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The Intricacies Of Patent Infringement In Indian Gaming

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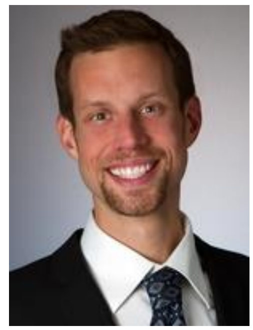
In our modern world, it is nearly impossible to avoid contact with products, compositions and processes that are covered by patents and Indian County, especially Indian gaming is no exception. Patents cover the design of your toothbrush, the shape of your vehicle's hood, the algorithm that creates your recommended queue in Netflix, and casino gaming machine displays. It has been approximated that one of the most ubiquitous articles of our modern day — the average smartphone — may be covered or otherwise associated with approximately 250,000 active patents.[1]



Rob Roy Smith

Patent Infringement Generally

Our nation's founders showed their tremendous foresight by providing a patent system in the U.S. Constitution. The Constitution gives Congress power to reward innovation by giving inventors monopolies over their inventions for a limited time. In particular, the Copyright Clause, which aptly named also applies to copyrights, empowers Congress "To promote the Progress of Science and useful arts, by securing for Limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[2] Congress has used this power to establish the United States Patent and Trademark Office as the administrative body empowered to issue patents to inventors for the limited time of twenty years for utility patents.[3] After issuance, federal courts, with the exception of certain post-issuance administrative proceedings conducted before the U.S. Patent Office, exclusively adjudicate patent rights. Thus, either before the U.S. Patent Office prior to issuance, or before an Article III judge or the U.S. Patent Office for adjudication after issuance, U.S. patents fall exclusively within the purview of the federal government.

Roger D. Wylie

Patents issued by the patent office (or any other patent office in the world) are territorial in nature. Thus, a U.S. patent gives its holder nationwide exclusivity with respect to the domain described and claimed by their patents. Extraterritorial activities outside the borders of the United States are beyond the reach of the U.S. patent laws.

Tyler McAllister

This nationwide exclusivity is a negative right, i.e., one that entitles its holder to keep others from doing a proscribed act. Thus, a patent enables its holder to keep competitors and all others from practicing the invention as defined in the patent. So, like the hermit who puts up a fence to keep out pesky neighborhood children, a patent acts as a legal fence to keep would-be trespassers out. Trespassers on patent rights are referred to as infringers, and are defined as "whoever without authority makes, uses, offers to sell, or sells any patented invention."[4] Because of this encompassing definition, a patent protects its invention through most lifecycle stages of a product, e.g., testing, making, selling and using.

Just as the hermit can authorize visitors beyond their fence, a patent holder uses license agreements to authorize would-be infringers to make, use, or sell their patented invention. In exchange, the would-be infringers pay the patent holder royalties, which are defined by the terms of the license agreements. These agreements, like other contracts, are governed by whichever state's laws the parties elect via choice of law provisions. A license agreement can come about as part of peaceful negotiations, or as a product of threatened or actual legal action.

For instance, to monetize a patent directed to a widget, its holder will identify a pool of potential infringers and request payment from each member of the pool in exchange for a license to the patent. This typically comes in the form of a demand letter identifying, for example, the patents and the infringing actions. Based on Congress's broad definition of an infringer, members of this pool would include those that make the widget, sell the widget, offer the widget for sale and use the widget. Depending on the claims of the patent and where the infringing activities take place, manufacturers, distributors and other sellers are often the most likely targets. This is because their activities, unlike those of an end user who purchases and uses a single widget, include many instances of making and selling the widget, which amounts to a greater royalty potential. Additionally, these entities are likely known to the patent holder and tend to have the deepest pockets.

IGT v. Aristocrat Technologies

A recent patent infringement case is informative on this point. In IGT v. Aristocrat Technologies, IGT, a manufacturer of casino gaming machines, sued its competitor alleging infringement of 10 patents.[5] Aristocrat answered by denying all counts and countersuing IGT for infringing eight patents of its own.[6] Both companies manufacture and sell casino gaming machines, and to the extent each one's machines are covered by their respective competitor's patents, both companies are potential infringers.

Primarily, IGT's patents recite different types of gaming devices. For example, IGT accused Aristocrat's Batman Classic TV Series slot machine as infringing U.S. Patent No. 6,394,902 (the '902 patent), entitled "Gaming device having different sets of primary and second reel symbols." This patent is directed to a gaming machine that displays two games, a first game having a primary reel and a second game having a secondary reel (e.g., a bonus game). On its website, Aristocrat describes its Batman Classic TV Series slot machine as follows: "[y]our players will vie for an enticing $250,000 multi-site progressive ... *Each player gets their own wheel, plus a bonusing wheel for the game-bank.*"[7] Initially, it appears that IGT mapped Aristocrat's "own wheel" and "bonusing wheel" to the respective "primary reel" and "secondary reel" from the '902 patent. This case recently settled out of court after only scratching the surface of the merits of the parties' positions.

Tribal Opportunities

Why did IGT choose to sue Aristocrat? We can assume this is because Aristocrat is an entity that makes and sells gaming machines likely covered by IGT's patents. IGT could have also chosen to sue users of their gaming machines, or more likely entities such as casino operators that purchased gaming machines from Aristocrat or others and enabled their patrons to use them. In this way, the casino operators could be liable for infringement under a secondary liability theory, i.e., by inducing their patrons to “use” the infringing gaming machines. Still, IGT possibly chose not to sue Aristocrat’s customers for a number of practical reasons. For instance, because IGT and Aristocrat are competitors, they conceivably share customers or at least some group of potential customers. In either case, suing your own customers is rarely ever good for business. Assuming Aristocrat’s customers include tribal casino operators, IGT would have faced additional legal obstacles to asserting its patent rights against tribal casino operators.

The IGT v. Aristocrat litigation provides a good reminder of the limitations of patent infringement actions in Indian Country. Federal courts have dismissed private party patent infringement claims 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,[8] 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 and expressly waive its sovereign immunity through contract, government compact or otherwise, in order to be subject to private patent claims.

While this ruling may help explain, in part, the strategy for patent infringement claims filed in the IGT v. Aristocrat litigation, it also provides potential unique business opportunities for tribes. Indian tribes should consider creatively using sovereign immunity with respect to patent infringement by becoming more involved in technology development, potentially by partnering with gaming machine manufacturers. Risk managers should also take note. Indian tribes would be well-advised to prepare for the creative ways parties might try to enforce their patent rights as to gaming machines on tribal casino floors. Casino management should consider preparing contingency plans in the event of patent disputes, as evidenced by the IGT v. Aristocrat litigation. Finally, Indian tribes must pay careful attention to both the dispute resolution and intellectual property right clauses of gaming machine contracts to ensure that private party disputes involving US patent laws will not ensnare tribal gaming operations.

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[1] https://www.techdirt.com/blog/innovation/articles/20121017/10480520734/there-are-250000-active-patents-that-impact-smartphones-representing-one-six-active-patents-today.shtml

[2] U.S. Const. art. 1, § 9, cl. 8.

[3] This article focuses on utility patents, which protect “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” 35. U.S.C. § 101. U.S. patent laws also provide for “design patents,” which protect “any new, original and ornamental design for an article of manufacture.” 35 U.S.C. § 171. A design patents, as compared to utility patent, is subject to a less rigorous examination process and has a term of 14 or 15 years depending on its filing date.

[4] 35 U.S.C. § 271.

[5] Complaint for Patent Infringement at 2, 3, 7-13, IGT v. Aristocrat Technologies Inc., No. 15-cv-00473 (D. Nev. Mar. 16, 2015).

[6] Defendant Aristocrat Technologies Inc.'s Answer and Counterclaims to Plaintiff IGT's Complaint for Patent Infringement at 6-8 and 16-32, IGT v. Aristocrat Technologies Inc., No. 15-cv-00473 (D. Nev. June 8, 2015).

[7] http://www.aristocrat-us.com/batman (emphasis added).

[8] 2011 WL 308903 (N.D. Okla., Jan. 27, 2011).
