

No. 03-0445 JUL 2 2004

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In The
Supreme Court of the United States

THE NAVAJO NATION,

Petitioner,

vs.

KRYSTAL ENERGY COMPANY, INC.,

Respondent.

**On Petition For Writ Of Certiorari
To The United States Court Of Appeals
For The Ninth Circuit**

PETITION FOR WRIT OF CERTIORARI

NAVAJO NATION
Department of Justice

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QUESTION PRESENTED

Whether sections 106(a) and 101(27) of the Bankruptcy Code expressly and unequivocally waive the sovereign immunity of an Indian Tribe?

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PETITION FOR A WRIT OF CERTIORARI

Petitioner The Navajo Nation respectfully prays that this Court issue a writ of certiorari to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit in this case.



OPINIONS BELOW

The amended opinion and denial of rehearing en banc of the court of appeals (App., *infra*, 1-13), is reported at 357 F.3d 1055. The opinion of the United States District Court for the District of Arizona (App. 14-26) is reported at 308 B.R. 48. The opinion and order of the United States Bankruptcy Court for the District of Arizona (App. 27-45), are unreported.



JURISDICTION

The amended opinion and denial of rehearing en banc of the court of appeals was issued on April 6, 2004. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1) (1994).



STATUTORY PROVISIONS INVOLVED

Bankruptcy Code Sections 11 U.S.C. §§ 106(a) and 101(27). These relevant provisions are as follows:

(27) "governmental unit" means United States; State; Commonwealth; District; Territory; municipality; foreign state; department, agency, or instrumentality of the United States (but not a

United States trustee while serving as a trustee in a case under this title), a State, a Commonwealth, a District, a Territory, a municipality, or a foreign state; or other foreign or domestic government; 11 U.S.C. § 101(27) (1995).

§ 106. Waiver of sovereign immunity

(a) Notwithstanding an assertion of sovereign immunity, sovereign immunity is abrogated as to a governmental unit to the extent set forth in this section with respect to the following:

(1) Sections 105, 106, 107, 108, 303, 346, 362, 363, 364, 365, 366, 502, 503, 505, 506, 510, 522, 523, 524, 525, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 722, 724, 726, 728, 744, 749, 764, 901, 922, 926, 928, 929, 944, 1107, 1141, 1142, 1143, 1146, 1201, 1203, 1205, 1206, 1227, 1231, 1301, 1303, 1305, and 1327 of this title.

(2) The court may hear and determine any issue arising with respect to the application of such sections to governmental units.

(3) The court may issue against a governmental unit an order, process, or judgment under such sections or the Federal Rules of Bankruptcy Procedure, including an order or judgment awarding a money recovery, but not including an award of punitive damages. Such order or judgment for costs or fees under this title or the Federal Rules of Bankruptcy Procedure against any governmental unit shall be consistent with the provisions and limitations of section 2412(d)(2)(A) of title 28.

(4) The enforcement of any such order, process, or judgment against any governmental unit shall

be consistent with appropriate nonbankruptcy law applicable to such governmental unit and, in the case of a money judgment against the United States, shall be paid as if it is a judgment rendered by a district court of the United States.

(5) Nothing in this section shall create any substantive claim for relief or cause of action not otherwise existing under this title, the Federal Rules of Bankruptcy Procedure, or nonbankruptcy law.

(b) A governmental unit that has filed a proof of claim in the case is deemed to have waived sovereign immunity with respect to a claim against such governmental unit that is property of the estate and that arose out of the same transaction or occurrence out of which the claim of such governmental unit arose.

(c) Notwithstanding any assertion of sovereign immunity by a governmental unit, there shall be offset against a claim or interest of a governmental unit any claim against such governmental unit that is property of the estate. 11 U.S.C. § 106 (1995).

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STATEMENT OF THE CASE

Petitioner The Navajo Nation is a federally recognized Indian tribe and is the largest such tribe in the United States, comprised of more than 225,000 members and occupying over 25,000 square miles of trust lands within three states, Arizona, New Mexico and Utah. Petitioner challenges the court of appeals holding that the Navajo Nation's sovereign immunity has been abrogated under 11 U.S.C. §§ 106(a) and 101(27).

This holding conflicts with the framework established by this Court in *Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc.*, 523 U.S. 751 (1998); *Santa Clara Pueblo v. Martinez*, 436 U.S. 439 (1978) and *Montana v. Blackfeet Tribe of Indians*, 471 U.S. 759 (1985). Those cases recognize that a congressional abrogation of a tribal government's sovereign immunity must be unequivocally expressed in explicit legislation and must not be implied.

The Ninth Circuit's ruling is contrary to Supreme Court precedent. It also conflicts with decisions of other circuits.

I. STATEMENT OF FACTS

Krystal Energy Co. ("Krystal") is a debtor in a Chapter 11 bankruptcy proceeding. Krystal was issued tax assessments in the amount of \$691,000 by the Office of the Navajo Tax Commission on December 14, 2000. App. 30. Krystal filed for Chapter 11 Bankruptcy on January 5, 2001. Krystal appealed the Office the Navajo Tax Commission Assessment on January 8, 2001. Krystal filed this adversary proceeding against the Navajo Nation on March 5, 2001.

The Navajo Nation is a federally recognized Indian Tribe with its reservation located in portions of the states of Arizona, New Mexico and Utah. The Navajo Nation is the largest Indian tribe in the nation, both in population and land area. The Navajo Nation is comprised of more than 225,000 members and occupying over 25,000 square miles of trust lands. The United States set apart a reservation for the Navajos by treaty in 1868 (15 Stat. 667), and the reservation has been repeatedly enlarged by executive

order and statute. See J. Lee Correll & Alfred Dehiya, *Anatomy of the Navajo Indian Reservation* (rev. ed. 1976).

The present Navajo government structure is in three branches: Executive, Legislative and Judicial. The Executive Branch includes the President of the Navajo Nation, the Vice President, and appointed officials overseeing 10 divisions and several offices. The Legislative Branch consists of the Speaker of the Council and the Navajo Nation Council comprised of 88 elected council delegates representing 110 chapters. The Judicial Branch includes the Chief Justice and the Navajo Nation trial and appellate courts. Elections for the President and the delegates are held every four years in November.

Despite significant mineral wealth, the reservation lacks basic infrastructure needed to support a self-sustaining economy. The Navajo Nation government relies significantly on revenues from natural resource leasing and taxation to provide basic services. The Navajo Nation Government funds a broad range of government activities, including economic development, community development, human resources, natural resources, public safety, health services, social services, education, legislative and judicial services and functions.

II. PROCEDURAL HISTORY

On January 5, 2001, Krystal filed for Chapter 11 bankruptcy in the U.S. Bankruptcy Court for the District of Arizona. On March 5, 2001, Krystal filed an adversary proceeding against the Navajo Nation seeking (1) a turnover of certain assets under 11 U.S.C. § 542; (2) determination of tax due to the Nation under 11 U.S.C. § 505; and

(3) damages arising out of the seizure of Krystal's assets by the Nation.

On April 6, 2001, the Nation filed a motion to dismiss the complaint on three grounds; (1) Krystal's claims for turnover of property and determination of taxes are barred by sovereign immunity; (2) the Nation has not been properly served under Rule 7004(d)(6) of the Bankruptcy Rules if it is subject to suit; and (3) Krystal has failed to join an indispensable party. The Nation made a special appearance to defend this adversary proceeding. On May 23, 2001, the bankruptcy court heard oral arguments from both plaintiff and defendant regarding the motion to dismiss filed by the defendant. On September 28, 2001, the bankruptcy court granted the Nation's motion to dismiss the complaint. App. 27-28. The bankruptcy court relied on the standards established by this Court in *Kiowa* when it dismissed. The court determined Bankruptcy Code sections 106(a) and 101(27) were not sufficient to establish an express and unequivocal waiver of sovereign immunity of an Indian tribe. App. 42.

On October 12, 2001, Krystal filed a notice of appeal from the final order of the bankruptcy court, electing to have the appeal heard by the district court, rather than the Bankruptcy Appellate Panel. The district court considered this Court's pronouncements on tribal immunity, along with statutory language that does not unequivocally abrogate tribal immunity, and determined inference to the contrary would be inappropriate. The district court recognized this Court's instruction that because of the "unique trust relationship between the United States and Indian Nations," where Indian rights are at issue, "ambiguities in federal laws must be resolved to the Indians' advantage." *Montana v. Blackfeet Tribe of Indians*, 471 U.S. 759, 766

(1985). The district court affirmed the bankruptcy court when it held although Section 106(a) holds that immunity is abrogated for "governmental units," the definition of "governmental units," pursuant to Section 101(27), does not explicitly identify Indian tribes. App. 23.

On appeal, a panel of the Ninth Circuit reversed the decision of the district court in an opinion dated February 10, 2004. Writing for the panel, Judge Berzon determined these statutes, which do not include the term "Indian tribes" or any similar language, suffice to abrogate Indian tribes' immunity from suit. App. 4. The court determined it is clear from the face of §§ 106(a) and 101(27) that Congress did intend to abrogate the sovereign immunity of all "foreign and domestic governments." Section 106(a) explicitly abrogates the sovereign immunity of all "governmental units." So the category "Indian tribes" is simply a specific member of the group of domestic governments, the immunity of which Congress intended to abrogate. App. 5. The appeals court stated "Congress explicitly abrogated the immunity of any "foreign or domestic government." Indian tribes are domestic governments. Therefore, Congress expressly intended to abrogate the immunity of Indian tribes. App. 5.

The Navajo Nation filed a timely petition for rehearing en banc. In an amended opinion and order dated April 6, 2004, the petition for rehearing was denied. App. 1.

REASONS FOR GRANTING THE WRIT

The Ninth Circuit's decision in this case contravenes the principles firmly established by this Court in *Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc.*,

523 U.S. 751 (1998), and *Santa Clara Pueblo v. Martinez*, 436 U.S. 439 (1978), governing a determination as to whether the sovereign immunity of an Indian tribal government has been abrogated. The opinion misapprehends the law set forth in the cases *Kiowa* and *Santa Clara* regarding the requirements of congressional abrogation of the sovereign immunity of a tribal government. The ruling determines that Congress did intend to abrogate the sovereign immunity of Indian tribes even though the term “Indian tribes” or any similar language is not included in the Bankruptcy Code. The ruling is in conflict with the requirement that a congressional abrogation of a tribal government’s sovereign immunity must be unequivocally expressed in explicit legislation and must not be implied. The Panel reached its decision notwithstanding a history of federal deference to the interest of Indian tribes; when ambiguous, a statute should be construed for the benefit of Indians. *Montana v. Blackfeet Tribe of Indians*, 471 U.S. 759 (1985).

The Ninth Circuit’s approach to abrogation of the sovereign immunity of a tribal government is in conflict with that taken by the Tenth Circuit, *see In re Mayes*, 294 B.R. 145 (B.A.P. 10th Cir. 2003), and gives rise to a result squarely inconsistent with decisions in that Circuit. The *Mayes* Court determined that sovereign immunity was not abrogated by Congress in looking at the identical Bankruptcy Code sections.

The question of whether the sovereign immunity of a tribal government has been waived by the Bankruptcy Code is an important one. This decision will dramatically impact hundreds of federally recognized tribal governments. This decision opens the floodgate to all types of actions that could be brought against tribal governments

in bankruptcy court forums. The abrogation of tribal sovereign immunity gravely threatens Congress’ “goals of tribal self-government, including its ‘overriding goal’ of encouraging tribal self-sufficiency and economic development.” *California v. Cabazon Band of Mission Indians*, 480 U.S. 202, 216 (1987).

I. THE NINTH CIRCUIT’S DECISION CONFLICTS WITH *KIOWA* AND *SANTA CLARA*

The court of appeals’ decision disregards this Court’s fully articulated standard with respect to the abrogation of the sovereign immunity of an Indian tribal government. In its place, the lower court inferred that Congress must have meant to waive the sovereign immunity of an Indian tribe without any specific mention of Indian tribes in the Bankruptcy Code. App. 4.

A. The Court of Appeals Erroneously Ignored the Well Settled Doctrine That A Waiver of Sovereign Immunity Cannot Be Implied But Must Be Unequivocally Expressed Established by This Court’s Decisions

The Ninth Circuit Panel in reversing the Bankruptcy Court and the Federal District Court determined that Congress waived the sovereign immunity of an Indian tribal government under the U.S. Bankruptcy Code. *Krystal Energy Co. v. Navajo Nation*, 357 F.3d 1055 (9th Cir. 2004); App. 1-13. The Panel concluded that Congress intended to include tribal governments under the term “domestic government” as used in 11 U.S.C. § 101(27). App. 6. The Panel came to this conclusion despite the recognition that

no definition of the Bankruptcy Code actually lists “Indian Tribes” as either a foreign or domestic government. App. 4.

The panel determined that it is clear from the face of §§ 106(a) and 101(27) of the Bankruptcy Code that Congress did intend to abrogate the sovereign immunity of all “foreign and domestic governments.” In reaching this conclusion, the panel determined the term “governmental unit” in Section 101(27) includes Indian tribes. App. 5-6. Section 101 (27) defines “governmental unit” as follows:

(27) “governmental unit” means United States; State; Commonwealth; District; Territory; municipality; foreign state; department, agency, or instrumentality of the United States (but not a United States trustee while serving as a trustee in a case under this title), a State, a Commonwealth, a District, a Territory, a municipality, or a foreign state; or other foreign or domestic government;

11 U.S.C. § 101(27). The panel’s determination conflicts with the well settled doctrine that a waiver of sovereign immunity cannot be implied but must be unequivocally expressed. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58-9 (1978) citing *United States v. Testan*, 424 U.S. 392, 399 (1976). In the absence here of any unequivocal expression of contrary legislative intent, suits against the Navajo Nation are barred by its sovereign immunity from suit. *Santa Clara Pueblo*, at 59. Bankruptcy Code Sections 106(a) and 101(27) simply do not refer to tribes nor is there any reference in the legislative history. The intent of Section 106 was to waive the sovereign immunity of the States and the Federal Government. H.R. Rep. 103-335 at 42. Indian tribes are not mentioned anywhere in the Bankruptcy Code.

Indian tribes have long been recognized as possessing the common law immunity from suit traditionally enjoyed by sovereign powers. *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 59 (1978); *United States v. United States Fidelity & Guar. Co.*, 309 U.S. 506, 512-513 (1940). “This aspect of tribal sovereignty, like all others, is subject to the superior and plenary control of Congress. But ‘without congressional authorization,’ the ‘Indian Nations are exempt from suit.’” *Kiowa Tribe of Oklahoma v. Manufacturing Technologies, Inc.*, 523 U.S. 751, 754 (1998); *Santa Clara Pueblo*, 436 U.S. at 59; *In re Mayes*, 294 B.R. 145 (B.A.P. 10th Cir. 2003). Abrogation by Congress of sovereign immunity cannot be implied but must be unequivocally expressed. *Santa Clara Pueblo*, 436 U.S. at 59.

B. Congress Has Not Abrogated The Sovereign Immunity of Tribes in the Bankruptcy Courts

Congress was delegated the authority to “regulate Commerce with foreign Nations . . . and with the Indian tribes.” U.S. Const., art. I, § 8, cl. 3. Congress has exercised this authority by statute. “Congress knows how to limit the sovereign immunity of others when it wants to.” *In Re Greene*, 980 F.2d 590, 594 n. 3 (9th Cir. 1992), cert. denied sub nom. *Richardson v. Mt. Adams Furniture*, 510 U.S. 1039 (1994). In the Foreign Sovereign Immunity Act of 1976 (“FSIA”), Congress exempted commercial activities of foreign states having a direct effect in the United States from the general conferral of immunity from state court process. See 28 U.S.C. § 1605. Congress has also abrogated tribal sovereign immunity in rare instances. See, e.g., *Santa Clara Pueblo v. Martinez*, 436 U.S. at 71 (Congress provided federal court review only in habeas corpus

proceedings under the Indian Civil Rights Act). “But, for obvious reasons, this power has been sparingly exercised.” *Thebo v. Choctaw Tribe*, 66 F. at 375 (OCA 8 1895).

Indeed, at about the same time as it passed the FSIA, Congress preserved fully the tribes’ sovereign immunity from suit. In effectuating President Nixon’s “self-determination without termination” policy,¹ Congress passed the Indian Self-Determination and Education Assistance Act of 1975, which provided that “[n]othing in this Act shall be construed as . . . affecting, modifying, diminishing, or otherwise impairing the sovereign immunity enjoyed by an Indian tribe” 25 U.S.C. § 450(n)(1).²

Congress has not seen fit to abrogate tribal sovereign immunity in the Bankruptcy courts. It clearly has the power to do so. “[A] proper respect both for tribal sovereignty itself and for the plenary authority of Congress in this area cautions that we tread lightly in the absence of clear indications of legislative intent.” *Santa Clara Pueblo v. Martinez*, 436 U.S. at 60. This requirement of a clear statement from Congress honors the allocation of federal

¹ Special Message to the Congress on Indian Affairs, 1970 Pub. Papers 564, 565.

² The Indian Self-Determination and Education Assistance Act is but one of several recent statutes declaring Congress’ commitment to Indian self-sufficiency and self-determination. 25 U.S.C. § 450a(b). See Indian Tribal Justice Support Act of 1993, 25 U.S.C. § 3601(2) (“the United States has a trust responsibility to each tribal government that includes the protection of the sovereignty of each tribal government”); Indian Gaming Regulatory Act of 1988, 25 U.S.C. § 2701(4) (“a principal goal of Federal Indian policy is to promote tribal economic development, tribal self-sufficiency and strong tribal government”).

power in Article I, § 8 of the Constitution, with lasting structural and practical benefits. See Phillip P. Frickey, *Marshalling Past and Present: Colonialism, Constitutionalism, and Interpretation in Federal Indian Law*, 107 Harv. L. Rev. 381, 428 (1993).

Courts have recognized that Congress knows how to limit the sovereign immunity of others when it wants to. *In Re Greene*, 980 F.2d 590, 594 n. 3 (9th Cir. 1992), cert. denied sub nom. *Richardson v. Mt. Adams Furniture*, 510 U.S. 1039 (1994). In *Greene*, the court considered whether a Chapter 7 trustee could sue an Indian tribe to avoid a preferential transfer. It asked the question whether the Bankruptcy Code shows an intent to subject the tribe to bankruptcy court jurisdiction. *Id.* at 597. The *Greene* court dismissed the adversary proceeding, concluding that the bankruptcy court’s jurisdiction over property of the estate and adversary proceedings does not act to pierce the tribe’s immunity from suit. *Id.* at 598. Since only Congress can limit the scope of tribal immunity and has not done so, the tribes retain the immunity sovereigns enjoy at common law. *Id.* at 594.

The Panel recognized there is no specific reference in the Bankruptcy Code to Indian tribes. App. 4-5. Courts have found abrogation of tribal sovereign immunity in cases where Congress has specifically included “Indian tribes” in definitions of parties who may be sued under specific statutes. See *Blue Legs v. United States Bureau of Indian Affairs*, 867 F.2d 1094, 1097 (8th Cir. 1989) (finding congressional intent to abrogate Tribe’s sovereign immunity with respect to violations of the Resource Conservation and Recovery Act, 42 U.S.C.A. §§ 6901 et seq. “Person” is subsequently defined to include municipalities. 42 U.S.C. § 6903(15). Municipalities are defined to include

“an Indian tribe or authorized tribal organization . . .” 42 U.S.C. § 6903(13)(A)); *Osage Tribal Council v. United States Dep’t of Labor*, 187 F.3d 1174, 1182 (10th Cir. 1999) (same re Safe Drinking Water Act, the definitional sections of the SDWA define the term “person” to include a “municipality.” 42 U.S.C. § 300f(12). In turn, “municipality” is defined to include “an Indian tribe.” 42 U.S.C. § 300f(10).) “Where the language of a jurisdictional grant is unambiguous as to its application to Indian tribes, no more is needed to satisfy the *Santa Clara* requirement than that Congress unequivocally state its intent.” *Osage Tribal Council*, 187 F.3d at 1182. In this case, there is simply no mention of Indian tribes in the Bankruptcy Code sections relied upon by the panel.

In cases where the language of a federal statute does not include “Indian tribes” in the definitions of parties subject to suit or does not specifically assert jurisdiction over “Indian tribes”, courts have found the statute insufficient to express an unequivocal congressional abrogation of tribal sovereign immunity. *In re Mayes*, 294 B.R. 145 (B.A.P. 10th Cir. 2003); *In re National Cattle Congress*, 247 B.R. 259, 267 (Bankr. N.D. Iowa 2000); *See Bassett v. Mashantucket Pequot Tribe*, 204 F.3d 343, 357-58 (2d Cir. 2000) (holding Indian tribe immune from suit under the Copyright Act); *Florida Paralegic Assoc., Inc. v. Miccosukee Tribe*, 166 F.3d 1126, 1131 (11th Cir. 1999) (stating that because Congress made no specific reference to Tribes anywhere in the Americans With Disabilities Act (“ADA”), tribal immunity is not abrogated; suit under ADA dismissed).

A Ninth Circuit case found an affirmative waiver of immunity by a tribe only through its active participation as a creditor in a bankruptcy. That waiver carried forward

to a chapter 7 proceeding after the case converted from chapter 11. *Confederated Tribes of the Colville Reservation Tribal Credit v. White (In re White)*, 139 F.3d 1268, 1269 (9th Cir. 1998). In *White*, the Colville Tribal Credit filed an objection to a chapter 11 plan, arguing the plan had not been filed in good faith. The tribe also filed a ballot rejecting the plan. Once the plan was amended, the tribe filed another rejection ballot. *Id.* at 1270. In *White*, the court recognized that Indian tribes may consent to suit without explicit Congressional authority. *In re White*, at 1271 citing to *United States v. Oregon*, 657 F.2d 1009, 1013 (9th Cir. 1981). Such waiver may not be implied, but must be expressed unequivocally. *McClendon v. United States*, 885 F.2d 627, 630 (9th Cir. 1989). Initiation of a lawsuit is an action that “necessarily establishes consent to the court’s adjudication of the merits of that particular controversy,” including the risk of being bound by an adverse determination. *In re White*, at 1271. The only Navajo Nation participation, in Krystal Energy’s bankruptcy, was the filing of a motion to dismiss the adversary complaint filed by Krystal Energy. The Navajo Nation did not file a nor did it participate in any other manner in Krystal Energy’s bankruptcy. App. 32.

Neither Congress nor the Navajo Nation has unequivocally waived the Navajo Nation’s sovereign immunity in this case. “Congress may abrogate a sovereign’s immunity only by using statutory language that makes its intention unmistakably clear, and . . . ambiguities in federal laws implicating Indian rights must be resolved in the Indians’ favor.” *Montana v. Blackfeet Tribe of Indians*, 471 U.S. 759, 766 (1985). A Congressional abrogation of tribal immunity cannot be implied. *Santa Clara Pueblo*, 436 U.S. at 58.

CONCLUSION

The issue raised here clearly warrants Supreme Court review. The proceeding involves a question of exceptional importance including the proper rule to apply to questions of a tribal government's sovereign immunity in the bankruptcy courts. The Ninth Circuit's approach to abrogation of the sovereign immunity of a tribal government is in conflict with that taken by the Tenth Circuit. *In re Mayes*, 294 B.R. 145 (B.A.P. 10th Cir. 2003). This decision opens the floodgate to all types of actions that could be brought against tribal governments in bankruptcy court forums. The abrogation of tribal sovereign immunity gravely threatens Congress' "goals of tribal self-government, including its 'overriding goal' of encouraging tribal self-sufficiency and economic development." *California v. Cabazon Band of Mission Indians*, 480 U.S. 202, 216 (1987).

For the foregoing reasons, this Court should grant the petition for writ of certiorari.

Respectfully submitted this 2nd day of July, 2004.

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