

Part

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

NATIVE AMERICAN ARTS, INC.,)
)
 Plaintiff,)
)
 vs. 06 C 4690
)
INDIO PRODUCTS, INC.,)
)
 Defendant.)

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

This case comes before the Court on Defendant Indio Products, Inc.'s ("Indio") motion for summary judgment pursuant to Federal Rule of Civil Procedure 56. For the reasons stated below, the motion is granted.

BACKGROUND¹

The Parties

Defendant Indio manufactures and distributes mystical products, mainly spiritual candles. As of 2003, Indio was based in Los Angeles, California, and had two

¹ Unless otherwise noted, the following facts are undisputed for purposes of summary judgment. Further, all statements in Indio's statement of undisputed facts are deemed admitted where Native American Arts, Inc. failed to state a valid evidentiary objection and purportedly disputed the statement without specifically citing an affidavit, the record, or other supporting material. See N.D. Ill. L.R. 56.1(b)(3)(B)-(C). Additionally, the Court strikes Exhibit E of Indio's summary judgment motion because the exhibit is irrelevant, but denies Native American Arts, Inc.'s request for attorney's fees.

additional locations in Long Beach, California and Dallas, Texas.² Indio sold its products over the Internet and Indio's website displayed a logo of an Indian with a full headdress. This logo also appeared on Indio's website, invoices, and on the first page of a catalog sold to wholesale customers.

Indio primarily sells products to independent wholesalers and distributors. Since 2003, Indio has offered for sale over 8,500 different products at any one time, including candles, bath products, perfumes, waters, soaps, body oils, gels, books, and statues.³ Indio also sold a small number of products with an Indian motif.

Between 2003 and 2008, the vast majority of Indio's sales were in California and Texas. More specifically, Indio's sales were broken down by geographic area approximately as follows: California (60%); Texas (15%); other U.S. states (15%); and overseas (10%). At that time, far less than 1% of Indio's sales were to customers in Illinois. Indio has never had any offices or employees in Illinois and has never advertised its products in Illinois. Further, Indio has never actively advertised its

² The Los Angeles facility was a wholesale and retail distribution center, the Long Beach facility was a wholesale distribution center and candle manufacturing facility, and the Dallas facility was a wholesale distribution center. In 2006, Indio closed the Long Beach facility and moved its candle manufacturing operations to Dallas. At that same time, the Long Beach wholesale distribution center moved to Rancho Dominguez, California.

³ Since 2003, Indio's sales of various products are broken down approximately as follows: candles (65%); bath products (15%); body oils (10%); books (5%); and miscellaneous items (5%).

products anywhere, aside from maintaining a website and selling catalogs to wholesale customers.

Plaintiff Native American Arts, Inc. (“NAA”) is an Indian Arts and Crafts organization in Illinois.⁴ Matthew Mullen (“Mullen”), the President of NAA, is a member of the Ho-Chunk Nation, a federally recognized Indian tribe. NAA is owned equally by Mullen and his mother. NAA has three full-time employees, including Mullen, his mother, and his brother. NAA makes, sells, and distributes authentic Indian made products.

Over time, NAA has sold its products at various locations in Illinois, but currently has only one store located in Tinley Park, Illinois. NAA also sells products on the Internet. NAA advertises in newspapers, in magazines, and on the radio, primarily in Illinois, although some may have carried into Indiana. NAA has also attended trade shows in the Chicago area and craft shows in Wisconsin. At any given time, NAA’s retail stores and its website market thousands of different authentic Indian made products.

The Dispute

Both Indio and NAA offer copper bracelets with various symbols, dream catchers, and Native American statues and figurines. NAA advertises its products as

⁴ Consistent with the Indian Arts and Crafts Enforcement Act of 2000, the Court uses the term “Indian.”

“authentic” hand-made collectibles, manufactured by a member of a specific Indian tribe. Unlike NAA, Indio does not advertise its products as authentic, hand made, collectible, or manufactured by an Indian American. Rather, Indio labeled its products using the terms “Indian” or “Native American.” For example, Indio sold a copper bracelet with Indian symbols as “bracelet copper Indian solid,” a plaque displaying a Native American warrior and dream catcher as “Native American Warrior Dream Catcher Plaque,” a statue of an Indian with an eagle as “Native American Statue Indian with Perched Eagle,” and a statue of an Indian with a dream catcher as “Native American Statue Indian with Dream Catcher.” The products had an Indian motif and used Indian symbols and images and some items were in boxes which stated “The American Indian Collection.” Indio’s website did not contain a disclaimer that the Indian style products were not, in fact, made by Indian Americans. Indio did sell one product, smudge sticks, actually manufactured by an Indian American. The smudge sticks were labeled by the maker and indicated that they were manufactured by an Indian American.

Indio’s Indian style products sell at much lower prices than NAA’s similar looking products. For example, Indio sells an Indian bracelet for \$9.95, while NAA sells a similar bracelet, manufactured by an Indian American, for \$35.00. According to NAA, it reduced its prices because Indio and others sell similar products at cheaper

prices. NAA stated that it would sell its Indian bracelet for approximately \$50.00 if Indio and others were not selling similar products for much less.

In March 2006, Mullen ordered various Indian style products from Indio's website. Then, on August 30, 2006, NAA filed a complaint against Indio, alleging that Indio violated the Indian Arts and Crafts Enforcement Act of 2000, 25 U.S.C. § 305e, (the "Indian Act") by offering for sale, displaying for sale, or selling goods in a manner that falsely suggested that such goods were Indian products, Indian produced, or the product of a particular Indian or Indian tribe. Prior to filing this lawsuit, NAA did not conduct any investigation concerning what consumers believed when they saw the products at issue in this case. NAA seeks \$2,326,000 in statutory damages.

Indio's Motion to Strike

As a preliminary matter, the Court addresses Indio's motion to strike the affidavits submitted by NAA. Indio first moves to strike the affidavit of Mullen, NAA's President. Nearly all of the statements contained in Mullen's affidavit are improper. First, Mullen is not an expert witness and has never been identified as an expert witness in this case. Apart from the fact that Mullen is not an expert witness, Mullen's personal conclusions lack foundation, as he spoke with no customers or prospective customers and conducted no research to support his conclusions. Therefore, the Court strikes the portions of Mullen's affidavit which are conclusory, lack foundation, and are based on

Mullen's subjective beliefs and not personal knowledge, including statements regarding the competitive relationship between NAA and Indio, NAA's injury, consumer behavior, the market for authentic Indian products, and Indio's business. *Montgomery v. Am. Airlines, Inc.*, 626 F.3d 382, 389 (7th Cir. 2010) (explaining that testimony must be based on personal knowledge and "mere conclusory allegations do not constitute evidence"). Additionally, the Court strikes the portions of Mullen's affidavit which are improper legal conclusions, including statements that Indio violated the Indian Act or offered falsely suggestive imitation products. *Holman v. Revere Elec. Supply Co.*, 154 F. App'x 501, 503-04 (7th Cir. 2005) (noting the impropriety of legal conclusions).

Indio also moves to strike the affidavit of NAA's purported expert witness, Tony Erachio ("Erachio"). Federal Rule of Evidence 702 permits an expert opinion if (1) the testimony is based upon sufficient facts or data, (2) the testimony is the product of reliable principles and methods, and (3) the witness has applied the principles and methods reliably to the facts of the case. Here, Erachio's opinions concerning the impact of Indio's conduct on the market and on NAA are wholly unsupported since Erachio conducted no investigation or research for this case, never spoke with customers or prospective customers, conceded that he had no idea whether NAA actually suffered any injury because of Indio's actions, and has never seen Indio's products online. Moreover, NAA's counsel drafted Erachio's expert report. The Court

strikes Erachio's affidavit because his opinions are not based on sufficient facts or any identifiable method for analyzing the relevant facts. Erachio's opinions are nothing more than conjecture and unsupported speculation. *Ammons v. Aramark Uniform Servs., Inc.*, 368 F.3d 809, 816 (7th Cir. 2004) (explaining that the court should "reject any subjective belief or speculation"). Accordingly, the Court strikes Erachio's affidavit in its entirety.

LEGAL STANDARD

Summary judgment is appropriate when the pleadings, discovery materials, disclosures, and affidavits demonstrate no genuine issue of material fact, such that the movant is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a); *Protective Life Ins. Co. v. Hansen*, 632 F.3d 388, 391-92 (7th Cir. 2011). A genuine issue of material fact exists when, based on the evidence, a reasonable jury could find in favor of the non-moving party. *Van Antwerp v. City of Peoria, Ill.*, 627 F.3d 295, 297 (7th Cir. 2010). A court construes all facts and draws all reasonable inferences in favor of the non-moving party. *Smith v. Hope Sch.*, 560 F.3d 694, 699 (7th Cir. 2009).

DISCUSSION

The Indian Act prohibits the direct or indirect offer for sale, display for sale, or sell of a good "in a manner that falsely suggests it is Indian produced, an Indian product, or the product of a particular Indian or Indian tribe or Indian arts and crafts

organization.” 25 U.S.C. § 305e(b). An aggrieved Indian, Indian tribe, or Indian arts and crafts organization may sue under the Act and recover statutory damages. 25 U.S.C. § 305e(b), (d). Indio argues that summary judgment is warranted for the reasons discussed below.

I. Standing

Indio first argues that NAA lacks Article III standing.⁵ To establish standing under Article III, the plaintiff must prove: (1) an injury in fact which is concrete, particularized, and actual or imminent, not conjectural or hypothetical; (2) caused by the defendant; and (3) redressable by the court. *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). In response to a summary judgment motion, the plaintiff can no longer rely on mere allegations of injury resulting from the defendant’s conduct, but must set forth by affidavit or other evidence specific facts demonstrating Article III standing. *Id.* at 561. Indio contends that NAA cannot demonstrate the first two requirements of Article III standing.

First, NAA asserts that it satisfies the injury in fact requirement because it suffered the following competitive injuries: (1) NAA has lost sales and profits; (2) Indio’s imitation products have driven prices down, forcing NAA to offer its authentic products at lower prices; (3) Indio’s sale of imitation products has undermined

⁵ Indio also argues that NAA lacks statutory standing, but the argument has no merit.

the marketability of authentic Indian products; and (4) Indio's sale of "counterfeit" Indian products has damaged NAA's goodwill and reputation.⁶ NAA's alleged injuries lack evidentiary support, because NAA has not conducted an investigation from which it could reasonably conclude that it has been injured by Indio's conduct and NAA has not provided admissible expert testimony supporting any such conclusion.⁷ *See, e.g., Native Am. Arts, Inc. v. Specialty Merch. Corp.*, 451 F. Supp. 2d 1080, 1082 (C.D. Cal. 2006) (finding that plaintiff could not allege injury in fact because plaintiff admitted that he spoke to no person who could document any actual injury). Thus, NAA fails to establish injury in fact.

⁶ Congress intended to prevent these types of injuries with the Indian Act. *See* S. Rep. No. 106-452 (2000). NAA also asserts that it suffered injury in fact when it purchased the Indian style products from Indio. NAA, however, cannot recover for this type of purchasing injury because it is not the type of injury the Indian Act seeks to address. *See* 25 U.S.C. § 305e (protecting the competitive interest of "aggrieved" Indians); *Lujan*, 497 U.S. at 883 (stating that an individual is aggrieved if the alleged injury falls within the "zone of interests" sought to be protected by the statute).

⁷ NAA also purportedly demonstrates standing by pointing to the principal that the "injury required by Article III may exist solely by virtue of statutes creating legal rights, the invasion of which creates standing." *Warth v. Seldin*, 422 U.S. 490, 500 (1975). More specifically, NAA argues that, in enacting the Indian Act, Congress conferred a legal right upon aggrieved Indians, Indian tribes, and Indian arts and crafts organizations to sell Indian products in a market where others cannot offer for sale or sell goods in a manner falsely suggesting that the goods are Indian produced. Even if true, NAA must still satisfy the typical standing requirements. *See Lujan*, 504 U.S. at 578. Otherwise, every Indian, Indian tribe, and Indian arts and crafts organization could sue any and every person who violates the Indian Act, even though the parties do not compete against each other and the wrongful act had no actual impact on the plaintiff. *See Hardin v. Ky. Utils. Co.*, 390 U.S. 1, 6 (1968) ("when the particular statutory provision invoked does reflect a legislative purpose to protect a competitive interest, the injured competitor has standing to require compliance with that provision").

Second, NAA suggests that such injuries are caused by Indio because Indio competes with NAA by offering imitation products through similar mediums and markets. NAA's injuries must be fairly traceable to Indio's offer and sale of imitation Indian products. *Lujan*, 504 U.S. at 560. As NAA recognizes, if NAA and Indio are not competitors, then NAA's injuries cannot be fairly traceable to Indio's allegedly wrongful acts.⁸ The undisputed facts demonstrate that NAA and Indio maintain different types of businesses and primarily serve different markets. Specifically, Indio primarily sold candles and far less than five percent of its products had an Indian theme, while NAA exclusively sold authentic Indian products. Further, Indio has never had any offices or employees, or advertised its products, in Illinois, NAA's principal place of business. Similarly, NAA has never had any offices or employees, or advertised its products, in California or Texas, Indio's principal places of business. Despite the geographical differences, NAA maintains that both parties serve a nationwide market because NAA and Indio offered and sold products through the Internet. Indio, however, offered and sold a limited number of Indian style products on the Internet and NAA presents no evidence concerning the scope of its Internet business, or how the two Internet businesses overlap in the market. The Court is not prepared to hold that two

⁸ NAA and Indio need not be direct competitors. *See* S. Rep. No. 106-452 (2000) (explaining that Congress added the phrase "directly or indirectly" to clarify that suit may be brought against any person in the chain of distribution, even though that person is not the final retailer who sells the product).

parties are competitors simply because they both sell products on the Internet. NAA thus fails to present evidence tracing its injuries to Indio. Accordingly, NAA lacks standing to assert an Indian Act claim against Indio.

II. NAA's Indian Act Claim

Even assuming NAA has standing, Indio argues that the undisputed facts demonstrate that Indio did not violate the Indian Act. The Court must decide whether a reasonable jury could find that Indio offered for sale and sold its Indian style goods in a manner falsely suggesting the goods were Indian produced or Indian products. *See* 25 U.S.C. § 305e.

According to the legislative history, Congress intended “to prevent the passing off of non-Indian produced goods as Indian produced.” H.R. Rep. No. 101-400(I), at 10 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6382, 6389. Congress readily acknowledged that “the word ‘Indian’ has become a generic designation for a style of clothing or other article.” *Id.* In an effort to narrow the Act’s coverage and avoid liability in situations where no likelihood of confusion exists concerning the product’s origin, Congress chose language which parallels the false designation provision of the Lanham Act and prohibits the offer, display, or sell of a product “in a manner that falsely suggests” it is Indian produced. H.R. Rep. No. 101-400(I), at 10 (1990), *reprinted in* 1990 U.S.C.C.A.N. 6382, 6389-90. The false designation provision of the

Lanham Act forbids a person from using any “false designation of origin” which is likely to cause confusion, mistake, or deception as to the origin of goods. 15 U.S.C. § 1125(a)(1). Thus, the key inquiry is whether Indio marketed the Indian style products in a manner likely to cause confusion regarding their origin.

NAA argues that Indio falsely suggests its Indian style products are Indian produced because: (1) “Indio” is Spanish for Indian, so Indio’s name translates into Indian Products; (2) Indio’s logo is an Indian with a headdress; (3) Indio labels the products with the terms “Indian” or “Native American;” and (4) Indio’s Indian style products are like those commonly made by Indian Americans.

While these facts certainly suggest that Indio sells products with an Indian motif, something more is required for liability under the Indian Act. Specifically, although Indio’s business has an Indian theme, Indio makes absolutely no representations suggesting that the products are produced by Indians. For instance, unlike sellers of authentic Indian products (including NAA), Indio never represents that the products are authentic, real, original, genuine, collectible, or made by any Indian tribe.⁹ Indio thus

⁹ Pursuant to Federal Rule of Evidence 201, the Court takes judicial notice of the contents of NAA’s website, naarts.com, including the fact that NAA advertises its company as a “wholly American Indian owned company” which produces, develops, acquires, and markets “authentic Native American” products. NAA uses the terms “authentic” and “genuine” when referencing its products and the term “collectors” when referencing potential buyers. NAA expressly states that all of its products are “created by American Indian Artisans.” Additionally, NAA’s products generally indicate the specific Indian manufacturer and/or producer of the product.

gives consumers no reason to believe that its “Indian bracelet,” “Native American statues,” or “Native American dream catchers” are anything more than products with an Indian motif. Contrary to NAA’s position, a reasonable consumer, particularly one searching for authentic Indian products, would not presume that a product is made by an Indian American simply because the business selling the product and the product have an Indian motif. In the same vein, reasonable consumers do not presume that a Samurai sword or sensu fan¹⁰ is made by an individual of Japanese descent, that an African statue or African mask is made by an individual of African descent, and so on. Taking the analysis one step farther, when a consumer dines at a Mexican restaurant, the consumer understands that the cuisine is perhaps inspired by traditional Mexican fare, but the consumer does not naively assume that a Mexican or Mexican American personally prepares each dish. A reasonable consumer does not simply presume the origin of a product based on the product’s style or design. Accordingly, based on the facts of this case, no reasonable juror could find that Indio falsely suggested the Indian style products were produced by Indians.¹¹

¹⁰ A hand-held folding fan.

¹¹ NAA relies heavily on a regulation promulgated by the Department of Interior. The Indian Act authorized the Department of Interior to define the term “Indian product.” 25 U.S.C. § 305e(a)(2) (“The term ‘Indian product’ has the meaning given the term in any regulation promulgated by the Secretary.”); 25 U.S.C. § 305e(f) (“the Board shall promulgate regulations to include in the definition of the term ‘Indian product’ specific examples of such product”); *Native Am. Arts, Inc. v. Waldron Corp.*, 399 F.3d 871, 874 (7th Cir. 2005). Pursuant to this authorization, (continued...)

CONCLUSION

For the foregoing reasons, this Court grants Indio's motion for summary judgment.



Charles P. Kocoras
United States District Judge

Dated: OCT 04 2011

¹¹(...continued)

an office in the Department of Interior, known as the Indian Arts and Crafts Board, created a regulation which stated that the unqualified use of "Indian," "Native American," or the name of an Indian tribe, in connection with an art or craft product, means that the art or craft is an Indian product. 25 C.F.R. § 309.24(a). The Seventh Circuit held that the regulation does not govern litigation because Congress did not delegate authority to the Department of Interior to determine what representations convey the impression that a product is Indian produced and, thus, constitute sufficient proof of false advertising. *Waldron*, 399 F.3d at 874. Accordingly, the Court disregards the regulation.