

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF WASHINGTON

PHILIP MORRIS USA INC.,

Plaintiff,

v.

KING MOUNTAIN TOBACCO
COMPANY, INC.; MOUNTAIN
TOBACCO; DELBERT L.
WHEELER, SR., AND RICHARD
"KIP" RAMSEY,

Defendants.

NO. CV-06-3073-RHW

**ORDER GRANTING
MOTION TO STAY**

Before the Court are Plaintiff's Motion for Preliminary Injunction (Ct. Rec. 15) and Motion for Permanent Injunction to Secure Its Rights Under the Federal Trademark and Trade Dress Law (Ct. Rec. 31). Also before the Court are Defendants' Motion to Dismiss or Stay (Ct. Rec. 41); Motion to Dismiss for Improper Service (Ct. Rec. 44); Motion for Leave to File Supplemental Brief and Supplemental Authority (Ct. Rec. 84); Motion to Expedite Hearing on Motion for Leave to File Document (Ct. Rec. 86); and Motion to Withdraw Motion to Dismiss for Improper Service (Ct. Rec. 93). A hearing was held on November 14, 2006. Leslie Weatherhead, William Symmes, and Roberta Horton appeared on behalf of Plaintiff Philip Morris USA; Bart Freedman, Michael Keyes, and Theresa Keyes appeared on behalf of Defendants. Although there are quite a few motions pending, the Court focused oral argument at the hearing and now focuses the discussion in this Order on the threshold issue presented in both Defendants' Motion to Dismiss or Stay (Ct. Rec. 44) and Plaintiff's Motion for Permanent Injunction to Secure Its Rights Under the Federal Trademark and Trade Dress Law

ORDER GRANTING MOTION TO STAY * 1

1 (Ct. Rec. 41).

2 **BACKGROUND FACTS**

3 Defendants Delbert Wheeler and Richard “Kip” Ramsey are both enrolled
4 members of the Yakama Indian Nation. Together they own Defendant Mountain
5 Tobacco Company, d/b/a King Mountain Tobacco Company, Inc., which is a
6 corporation formed and licensed under the laws of the Yakama Indian Nation.
7 Defendants began selling King Mountain cigarettes to smoke shops on the Yakama
8 Reservation in January 2006. Soon thereafter, they expanded the sales to other
9 Indian tribes and smokeshops on other Indian reservations. Defendants’
10 warehouse and distribution facilities are located on the Yakama Reservation.

11 Plaintiff Philip Morris alleges Defendants deliberately modeled their
12 packaging such that it looks similar to Plaintiff’s packaging for its Marlboro brand
13 cigarettes in an attempt to take advantage of the goodwill that is associated with the
14 Marlboro brand. As a result, consumers are mislead into thinking that Philip
15 Morris is affiliated or associated with King Mountain cigarettes. Philip Morris
16 filed its Complaint on August 7, 2006, and filed an Amended Complaint on
17 September 15, 2006, alleging trademark infringement, in violation of the Lanham
18 Act, 15 U.S.C. § 1114; false designation of origin and trade dress infringement, in
19 violation of 15 U.S.C. § 1125(a); trademark dilution, in violation of 15 U.S.C. §
20 1125(c); unfair competition and unfair and deceptive acts, under Wash. Rev. Code
21 § 19.86.010, *et seq.*; trademark dilution in violation of Wash. Rev. Code §
22 19.77.160; and common law unfair competition.

23 On September 29, 2006, Defendants filed a Complaint for declaratory relief
24 in the Yakama Tribal Court. In that Complaint, Defendants allege that during the
25 months of August and September 2006, agents from Philip Morris have notified
26 various retailers selling King Mountain cigarettes that if they did not cease to sell
27 the cigarettes they would no longer be permitted to sell Philip Morris products and
28 would be sued for damages. Defendants state that Philip Morris “has come upon

1 the reservation to do business without permission of the Yakama Indian Nation, is
2 not licensed thereby, and in so doing has submitted itself to the jurisdiction of the
3 Yakama Tribal Court.” In the Complaint, Defendants deny trademark and trade
4 dress infringement and allege that Philip Morris’ actions have violated the Yakama
5 Treaty of 1855.

6 DISCUSSION

7 In their Motion to Dismiss or Stay, Defendants request the Court either
8 dismiss or stay this litigation pursuant to the tribal court exhaustion doctrine.

9 **A. Tribal Court Exhaustion**

10 The tribal court exhaustion doctrine arose through a series of Supreme Court
11 decisions applying the principles of comity and tribal self-governance. *See Iowa*
12 *Mut. Ins. Co. v. LaPlante*, 480 U.S. 971, 975-77 (1987) (extending the tribal court
13 exhaustion doctrine to cases based on diversity jurisdiction); *Nat’l Farmers Union*
14 *Ins. Cos. v. Crow Tribe*, 471 U.S. 845, 855-57 (1985) (establishing the tribal court
15 exhaustion doctrine in cases with federal question jurisdiction). The doctrine
16 requires a federal court “to stay its hand in order to give the tribal court a ‘full
17 opportunity to determine its own jurisdiction[]’ . . . [because] unconditional access
18 to the federal forum would place it in direct competition with the tribal courts,
19 thereby impairing the latter’s authority over reservation affairs.” *Iowa Mut.*, 480
20 U.S. at 976 (quoting *Nat’l Farmers Union*, 471 U.S. at 857).

21 The exhaustion doctrine is prudential and a matter of comity, not a
22 jurisdictional prerequisite. *Strate v. A-1 Contractors*, 520 U.S. 438, 451 (1997).
23 Accordingly, it is subject to several exceptions: It is not required where “an
24 assertion of tribal jurisdiction ‘is motivated by a desire to harass or is conducted in
25 bad faith,’ or where the action is patently violative of express jurisdictional
26 prohibitions, or where exhaustion would be futile because of the lack of adequate
27 opportunity to challenge the court’s jurisdiction.” *Nat’l Farmers Union*, 471 U.S.
28 at 856 n.21 (citation omitted). Exhaustion is also not required if federal law

1 expressly provides that a claim can only be heard in federal court. *See El Paso*
2 *Natural Gas Co. v. Neztsosie*, 526 U.S. 473, 484-87 (1999) (holding that tribal
3 court jurisdiction is foreclosed in cases under the Price-Anderson Act, 42 U.S.C. §
4 2210, because the statute expresses an “unmistakable preference for a federal
5 forum” by allowing claims filed in state court to be removed to federal court, and
6 finding the failure to mention removal from tribal courts to be based on
7 “inadvertence”). Lastly, a district court should not abstain from considering the
8 jurisdictional question if “it is otherwise plain that the tribal court lacks jurisdiction
9 over the dispute, such that adherence to the exhaustion requirement would serve no
10 purpose other than delay.” *Boozer v. Wilder*, 381 F.3d 931, 935 (9th Cir. 2004)
11 (citing *Nevada v. Hicks*, 533 U.S. 353, 369 (2001); *Strate*, 520 U.S. at 459-60).

12 The Ninth Circuit has elaborated upon and applied the tribal court
13 exhaustion doctrine in several cases since it was established. Most notably, in
14 *Stock West Corp. v. Taylor*, 964 F.2d 912, 919 (9th Cir. 1992) (*en banc*), the Ninth
15 Circuit discussed the principles of comity behind the tribal court exhaustion
16 doctrine and held that abstention is appropriate where there exists a “colorable
17 question” whether the tribal court has jurisdiction over the asserted claims. The
18 court explained that by “colorable” it meant that on the record “the assertion of
19 tribal court jurisdiction is plausible and appears to have a valid or genuine basis.”
20 *Id.*

21 **B. Tribal Court Jurisdiction Over Philip Morris**

22 Plaintiff focuses its argument on the existence, or lack thereof, of tribal court
23 jurisdiction over it. It cites to the line of cases originating with *Montana v. United*
24 *States*, 450 U.S. 544 (1981), discussing tribal court jurisdiction over non-Indians in
25 civil cases. *Montana* established the principle that in general, “the inherent
26 sovereign powers of an Indian tribe do not extend to the activities of nonmembers
27 of the tribe.” *Id.* at 565. This principle is subject to two exceptions where a tribe
28 may exercise its sovereign authority over nonmembers: “The first exception relates

1 to nonmembers who enter consensual relationships with the tribe or its members;
2 the second concerns activity that directly affects the tribe's political integrity,
3 economic security, health, or welfare." *Strate*, 520 U.S. at 446 (discussing the rule
4 as described in *Montana*).

5 The Supreme Court more recently delineated the boundaries of tribal court
6 jurisdiction in *Nevada v. Hicks*. In that case, Nevada game wardens and tribal
7 police officers executed a search warrant issued by a state court upon the
8 reservation residence of a tribal member. 533 U.S. at 356-57. The tribal member
9 sued various state and tribal officials under both tribal and federal law, contending
10 the search exceeded the bounds of the warrant. *Id.* Some parties were dismissed,
11 and the defendants were eventually limited to the state officials in their individual
12 capacities. *Id.* at 356. The State of Nevada and the officials then filed a federal
13 suit seeking a declaratory judgment that the tribal court lacked jurisdiction over the
14 case. *Id.* at 357. The Supreme Court found the tribal court lacked jurisdiction to
15 hear the claims against the state officials, even though the search occurred on tribal
16 lands. *Id.* at 374. However, the Court expressly limited its holding "to the
17 question of tribal-court jurisdiction over state officers enforcing state law[,]"
18 leaving open the question of tribal court jurisdiction over nonmember defendants
19 in general. *Id.* at 358 n.2; *see also Ford Motor Co. v. Todecheene*, 394 F.3d 1170,
20 1175 (9th Cir. 2005).

21 This case does not involve state officials enforcing state law, and therefore it
22 is distinguishable from *Nevada v. Hicks*. However, the Court certainly has
23 considered the reasoning in *Hicks* in its determination of whether there exists a
24 colorable question of tribal court jurisdiction over Philip Morris, rendering a stay
25 or dismissal appropriate. The Supreme Court in *Hicks* clarified that "a tribe's
26 inherent adjudicative jurisdiction over nonmembers is at most only as broad as its
27 legislative jurisdiction." 533 U.S. at 367 (finding "no provision in federal law
28 provides for tribal-court jurisdiction over § 1983 claims."). Therefore, the Court

1 must determine whether there is a colorable question as to whether the Yakama
2 Indian Nation could regulate the activities at issue in this case.

3 At the outset, the Court notes that Lanham Act claims, such as the one in this
4 case, may be brought in state court. *See Entex Indus., Inc. v. Warner*
5 *Communications*, 487 F. Supp. 46, 48 (C.D. Cal. 1980). The Court also points out
6 that, as is obvious from Plaintiff's Complaint in this case, trademarks,
7 infringement, and unfair competition are currently regulated under both federal and
8 state law. *See 6 McCarthy on Trademarks & Unfair Competition* § 32:1 (4th ed.).
9 In fact, the Act refers to assertion of remedies in a "civil action," 15 U.S.C. §
10 1114(1); and it discusses remedies asserted in "the several courts vested with
11 jurisdiction of civil actions arising under this Act." 15 U.S.C. § 1116 (describing
12 jurisdiction and power to grant injunctions under the Lanham Act). The Court
13 concludes that these areas of the law may very well also be regulated by the
14 Yakama Indian Nation, particularly considering Defendant King Mountain
15 Tobacco Company was formed and licensed under its laws.

16 It is not clear that the tribe would not have regulatory authority over
17 trademarks, infringement, and unfair competition; therefore, it is not clear whether
18 tribal courts have adjudicative authority to address trademark claims against tribal
19 members whose conduct occurred on reservation lands. Therefore, there exists a
20 colorable question of the existence of tribal court jurisdiction in this case over
21 Philip Morris. In the interest of comity and the promotion of tribal sovereignty, the
22 Court shall abstain from further action in this matter to give the tribal court the
23 opportunity to address the jurisdictional question by applying the tests found in
24 *Montana*, *Strate*, and *Hicks*, among others to the facts presented here, in the first
25 instance.

26 Accordingly, **IT IS HEREBY ORDERED:**

27 1. Defendants' Motion to Dismiss or Stay (Ct. Rec. 41) is **GRANTED**.

28 2. Plaintiff's Motion for Permanent Injunction to Secure Its Rights Under

1 the Federal Trademark and Trade Dress Law (Ct. Rec. 31) is **DENIED**.

2 3. The above-captioned matter is **STAYED** until tribal court remedies have
3 been exhausted. At such time, the parties shall file a status certificate notifying the
4 Court of their progress.

5 4. Defendants' Motion for Leave to File Supplemental Brief and
6 Supplemental Authority (Ct. Rec. 84) and Motion to Expedite Hearing on Motion
7 for Leave to File Document (Ct. Rec. 86) are **GRANTED**.

8 5. Defendants' Motion to Withdraw Motion to Dismiss for Improper
9 Service (Ct. Rec. 93) is **GRANTED**. Defendants' Motion to Dismiss for Improper
10 Service is **WITHDRAWN** and **DENIED as moot**.

11 6. Plaintiff's Motion for Preliminary Injunction (Ct. Rec. 15) is **DENIED**
12 with leave to renew pending tribal court exhaustion.

13 **IT IS SO ORDERED.** The District Court Executive is directed to enter this
14 Order and forward copies to counsel.

15 **DATED** this 1st day of December, 2006.

16 *s/ Robert H. Whaley*

17 ROBERT H. WHALEY
18 Chief United States District Judge

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