

Exhibits

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

SAKATA RICE SNACKS AUSTRALIA PTY LTD.,
Opposer,
v.
SESMARK FOODS, INC.,
Applicant.

Opposition No.: 124,245-54



10-08-2002

U.S. Patent & TMO/c/TM Mail Rept Dt. #76

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TRADEMARK TRIAL AND APPEAL BOARD

**APPLICANT'S REPLY TO RESPONSE BY PLAINTIFF/OPOSER TO
MOTION FOR DISMISSAL AND/OR JUDGMENT ON THE PLEADINGS
FOR FAILURE TO TAKE TESTIMONY**

Plaintiff/Opposer, Sakata Rice Snacks Australia Pty Ltd., responds to the Motion for Dismissal of Sesmark Foods, Inc. (now known as Terra Harvest Foods, Incorporated), by arguing that under the Board's decision in *Pumpkin, Ltd. v. The Seed Corps*, 43 U.S.P.Q.2d 1582 (TTAB 1997), which adopted the factors set forth in *Pioneer Investment Services Company v. Brunswick Associates Limited Partnership*, 507 U.S. 380 (1993), it had "good cause" for its failure to take testimony during the time assigned for that period. In fact, the cases cited by Plaintiff/Opposer establish that Applicant's Motion should be granted.

The Board in the *Pumpkin* case, and in subsequent cases, recognizes that the second and third factors of the four-part *Pioneer* test are the most important or dominant factors. 43 U.S.P.Q.2d at 1588; *Atlanta-Fulton County Zoo Inc. v. DePalma*, 45 U.S.P.Q. 1858, 1859 (TTAB 1998). Accordingly, the Board first considers the third *Pioneer* factor, i.e. the reason for the delay, including whether it was within the reasonable control of the party that failed to take

evidence during its testimony period. The second *Pioneer* factor is the length of the delay and the potential impact on judicial proceedings.

1. **The Third *Pioneer* Factor Weighs Heavily Against a Finding of Excusable Neglect.**

In this case, Plaintiff/Opposer alleges that it failed to take testimony during the assigned period because:

- A. In consenting that Applicant might have additional time to respond to discovery, Plaintiff/Opposer understood that it would have the benefit of similar courtesies and “would not be prejudiced” by such extensions;
- B. Plaintiff/Opposer had no obligation to present evidence until a discovery issue relating to Plaintiff/Opposer’s response to discovery propounded by Applicant was resolved; and
- C. The parties were allegedly involved in “ongoing bilateral settlement negotiations,” but Plaintiff/Opposer’s president was unavailable for an extended period of time.

The above proffered reasons and Plaintiff/Opposer’s assertions that it had good cause for failing to take testimony because Applicant was allegedly uncooperative and made repeated settlement entreaties are inconsistent and collapse upon review.

A. **There Was No Agreement to Extend the Testimony Periods.**

Plaintiff/Opposer explains that it did not take testimony during its assigned period, which ended on August 12, 2002, because it understood that by granting Applicant additional time to respond to certain discovery requests that Plaintiff/Opposer would not be prejudiced by the delays. Plaintiff/Opposer ignores the holding of the cases its has cited, i.e., that notwithstanding the “understanding” of a party, it is incumbent on the party to file a motion to extend its

testimony period prior to the close of the testimony period. Moreover, these arguments are wholly unsupported by the facts.

Plaintiff/Opposer's attorney, Valerie du Laney, has submitted a declaration in support of the response consisting of 34 paragraphs and 17 exhibits. However, the du Laney declaration omits important facts and documents to create the impression that Applicant egregiously engaged in a "pattern of delay and refusal to cooperate" that thwarted Plaintiff/Opposer's prosecution of its opposition. In fact the declaration establishes that there was no agreement between the parties to extend the testimony periods.

A true chronology of events is established by considering the exhibits attached to Ms. du Laney's declaration together with and the declarations of George H. Kobayashi and Nancy E. Sasamoto, attached hereto.

- It is true that Plaintiff/Opposer consented to Applicant's request for a thirty-day extension of time to file its Answer to the Notice of Opposition (Supplemental Declaration of George H. Kobayashi, par. 2).
- Applicant filed its Answer to Notice of Opposition on January 3, 2002, in accordance with the parties' agreement (Kobayashi Supp.Dec., par.3).
- Both parties served a First Set of Discovery on the other party (Plaintiff/Opposer's discovery was propounded on January 21, 2002; Applicant's discovery was propounded on February 11, 2002).
- Both parties received additional time to respond to the First Set of Discovery.
- On March 7, 2002, Applicant's attorney, George Kobayashi, called the Miller, Nash firm and was told that Ms. du Laney was on vacation. Mr. Kobayashi was directed to and spoke with Erich Merrill, Jr., another attorney representing

Plaintiff/Opposer. Mr. Kobayashi requested a two-week extension to March 22, 2002 to respond to Plaintiff/Opposer's discovery requests. Mr. Merrill said that he had no objection to such an extension and tentatively approved the extension, subject to Ms. du Laney's confirmation (Kobayashi Supp.Dec., par.4).

- On March 11, 2002, Mr. Kobayashi spoke with Ms. du Laney and confirmed the Plaintiff/Opposer's agreement to the extension. Ms. du Laney did not state that the extension was granted on "the condition that Sakata would not be prejudiced by the extension." (Kobayashi Supp.Dec., par.5).
- On March 25, 2002, Mr. Kobayashi called Ms. du Laney and said that Applicant would require a few extra days to finalize its discovery responses (Kobayashi Supp.Dec., par. 6).
- On April 8, 2002, Applicant served its discovery responses (Kobayashi Supp.Dec., par. 7).
- Plaintiff/Opposer similarly requested additional time to respond to Applicant's discovery that was served on February 11, 2002. Applicant reciprocated by granting Plaintiff/Opposer extensions of time to respond. See du Laney Exhibit 5, in which Ms. du Laney thanks Applicant for its consent to a two-week extension of time.
- Plaintiff/Opposer did not serve its responses to Applicant's First Set of Discovery until May 2, 2002 (du Laney Exhibit 6). Plaintiff/Opposer did not produce documents until July 22, 2002 (du Laney Exhibit 9).

The statements that Applicant did not respond to letters from Plaintiff/Opposer's counsel and the inference that Applicant solely caused any delay simply are not true (du Laney Declaration at par. 8, 10, 12, and 14).

- Ms. du Laney states that she did not receive a response to her letter of April 17, 2002 (du Laney Dec., par. 8). With her letter of April 17, 2002, Ms. du Laney enclosed a draft Protective Order and *apologized* for the delay in sending the draft. In response, Ms. Sasamoto called Ms. du Laney on April 25, 2002, and discussed, among other matters, the terms of the draft Protective Order (Declaration of Nancy E. Sasamoto, par. 2).
- Ms. du Laney states that she did not receive a response to her letter of May 2, 2002 (du Laney Dec., par. 10). In fact, on May 17, 2002, Applicant's counsel, sent a letter expressing Applicant's concerns regarding Plaintiff/Opposer's discovery responses, commenting on the draft Protective Order and inviting Plaintiff/Opposer to confer on any discovery disputes. (Sasamoto Dec., par. 3 and Exhibit 1 thereto).
- Applicant did not hear from Plaintiff/Opposer for a full month until the letter, dated June 17, 2002, which specifically states that it was sent in response to Ms. Sasamoto's letter of May 17 (du Laney Dec., par. 11 and Exhibit 7 thereto).
- Applicant's counsel returned the signed Protective Order on July 11, 2002 (Kobayashi Supp.Dec., par.8).
- Applicant produced documents on July 25, 2002 (Kobayashi 8/26/02 Dec., par. 3).

In *Polyjohn Enterprises Corporation v. 1-800-TOILETS, Inc.*, 61 U.S.P.Q.2d 1860, the respondent filed a motion to dismiss for failure to prosecute under Trademark Rule 2.132(a). Petitioner filed a response and a cross-motion to extend discovery and trial dates contending that based on two extensions of petitioner's time to serve responses to respondent's discovery requests, it was understood that the parties were also agreeing to extend the testimony periods in the proceeding. In finding there was no excusable neglect and entering judgment against the petitioner, the Board held that the resetting of a party's time to respond to an outstanding request for discovery will not result in the automatic rescheduling of the discovery and/or testimony periods; such dates will be rescheduled only upon stipulation of the parties approved by the Board, or upon motion granted by the Board or by order of the Board. The Board found that the petitioner had no basis for relying on its counsel's understanding that discovery and testimony periods had been reset as a result of the parties' agreements to extend time to serve discovery responses. *See also, Grobet File Co. of America Inc. v. Associated Distributors Inc.*, 12 U.S.P.Q. 1649, 1651 (1989); *Tel-E-Gift Corporation v. Teleflora Incorporated*, 193 U.S.P.Q. 254 (1976).

Accordingly, the understanding of Plaintiff/Opposer's counsel does not establish excusable neglect. Moreover, as in *Polyjohn*, Plaintiff/Opposer is not contending that it was unaware of the closing date of the testimony period or its ability to file a motion to compel discovery if necessary (see du Laney Exhibits 9 and 10). Ms. du Laney expressly avers that she informed Plaintiff/Opposer of the importance of the testimony period on August 7, 2002 (du Laney Dec., par. 23). It is incumbent upon the opposer to timely seek an enlargement of its testimony period. *See, Hewlett-Packard Company v. Olympus Corporation*, 931 F.2d 1551 (Fed. Cir. 1991). If Applicant had, in fact, been engaging in dilatory tactics, Plaintiff/Opposer should have filed appropriate motions prior to the expiration of the discovery period and its testimony

period. The third, and most important, Pioneer factor weighs heavily in favor of finding no excusable neglect.

B. There Was No Pending Motion That Alleviated Plaintiff/Opposer of the Necessity of Prosecuting its Case.

Plaintiff/Opposer next claims that it was not required to prepare its evidence for trial because of Applicant's "announced intention to file a motion to limit the issues at trial" in a letter dated July 26, 2002 (Response brief at p. 11). Notwithstanding that Plaintiff/Opposer bases its argument on the July 26th letter and even quotes a portion on the letter, Plaintiff/Opposer withholds the subject letter, ostensibly "because Ms. Sasamoto designated the statements therein as settlement negotiations." (du Laney Dec., par. 20 and Exhibit 13 thereto). In order to respond to Plaintiff/Opposer's argument and so that the Board may review the actual language rather than rely on the characterization of counsel, Applicant is attaching an unredacted copy of the July 26, 2002 letter, as Exhibit 2 to the Declaration of Sasamoto.

In the July 26 letter, Applicant's counsel addressed Plaintiff/Opposer's Supplemental Response to Interrogatory No. 6, which requested Plaintiff/Opposer to state the dates that Plaintiff/Opposer began doing business in Australia, New Zealand, Japan and Canada and the amount of its annual sales in each country. Plaintiff/Opposer objected to this interrogatory and refused to respond on the basis that the information was not relevant to any issue in the proceeding. However, as stated in the letter of May 17, 2002, Interrogatory No. 6 seeks facts directly related to Plaintiff/Opposer's allegations that it had been engaged for many years in the business of selling snack foods under the SAKATA mark throughout Australia, New Zealand, Japan and Canada and that the wide spread goodwill under this mark in those countries resulted in the mark SAKATA becoming strongly associated with Plaintiff/Opposer's company name and its products in the U.S. prior to the filing of Applicant's application. Moreover, the July 26 letter

points out that Applicant was entitled to the information because Plaintiff/Opposer had also asserted that its use of the mark outside of the United States was relevant to the issue of Applicant's ability, in good faith, to file an application to register the mark SAKATA in the U.S. In that context, Applicant's counsel stated that, "unless you are willing to reconsider your position on this point, Applicant shall have no choice but to seek to compel the response of Opposer and/or seek to bar Opposer's introduction of evidence or assertion of arguments relating to Terra Harvest's alleged knowledge of Opposer's use of the mark based on Opposer's doing business and sales in Australia, New Zealand, Japan and Canada." No such motion was filed by Applicant.

Plaintiff/Opposer is claiming that it was unable to know the pleaded issues in the case by the close of its testimony. Plaintiff/Opposer knew, or should have known, the issues in the case were those alleged in its Opposition and Applicant's response thereto. *Midwest Plastic Fabricators Inc. v. Underwriters Laboratory Inc.*, 5 U.S.P.Q.2d 1067 (TTAB 1987), is distinguishable on its facts. In *Midwest Plastics*, the respondent in a cancellation proceeding had filed a motion for leave to file an amended answer by adding two affirmative defenses. The petitioner failed to offer any evidence during the extended period scheduled for its presentation of its case in chief and the respondent filed a Motion to Dismiss. The Board extended the discovery and trial dates because there was pending before the Board a motion to amend the answer, which, if allowed, could have raised additional issues, Under those circumstances, the Board found that the petitioner had a right to know the issues before proceeding to trial.

Here, no motions were pending before the Board before the close of Plaintiff/Opposer's testimony period. Moreover, even if Applicant had filed a motion, the purpose and effect of such motion would have been to limit or narrow the issues at trial, not add new issues, so it is

ludicrous for Plaintiff/Opposer to state that it was unable to know the pleaded issues in the case by the close of its testimony period.

C. There Where No Ongoing Bilateral Settlement Negotiations Between the Parties.

While ongoing bilateral settlement discussions may give rise to a reasonable expectations that the proceedings will not move forward during negotiations, there were no such discussions in this case. In *Instruments SA Inc. v. ASI Instruments Inc.*, 53 U.S.P.Q.2d 1925 (TTAB 1999), the central question was whether the parties were genuinely engaged in bi-lateral settlement discussions and, if so, could the plaintiff reasonably have concluded, from the assurances or actions of the defendant, that the plaintiff need not go forward with discovery and/or trial.

After accusing Applicant of being uncooperative and engaging in pattern of delay, Plaintiff/Opposer claims that it acted in reliance on the acts and omissions of Applicant and its counsel and that it was somehow deceived by the repeated “settlement entreaties” of Applicant. The words and actions of Plaintiff/Opposer and its counsel establish that the parties were not actively engaged in serious settlement discussions and that there was no agreement between the parties that Plaintiff/Opposer need not prosecute its case. As an alternative to litigation, Applicant expressed interest in trying to resolve the dispute and made a settlement offer. Plaintiff/Opposer rejected this offer and never indicated any interest in even discussing settlement before the close of its testimony period.

- Applicant made an offer of settlement on May 1, 2002, which Plaintiff/Opposer acknowledged receiving (du Laney Exhibit 6). In this same letter, Ms. du Laney requested comments on the proposed Protective Order and inquired about Applicant’s production of documents.

- After receiving no response to the settlement offer from Plaintiff/Opposer, Mr. Kobayashi called Ms. du Laney on June 18, 2002, who stated that Plaintiff/Opposer had no interest in settlement. Mr. Kobayashi sent a confirming letter on June 19, 2002 (Kobayashi Supp.Dec., par.9).
- At the end of the its July 26, 2002 letter, Applicant indicated a willingness to engage in settlement discussions. No offer was made and Applicant received no response from Plaintiff/Opposer until after Applicant's testimony period closed (Sasamoto Dec., par. 4)

In desperation, Plaintiff/Opposer next alleges that it should be excused because there were unexpected changes to the travel schedule of the one person responsible for decisions in this case, Mr. Suzukawa, Plaintiff/Opposer's president¹ (Response brief at p. 14). Plaintiff/Opposer has not submitted a supporting declaration from Mr. Suzukawa to establish his travel schedule, the fact that he could not communicate with counsel by telephone, facsimile or by electronic mail, or that he was the only decisionmaker for Plaintiff/Opposer. Instead, Plaintiff/Opposer relies on Ms. du Laney's statement that she was unable to reach Plaintiff/Opposer's president for a period of time (du Laney Dec. at par. 24-26). Certainly, Plaintiff/Opposer never communicated Mr. Suzukawa's unavailability to Applicant prior to the close of the testimony period (Kobayashi Supp.Dec., par. 10).

There were no ongoing settlement discussions between the parties during the testimony period. In fact, it appears Plaintiff/Opposer's counsel was not even in contact with Plaintiff/Opposer's decisionmaker during this time. In any case, Plaintiff/Opposer should have filed a motion to suspend the proceeding. The cursory or conclusory allegations of

¹ Applicant notes that Plaintiff/Opposer did not disclose Mr. Suzukawa as someone with knowledge relevant to this proceeding in its responses to interrogatories and disclosed that Plaintiff/Opposer has three other directors (Kobayashi Dec., par. 11).

Plaintiff/Opposer that the parties had an apparent agreement that the proceeding would not move forward during the negotiations, which are unequivocally denied by Applicant and unsupported by the record, do not constitute good cause. *Instruments SA Inc. v. ASI Instruments Inc.*, 53 U.S.P.Q.2d at 1927. As acknowledged by Plaintiff/Opposer, it is well settled that the mere existence of settlement negotiations does not justify a party's inaction or delay. *Atlanta-Fulton County Zoo Inc. v. DePalma*, 45 U.S.P.Q. at 1859, and cases cited therein. Opposer brought this case and was responsible for moving forward on the established schedule.

2. Under The Second Pioneer Factor Weighs Heavily Against a Finding of Excusable Neglect.

Under the *Pumpkin* case, the next factor to be considered is the length of delay and the effect on the judicial proceedings. Plaintiff/Opposer's testimony period closed on August 12, 2002. Applicant's testimony period was set to open on September 12, 2002. Motions to dismiss under Trademark Rule 2.132 (a) must be filed before the opening of the testimony period of the moving party. Applicant filed its Motion for Dismissal in a timely manner on August 26, 2002. Plaintiff/Opposer filed its Response and a Motion to Reopen Testimony Period and Motion to Compel Discovery on September 16, 2002.

In *Polyjohn Enterprises Corporation v. 1-800-TOILETS, Inc.*, 61 U.S.P.Q.2d 1860, the facts were almost identical: the petitioner's testimony period closed on October 30, 2001, the respondent filed a motion to dismiss for failure to prosecute on November 14, 2002; and petitioner filed a response and cross-motion on November 26, 2001. The Board held that this delay of less than one month was significant and dismissed the petition to cancel with prejudice.

The Board has rejected arguments identical to those being asserted by Plaintiff/Opposer:

In addition to the time between the close of the petitioner's testimony period and the filing of the involved motions, the calculation of the length of the delay in proceedings also must take into account the

additional, unavoidable delay arising from the time required for briefing and deciding such motions.

Furthermore, the Board's growing docket of active cases, and the resulting, inevitable increase in motion practice before the Board, increasingly strains the Board's limited resources. Both the Board and parties before it have an interest in minimizing the amount of the Board's time and resources that must be expended on matters, such as the motions decided herein, which come before the Board solely as a result of one party's failure to understand a clear and straightforward rule. The Board's interest in deterring such failure weighs against a finding of excusable neglect under the second Pioneer factor. (*Polyjohn*, 61 U.S.P.Q. 1860, 2002 WL 139328)

See also, Tel-E-Gift Corporation v. Teleflora Incorporated, 193 U.S.P.Q. 254 (1976)(judgment entered against petitioner in cancellation proceeding where petitioner failed to take testimony as a result of "communication" problem with client).

3. On Balance, the Pioneer Factors Establish that There was no Good Cause for Plaintiff/Opposer's Failure to Take Testimony.

Plaintiff/Opposer's final argument that the pleadings raise a legal issue which make the dismissal of the opposition inappropriate is without merit. It is undisputed that Applicant filed its ITU application prior to Plaintiff/Opposer's filing of its ITU application for the mark SAKATA. Applicant has admitted that prior to filing its application, it knew of Plaintiff/Opposer's business and use of the mark in certain countries outside of the United States, but has expressly denied that it knew of Plaintiff/Opposer's use of the mark in the United States (Answer to Notice of Opposition, par. 15, filed January 3, 2002). A trademark owner's use of a mark in a foreign country unconnected to an established United States business does not confer trademark rights in the United States. *Buti v. Impresa Perosa, S.R.L.*, 935 F.Supp. 458 (SD NY 1996). Moreover, knowledge of foreign use does not preclude good faith adoption and use in the United States. *Person's Co., Ltd. v. Christman*, 900 F.2d 1565, 1569 (Fed. Cir. 1990).

The statement that Applicant admitted knowledge of Sakata's worldwide business under the SAKATA mark is false and without any support in the record. To the extent that the parties engaged in any business discussions, such discussions related solely to Plaintiff/Opposer's operations in Australia and business outside of the United States. (Sasamoto Dec., par. 6).

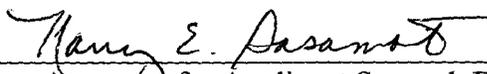
While the remaining *Pioneer* factors may be considered, it is clear that the Board will not overlook or excuse neglect or find good cause even where there is no specific prejudice to the applicant or evidence of bad faith on the part of the opposer. *Polyjohn Enterprises Corporation v. 1-800-TOILETS, Inc.*, 61 U.S.P.Q.2d 1860; *Instruments SA Inc. v. ASI Instruments Inc.*, 53 U.S.P.Q.2d 1925; *HKG Industries Inc. v. Perma-Pipe Inc.*, 49 U.S.P.Q. 1156 (TTAB 1998); *Atlanta-Fulton County Zoo Inc. v. DePalma*, 45 U.S.P.Q. 1858.

For the above reasons, Applicant's Motion for the Dismissal of the Opposition Proceeding and/or Judgment in Favor of Applicant should be granted.

Respectfully submitted,

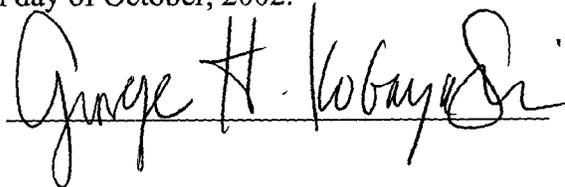
MASUDA, FUNAI, EIFERT & MITCHELL, LTD.

Date: October 7, 2002

By: 
Attorneys for Applicant Sesmark Foods, Inc.
(now known as Terra Harvest Foods,
Incorporated)
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing APPLICANT'S REPLY TO RESPONSE BY PLAINTIFF/OPPOSER TO MOTION FOR DISMISSAL AND/OR JUDGMENT ON THE PLEADINGS FOR FAILURE TO TAKE TESTIMONY was delivered via Federal Express, to Miller Nash LLP, attorneys for the Opposer, this 7th day of October, 2002.

A handwritten signature in cursive script, reading "George H. Kobayashi", written over a horizontal line.

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TTAB

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Transmitted herewith for filing is Applicant's Reply to Response by Plaintiff/Opposer to Motion for Dismissal and/or Judgment on the Pleadings for Plaintiff's Failure to Take Testimony and related documents for:

Sakata Rice Snacks Pty Ltd. v. Terra Harvest Foods, Incorporated

Opposition Number: 124,245



10-08-2002

U.S. Patent & TMO/TM Mail Rcpt Dt. #76

TRANSMITTAL LETTER AND CERTIFICATE OF FEDERAL EXPRESS MAILING

To: United States Patent and Trademark Office
Trademark Trial and Appeal Board
2900 Crystal Drive
Arlington, VA 22202-3513

From: Masuda, Funai, Eifert &
Mitchell, Ltd.
One East Wacker Drive
Suite 3200
Chicago, Illinois 60601-2002

Attn: • Duion Walker
Legal Assistant
Trademark Trial and Appeal Board

Enclosed are:

1. Transmittal letter including Certificate of Federal Express Mailing;
2. One (1) Return Postcard Receipt;
3. Applicant's Reply to Response by Plaintiff/Opposer to Motion for Dismissal and/or Judgment on the Pleadings for Failure to Take Testimony;
4. Supplemental Declaration of George H. Kobayashi and Exhibits 1-4;
5. Declaration of Nancy E. Sasamoto and Exhibits 1-2;
6. Applicant's Response to Opposer's Motion to Reopen Testimony Period; and
7. Applicant's Response to Plaintiff/Opposer's Motion to Compel Discovery and Memorandum in Support.

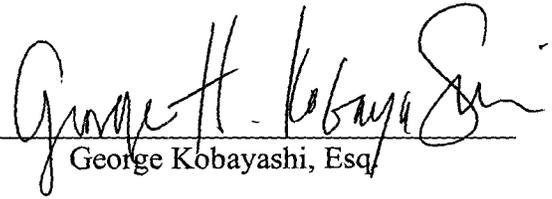
CERTIFICATE OF FEDERAL EXPRESS MAILING

I hereby certify the papers listed above are sent via Federal Express to Addressee in an envelope addressed to the United States Patent and Trademark Office, Trademark Trial and Appeal Board, 2900 Crystal Drive, Arlington, VA 22202-3513, on the date indicated below.

Federal Express Airbill No. is 8349 8805 8855

Date: October 7, 2002

Signature:


George Kobayashi, Esq.