

The Indian Arts And Crafts Act — A Powerful Tool

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As Native Americans continue to expand their presence in the marketplace, the need to protect tribal identity, affiliation and brand is becoming an issue of increasing importance. Coupled with the increase in e-commerce and a recent flurry of litigation surrounding claims that retailers are falsely advertising that their products are made or designed by Native Americans, it is apparent that intellectual property issues will present unique litigation issues for tribes and Native Americans for many years to come.

Passing off products as Native American-made is not a new problem in the United States. It has been happening for years. But as more and more companies are selling products online, the extent of the problem is becoming more obvious and easier to detect. While little litigation has ensued to date, this may be changing due in part to the various remedies available to Native American litigants through the Indian Arts and Crafts Act, a truth-in-advertising law that prohibits offering for sale any arts or craft products that falsely suggest that they are of Indian origin.

Historically, intellectual property laws have presented unique hurdles to Native Americans in the arts community. This is particularly true with trademark law as it pertains to branding. How do Native Americans craftsmen protect their interests in the term “Indian,” or in their tribe’s name when selling authentic products? More importantly, how do they prevent others from falsely marking their products as Indian made or as being made by a particular tribe, when, in fact, they were not? The trouble with trademark law stems from the fact that no one individual or tribe owns a trademark for the term “Indian,” nor does any particular individual or tribe have comprehensive rights to exclude others from using a tribe name.

To address this issue, Congress passed the Indian Arts and Crafts Act in 1935. The IACA resulted in the creation of the Indian Arts and Crafts Board within the U.S. Department of the Interior, and was tasked with promoting the welfare of Indian tribes through the development of Indian arts and crafts and the development and expansion of markets for Indian products. To protect tribal identities, and arguably intellectual property, the board was authorized to create government trademarks of genuineness and authenticity for Indian products and the products of particular tribes. While this legislation filled an important void in United States trademark law, the act lacked teeth — it did not provide for a private



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cause of action. Violations were only punishable by a fine not to exceed \$2000, imprisonment not to exceed six months, or both. But the act was not enforced — there were no prosecutions.

Revisions to the IACA in 1990 and 2000 upped the stakes. The legislation significantly increased criminal fines and penalties. But even more importantly, the revised act created a private cause of action that strongly incentivized private enforcement of the IACA. Not only did the act permit aggrieved Native Americans, tribes, and Indian arts and crafts organizations to seek injunctive relief, treble damages, punitive costs of the lawsuit and reasonable attorneys' fees, but IACA also permitted an alternate remedy of not less than \$1,000 for each day on which the violation continues.

The option to seek statutory minimum damages offers Native Americans a significant advantage over litigants proceeding with a false advertising claim under the Lanham Act or state consumer protection laws: A claim under the IACA does not require proof of damages. Under the Lanham Act or related state law, while an injunction may be obtained with just a showing of threatened injury, a litigant generally cannot recover damages without demonstrating actual damages from the false advertisement. While \$1,000 per day may not sound significant, statutory damages add up quickly when companies or individuals are accused of multiple violations of the act (offering just 10 falsely marked products for sale for one year would result in statutory damages of nearly \$3.7 million). Coupled with the potential recovery of attorneys' fees and punitive damages, lawsuits under the IACA have the potential to be very lucrative for the tribes involved.

Although Native American plaintiffs are not specifically required to prove damages under the IACA, they may still be required to prove an injury in fact in order to meet the standing requirements of Article III, at least in the Seventh Circuit. One IACA plaintiff, Native American Arts Inc. recently learned this lesson the hard way. NAA is an Indian arts and crafts organization. Although having earned modest revenues over the past 20 years totaling approximately \$1.25 million, NAA has filed well over 100 lawsuits asserting IACA and related claims against numerous defendants. On June 9, a United States magistrate judge for the North District of Illinois dismissed NAA's IACA lawsuit against Peter Stone Co. USA Inc. that had been pending since 2008 because NAA had purportedly failed to demonstrate that it had suffered a concrete injury in fact that was traceable to the activities of the defendant.

It is noteworthy that the court explicitly rejected NAA's argument that violation of the IACA alone was sufficient to confer Article III standing. This appears to be an unsettled issue as courts in other jurisdictions, including the Ninth Circuit, have reached the opposite conclusion. At a minimum, potential IACA plaintiffs should carefully consider their jurisdictional options as some courts' views on the standing requirements may be significantly more favorable to IACA plaintiffs. Further, practitioners should consider the impact that forum selection may have on their Rule 11 obligations to conduct an adequate presuit investigation.

Still, the success of litigation under the IACA is apparent given NAA's historical efforts. As the June 9 decision indicates, IACA cases have typically been short-lived and dismissed pursuant to confidential settlements. At least one case resulted in a settlement to NAA exceeding \$1 million. While the full implications of the recent dismissal have yet to be seen, NAA continues to pursue claims against numerous defendants.

Recently, on May 6, NAA filed suit against Wal-Mart Stores Inc. alleging that it sells dreamcatcher earrings on its website that are improperly described as being "an original design that has been handmade by Native American craftsmen." The sole count in the complaint alleges violations of the IACA and seeks statutory damages of \$1,000 per day for the number of days that Wal-Mart allegedly

violated the statute, in addition to costs and attorney fees, punitive damages, and injunctive relief. The demand is just shy of \$1 million.

On May 15, Native American Arts filed another lawsuit. NAA named as defendants five additional retailers, including Overstock.com and Sears. The complaint identifies 15 products sold by one or more of the defendants, all of which have been advertised as being made or designed by Native American Indians or craftsmen. While the pleadings are substantively identical to those in the earlier lawsuit, the case illustrates the potential staggering impact of a statutory damages model involving multiple defendants and multiple products: NAA is seeking over \$75 million. While the June 9 dismissal of similar litigation on summary judgment does not suggest that these recent cases risk early dismissal, NAA's ability to establish actual injury will have long-term implications for the viability of IACA claims and the ability for aggrieved Native Americans to have their date in court.

Regardless, the sheer magnitude of the potential statutory damages, extent of recent targets and number of settlements indicate that the IACA should be taken seriously. If nothing else, retailers must pay careful attention to the manner in which they market and advertise their products. Only those products that are designed and made by an Indian can be marked as an Indian product.

Of course, the fair use doctrine suggests that products can be described as "Indian-like" under certain circumstances. As Judge Richard Posner explained in the only reported appellate decision addressing the IACA, "A non-Indian maker of jewelry designed to look like jewelry made by Indians is free to advertise the similarity but if he uses the word "Indian" he must qualify the usage so that consumers aren't confused and think they're buying not only the kind of jewelry that Indians make, but jewelry that Indians in fact made." *Native American Arts Inc. v. The Waldron Corp.*, 399 F.3d 871, 874 (7th Cir. 2005). This advice is sound and should be followed by businesses that sell products that appear to be of an Indian origin.

The most recently filed NAA case also raises interesting policing concerns for businesses that provide a medium for sellers to market their goods. In NAA's amended complaint, eBay Inc. was recently added as a defendant. While the allegations in the complaint relate specifically to the products of another named defendant being marketed on eBay's site, eBay being named as a defendant raises questions about what obligations, if any, a company has to investigate products listed on its website for authenticity. While this remains an open issue, attempts to impose investigatory requirements on companies like eBay could have unintended consequences for Native Americans if the resulting costs of compliance are too high: It may be easier, and safer, for such companies to avoid Indian products altogether rather than undertake the obligation of determining which products are genuine and authentic.

As this body of law continues to develop, the full impact of the IACA will likely remain unknown for some time to come. The Waldron case is still the only IACA case that has been tried to a jury, and it resulted in a verdict in favor of the defendant. Of course, courts that have addressed IACA issues have generally declined to dispose of IACA claims at the motion to dismiss stage. This suggests that the act presents a viable method of recovery, or at least a very real threat to businesses that violate the act. As businesses continue to reach new markets through online channels, respecting the identity of Native American craftsmen must be a priority.

Given that compliance with IACA can be relatively straightforward and inexpensive for many types of products, and that detection of violations is substantially easier now than when the law was enacted nearly a century ago, excuses for misrepresenting products as being of Indian origin will be difficult to prove. At \$1,000 per day, per product, plus the risk of attorneys' fees, punitive damages and even

injunctive relief, this would be a costly mistake for any business to make.

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