and state claims for trademark infringement against a tribal corporation and two Yakama tribal members and that Phillip Morris, therefore, did not need to exhaust tribal court remedies before proceeding in federal court. The decision builds on the accepted principles that tribal courts are not courts of general jurisdiction and that, subject to two exceptions, the inherent sovereign power of Indian tribes does not extend to the activities of non-members.

Phillip Morris manufactures and markets Marlboro cigarettes. King Mountain Tobacco Company, Inc. ("King Mountain"), a tribal corporation on the Yakama Indian Reservation, sells King Mountain cigarettes. Phillip Morris claimed that the packaging for the King Mountain cigarettes "is a close copy or imitation of" the Marlboro packaging "such that consumers are both actually and likely to be confused" thereby infringing upon and diluting Marlboro's trademark. Phillip Morris thus filed suit in federal court alleging various federal and state law claims and seeking injunctive relief against King Mountain's continued sale of its product. In response, King Mountain filed an action for declaratory relief against Phillip Morris in Yakama Nation Tribal Court. Phillip Morris in turn sought an injunction from the federal court against the Tribal Court proceeding. King Mountain then moved the federal court to stay its proceedings pending the Tribal Court's determination of its jurisdiction. The federal court granted King Mountain's requested stay concluding that there was a colorable claim to tribal court jurisdiction. On appeal, the Ninth Circuit reversed.

The Ninth Circuit explained that three United States Supreme Court cases, *Montana v. United States*, 450 U.S. 544 (1981), *Strate v. A-1 Contractors*, 520 U.S. 438 (1997), and *Nevada v. Hicks*, 533 U.S. 353 (2001), provided the foundation for their analysis. From those cases, the Ninth Circuit derived the following "guiding principles." First, the Ninth Circuit explained that in considering tribal jurisdiction, a court should "look first to the member or non-member status of the unconsenting party, which is, in this case, Phillip Morris, a non-member" As to non-members, "a tribe's adjudicative jurisdiction does not exceed its legislative jurisdiction."

Second, the Ninth Circuit noted that, apart from treaties, "there are two potential sources of tribal jurisdiction: a tribe's inherent sovereignty and congressional statutory grant." As a general proposition, "the inherent sovereign powers of an Indian tribe do not extend to the activities of non-members of the tribe." This restriction is "subject to two exceptions: the first exception relates to non-members who enter consensual relationships with the tribe or its members; the second concerns activity that directly affects the tribe's political integrity, economic security, health, or welfare." If neither of those exceptions applies, then the court will consider "whether such regulatory jurisdiction has been congressionally conferred." The Ninth Circuit noted, though, that "Tribal Courts are not courts of general jurisdiction and a mere failure to affirmatively preclude tribal jurisdiction in a statute does not amount to a congressional expansion of tribal jurisdiction."

Third, the Ninth Circuit explained that tribal jurisdiction is “cabined by geography: the jurisdiction of tribal courts does not extend beyond tribal boundaries.”

Taking those principles together, the Ninth Circuit concluded that the Yakama Nation Tribal Court did not have jurisdiction over King Mountain’s tribal action for declaratory relief, “insofar as it implicates Phillip Morris’ federal trademark infringement claims against King Mountain . . .” and that Philip Morris was not required to exhaust remedies in tribal court before proceeding with its federal court action.

The Ninth Circuit explained that neither of the exceptions to the general rule that tribes lacked jurisdiction over non-members was applicable. While Phillip Morris acknowledged that “as part of its business, it has consensual relationships with tribal members” who own on-reservation stores that sell Marlboro cigarettes, the Ninth Circuit ruled that this was not a sufficient basis for tribal jurisdiction. Instead, the critical question is “whether there is a contract or consensual relationship between Phillip Morris and King Mountain, the tribal member. The answer is undisputably ‘no.’” Moreover, the Ninth Circuit found that there was not a “nexus between Phillip Morris’ commercial relationship with various stores operated by tribal members and the events that gave rise to this suit for trademark infringement.” According to the Ninth Circuit, the “mere fact that a non-member has some consensual commercial contacts with a tribe does not mean that the tribe has jurisdiction over all suits involving that non-member, or even over all such suits that arise within the reservation; the suit must also arise out of those consensual contacts.”

As to the second exception, the Ninth Circuit noted that the “claims in this case are not of the type the Court had in mind when it carved out an exception for tribal jurisdiction over ‘conduct [that] threatens or has some direct effect on the political integrity, the economic security, or the health or welfare of the tribe . . .’” Instead, the second exception “envisions situations where the conduct of the non-member poses a direct threat to tribal sovereignty. . . . Pursuit of federal and state trademark claims hardly poses a threat of that nature.”

Finally, the Ninth Circuit explained that there was no congressional statutory grant of jurisdiction applicable. “Nothing in the Lanham Act suggests that it was intended by congress to expand tribal jurisdiction. In fact, the Act makes no mention of tribes at all.” Indeed, the Ninth Circuit noted that extending tribal court jurisdiction to claims under the Lanham Act would create a “sovereignty anomaly” because “of the court’s ability to cancel a federally-granted trademark . . . an historical and constitutional interplay between federal law and state-court jurisdiction that ‘is completely missing with respect to tribal court.’”

As the Ninth Circuit noted, “Tribal jurisdiction cases are not easily encapsulated, nor do they lend themselves to simplified analysis.” The decision in *Phillip Morris USA, Inc. v. King Mountain Tobacco Company* is a useful addition to the evolving body of case law defining the scope of tribal court jurisdiction.