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UNITED STATES DEPARTMENT OF COMMERCE
Patent and Trademark Office
Trademark Trial and Appeal Board
2900 Crystal Drive
Arlington, Virginia 22202-3513

GFR

Opposition No. 102,907

S Industries, Inc.

v.

S & W Sign Company, Inc.
d/b/a Westview
Instruments

DEC 16 1999

PAT. & T.M. OFFICE

Opinion by Rogers, Administrative Trademark Judge:

Opposer has responded to the Board's order to show cause why opposer should not be sanctioned for violation of Fed. R. Civ. P. 11. Opposer's response includes a request that the Board reset "all appropriate dates and allow this matter to proceed on it's [sic] merits." The question of which, if any, dates should be reset will be determined after review of the circumstances leading to the order to show cause, opposer's response to the order, and the Board's determination of an appropriate sanction.

Applicant, in early February 1997, filed a change of its address with the Board and included a "cc" designation indicating that it had forwarded a copy, by certified mail, to opposer at its then correct address.¹

¹ Opposer, by its own report, did not switch to its current address until April, 1997.

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Thirteen months later, in mid-March 1998, opposer filed a request for suspension reporting that opposer had "submitted a settlement proposal to the applicant". The certificate of service, however, listed applicant's former address. Another seven months later, in October 1998, opposer filed a request for substitution of an assignee and reported that the "parties have not concluded their settlement negotiations..." (emphasis opposer's). The certificate of service for this filing, too, listed applicant's former address.

The Board contacted applicant's in-house counsel and asked whether applicant had received service copies of these two filings and whether there were any ongoing settlement negotiations. Counsel answered each question negatively.

In view of the absence of any settlement negotiations, the Board proceeded to consider opposer's pending motion for summary judgment. In the July 16, 1999 order that denied that motion [hereafter, "the warning order"], the Board castigated opposer for its failure to forward service copies to applicant's correct address and for lack of candor in reporting the existence of settlement negotiations when none in fact existed. The Board also noted that it might order opposer to show cause why it should not be sanctioned under Rule 11 if another such report were filed.

In early October' 1999, opposer filed another report that the "parties have not concluded their settlement negotiations..." (emphasis opposer's). As with opposer's two earlier reports regarding purported efforts to settle this case, this third report lists applicant's former address in the certificate of service. Again, applicant's in-house counsel was contacted by phone to determine whether he had received the service copy.² After counsel denied receipt of the service copy and denied the existence of settlement negotiations, the Board issued the order to show cause.

Opposer's president, Leo Stoller, responded by denying receipt of the warning order and by asserting that the Board's order to show cause resulted from (1) the Board's misunderstanding as to opposer's change of address, and (2) opposer's not learning of applicant's change of address until November 16, 1999. Mr. Stoller's explanation is unbelievable. More importantly, even if it were believable, it fails to explain his lack of candor in reporting non-existent settlement negotiations.

² Opposer complains that the Board contacted applicant to inquire about its receipt of service copies of opposer's filings but the Board did not contact opposer to confirm opposer's receipt of the warning order. Opposer's complaint is unfounded.

The Board would not have had to contact applicant had opposer used a proper address when forwarding service copies of its filings; opposer's use of an improper address for applicant dictated that applicant be contacted. In contrast, no copy of any order sent by the Board to opposer has been returned as undeliverable and the orders have, in each instance, been sent to the address of record for opposer. In short, there is

In regard to the Board's knowledge of opposer's address, the Board took note of the change when opposer made its March 1998 report regarding settlement.³ Both the warning order and the order to show cause were sent to opposer's new address; neither was returned as undeliverable. Thus, the Board has not suffered from any misunderstanding as to opposer's address and has never mailed any order in this case to an out of date address for opposer.

In regard to opposer's claimed lack of knowledge of applicant's address, Mr. Stoller should have been aware, before November 16, 1999, that applicant had changed its address. Since he denies awareness, Mr. Stoller's explanation of events requires the Board to accept the following:

1. that opposer did not receive its service copy of applicant's change of address, which was forwarded to opposer's correct address by certified mail; **and, either**
2. that opposer's settlement proposal and the service copies of all three of his filings regarding

nothing in the record to suggest that opposer should have been contacted at any time.

³ The March 1998 filing was made some eleven months after opposer apparently changed its address. Opposer did not file a change of address at the time its address changed. Indeed, opposer did not even note, in its March, 1998 filing, that its address had changed. Nonetheless, an alert Board legal assistant noted that the address on the March, 1998 filing was different from opposer's original address.

purported efforts to settle this case were lost or mishandled by the Postal Service⁴, or

3. that the Postal Service somehow delivered each of these items to applicant, despite opposer's use of an address that was out of date by more than a year before even the first item purportedly was mailed, and that applicant's counsel lied to the Board each time he denied receipt of any of the service copies.

This is not the first case before the Board in which Mr. Stoller has blamed the Postal Service for one or more of his ills. Nor is it the first case in which an adversary has reported not receiving service copies which Mr. Stoller has declared sent. Nor is it the first case in which Mr. Stoller's reports regarding the existence of settlement negotiations have been denied.

The Board cannot accept that each of four items mailed by Mr. Stoller to applicant was lost or mishandled by the Postal Service. Thus, the question becomes whether Mr. Stoller or applicant's counsel is more credible.

The lack of credibility of Mr. Stoller is a matter of public record. See, e.g., *S Industries, Inc. v. JL Audio, Inc. et al*, 29 F.Supp.2d 878 (N.D. Ill. 1998) (court found Mr. Stoller's "Sales Report does not include the indicia of trustworthiness traditionally required for admissibility of

⁴ If even one of these items was returned to opposer as undeliverable, then Mr. Stoller's claim that he was not aware of applicant's change of address until November 16, 1999 is untenable.

a hearsay statement."); *S Industries, Inc. v. Diamond Multimedia Systems, Inc., et al*, 17 F.Supp.2d 775 (N.D. Ill. 1998) (S Industries and its counsel held to have filed frivolous claims and to have deliberately thwarted defendants' attempt to serve a deposition subpoena); *S Industries, Inc. v. Stone Age Equipment, Inc., d/b/a Five Ten, et al*, 12 F.Supp.2d 796 (N.D.Ill. 1998) (S Industries found to have made "frequent misrepresentations of the evidence"; court also found defendants' argument that S Industries and Mr. Stoller fabricated evidence persuasive and found Mr. Stoller's explanation of the creation of the evidence "convoluted"⁵; the court labeled Mr. Stoller's deposition testimony "internally inconsistent, flatly contradicted by documentary and physical evidence, and uncorroborated"; finally, the court noted S Industries' attempt to paint its own allegations in another case as the factual finding of a court and held attempt "nothing short of dishonest"); *S Industries, Inc. v. Hobbico, Inc.*, 940 F.Supp. 210 (N.D. Ill. 1996) (court found S Industries' complaint to contain apparent misleading allegations); *S Industries, Inc. v. Lamb-Weston, Inc.*, 45 USPQ2d 1293 (TTAB 1997) (Board found certificate of mailing signed by Mr. Stoller fraudulent).

⁵ Court stopped short of making explicit finding of fabrication, because of forensic document expert's inability to conclusively date presumptively fabricated document.

In short, the Board finds both Mr. Stoller's reported unawareness of applicant's correct address and his claim of non-receipt of the warning order utterly lacking in credibility. Equally lacking in credibility, and even more troubling, are Mr. Stoller's reports that the parties have been involved in settlement negotiations.

Even if Mr. Stoller's initial report that he forwarded a settlement proposal to applicant is accepted, his response to the order to show cause reveals that there have been no subsequent contacts between the parties during the 21 months since tender of the proposal. Under these circumstances, for Mr. Stoller to report the existence of settlement negotiations is fraudulent. In the context used by Mr. Stoller, the term unequivocally means that the parties are dealing with each other, bargaining, or involved in some bilateral activity designed to further the possibility of settlement. Since Mr. Stoller has not engaged in such conduct, his reports of settlement negotiations are patently false.

Making false reports to the Board is sanctionable. The Board is not required to warn against continuation of sanctionable conduct before issuing an order to show cause under Federal Rule 11. Thus, even if the Board found Mr. Stoller's denial of receipt of the warning order credible, non-receipt would not excuse his conduct. Before

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sanctioning a party under Rule 11, the Board is required to issue an order to show cause and entertain a response. This has been done. The response, as noted, is lacking.

Determination of the appropriate sanction is next.

One of the predominant purposes for entering a Rule 11 sanction is to deter further wrongdoing; but the Board may also consider measures that may be punitive in nature. See Wright & Miller, *Federal Practice and Procedure: Civil 2d* §1336 (1990). The Board has inherent discretion to tailor sanctions to the violations and may consider any appropriate measure designed to serve these purposes. *Id.*; See also, *Electronic Industries Association v. Potega*, 50 USPQ2d 1775 (TTAB 1999); and authorities discussed in Alan S. Cooper, *Managing the Board's Increasing Workload: The Creative Use of Sanctions*, 88 Trademark Rep. 43 (1998).

Opposer's claims in this case appear as frivolous as those raised in other cases. See, e.g., *S Industries, Inc. v. JL Audio, Inc. et al*, *supra* ("Much about this case is troubling. Plaintiff's actions in this case and in the several other cases filed throughout this district raise doubts as to the good faith of Plaintiff and its counsel."); *S Industries, Inc. v. Diamond Multimedia Systems, Inc., et al*, *supra* ("To bring a cause of action based on evidence of this sort, and to require Defendants to defend such a claim, is not only oppressive, but also inappropriate, frivolous,

and, sanctionable."); *S Industries, Inc. v. Diamond Multimedia Systems, Inc., et al*, 991 F.Supp. 1012 (N.D. Ill. 1998) ("S Industries' claim of actual infringement of its registered marks, Count I, crosses the border of legal frivolousness, as its §1114 claim utterly lacks merit on its face."); *S Industries, Inc. v. Stone Age Equipment, Inc., d/b/a Five Ten, et al, supra* (court found opposer engaged in "litigation lacking in merit and approaching harassment"); and, *S Industries, Inc. v. Hobbico, Inc., supra* (court found complaint to suffer from "disturbing deficiency" and apparent misleading allegations).

As noted in the Board's denial of opposer's motion for summary judgment, opposer came forward with no evidence to support his claim of use or registration of opposer's mark for products remotely like those of applicant; and there is a substantial question whether opposer can in good faith argue, given the apparent lack of such evidence, that consumers are likely to be confused by the parties' concurrent use of their respective marks, SENTRA and SONIC-SENTRY.⁵ Accordingly, part of the Board's sanction requires this case to be drawn to a conclusion as quickly as possible. The other parts are designed to ensure that Mr.

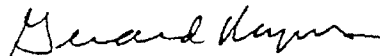
⁵ When there are obvious differences in the sight, sound and meaning of parties' marks, a plaintiff's burden to show relatedness of goods, classes of consumers and channels of trade is heightened. Compare authorities collected in J. McCarthy, *Trademarks and Unfair Competition*, § 23:20.1 (4th ed. 1996).

Stoller is aware of applicable rules; to halt the filing of improper motions by opposer; and to ensure that there are no further problems with forwarding of service copies to applicant.

It is ordered that:

1. Mr. Stoller copy, by hand, sections 2.18, 2.20, 2.116, 2.119, 2.127, 10.1, 10.14, 10.18, 10.20, 10.23, and 10.89 from Title 37 of the Code of Federal Regulations, and Rule 11 of the Federal Rules of Civil Procedure, to demonstrate that he has read them and, hopefully, to help him appreciate their applicability to this case. He must sign and date the handwritten transcription and file it with the Board.
2. Discovery is now closed in this case. Opposer is barred from further pre-trial motion practice and is required to either withdraw the opposition or go forward with trial. There will be no extensions or suspensions of opposer's testimony period, in the absence of applicant's consent.
3. If the parties agree to any extensions or suspensions, of any kind, for any reason, the Board must be informed by written stipulation signed by both parties.
4. In view of opposer's failure to properly serve applicant with service copies of opposer's earlier filings, opposer is directed to serve any subsequent filing regarding this case on applicant prior to forwarding the paper to the Board. Applicant is directed to provide opposer with written confirmation of receipt. Opposer is further directed to include the original of applicant's confirmation when opposer makes its filing with the Board. The Board will not consider any filing by opposer filed without written confirmation by applicant of prior receipt of a service copy.

All that remains to be decided is opposer's request, tucked into the closing sentence of its response to the order to show cause, that all dates established by the July 16, 1999 order be reset. This request should have been the subject of a separate motion.⁷ See Trademark Rule 2.127(a). In any event, for reasons already discussed, the request is denied. Discovery is closed; testimony dates remain as set.



Gerard F. Rogers
Administrative Trademark
Judge, Trademark Trial
and Appeal Board

⁷ Applicant was not expected to respond to opposer's response to the Rule 11 order to show cause why opposer should not be sanctioned, for that is a matter between opposer and the Board. In contrast, applicant is entitled to be heard on any motion by opposer for resetting of dates. Opposer may be viewed as having tried to slip the motion past applicant.