

EXHIBIT E

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11 **UNITED STATES DISTRICT COURT**
12 **IN AND FOR THE DISTRICT OF ARIZONA**

13 SOILWORKS, LLC, an Arizona
14 corporation,

15 Plaintiff/Counterdefendant,

16 v.

17 MIDWEST INDUSTRIAL SUPPLY, INC.,
18 an Ohio corporation authorized to do
19 business in Arizona,

20 Defendant/Counterclaimant.

21 NO.: 2:06-CV-02141-DGC

22 **SOILWORKS, LLC'S RESPONSE IN**
23 **OPPOSITION TO MIDWEST'S**
24 **MOTION FOR ORDER**

25 **I. INTRODUCTION**

26 Defendant's Motion for Order and brief in support thereof ("Motion") should be
27 denied because (i) it applies an incorrect standard of review under the Federal Rules of Civil
28 Procedure, and (ii) it fails to show "good cause" as required under Rule 16 of the Federal
Rules of Civil Procedure, the appropriate standard of review. When Defendant filed its
Answer and Counterclaim ("Counterclaim") over one year ago on March 26, 2007, it was
aware of the facts which support its unduly-delayed Motion to assert a trademark
infringement claim arising from the mark "synthetic organic dust control" ("Mark").

Defendant has failed to present any evidence that it diligently has sought to amend its
Counterclaim once it became aware of the facts which form the basis of the Motion. On this
basis alone the Court should deny its Motion.

II. ARGUMENT

A. The Court Must Address Defendant's Motion Under Federal Rule of Civil Procedure 16 and Not Rule 15

Defendant asserts that this Court should review its Motion under Federal Rule of Civil Procedure 15(a)(2). See Defendant's Brief at 3. Defendant cites to *Ascon Properties, Inc. v. Mobil Oil Co.*, 866 F.2d 1149, 1160 (9th Cir. 1989) as support. *Ascon*, while correct in its affirming the district court's denial of Ascon's request for leave to amend, is not applicable to the case before this Court. The law of Ninth Circuit unequivocally states that, under the facts of this case, the correct standard of review is under the more stringent "good cause" standard set forth in Fed. R. Civ. P. 16. Defendant's analysis must be disregarded.

"Generally, Federal Rule of Civil Procedure 15(a) liberally allows for amendments to pleadings. In this case, however, the district court correctly found that it should address the issue under Federal Rule of Civil Procedure 16 because it had *filed a pretrial scheduling order that established a timetable for amending the pleadings, and the deadline had expired* before Jeney, Gentile, and Coleman moved to amend." *Coleman v. Quaker Oats Co.*, 232 F.3d 1271, 1294 (9th Cir. 2000) (emphasis added); See also *Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 607-08 (9th Cir. 1992) ("Rule 15 does not provide the standards by which we consider Johnson's motion to amend . . . Once the district court had filed a pretrial scheduling order pursuant to Federal Rule of Civil Procedure 16 which established a timetable for amending pleadings that rule's standards controlled"); See also *AmerisourceBergen Corp. v. Dialysist W., Inc.*, 465 F.3d 946, 952 (9th Cir. 2006) (failure to amend pleadings prior to the deadline set forth in the scheduling order requires analysis under Fed. R. Civ. P. 16); See also *Adams v. Cal. Dept. of Health Services*, No. 05-56857, 2007WL464741, at #1 (9th Cir. Feb. 07, 2007) (court held failure to amend pleadings prior to the deadline set forth in the scheduling order requires analysis under Fed. R. Civ. P. 16).

This case is no different. On May 10, 2007, this Court filed its Case Management Order ("Scheduling Order") "pursuant to Rule 16(b) of the Federal Rules of Civil Procedure." See Case Management Order at 1. The scheduling order established a July 10, 2007 deadline for amending the pleadings in this case. Defendant's Motion was filed on March 26, 2008, eight and one-half months after this Court's deadline expired. Defendant's

1 Rule 15(a)(2) analysis (set forth on pages 3 through 7 of Defendant's Motion) should be
2 ignored because it applies the wrong standard.

3 **B. Federal Rule of Civil Procedure 16 Requires the Movant to Show "Good
4 Cause" for Granting Its Motion**

5 "Under Rule 16(b), [a moving party] must show good cause for not having amended
6 their complaint[] before the time specified in the scheduling order expired." *Id. See also*
7 *Johnson*, 975 F.2d at 608-09. The "good cause" standard is "more stringent" than the
8 showing required under Fed. R. Civ. P. 15. *See AmerisourceBergen Corp.*, 465 F.3d at 952
9 ("[H]is tardy motion had to satisfy the *more stringent* 'good cause' showing required under
10 Rule 16"). This standard "primarily considers the diligence of the party seeking the
11 amendment." *Coleman*, 232 F.3d at 1294. If the moving party "ha[s] failed to show
12 diligence, 'the inquiry should end.'" *Coleman*, 232 F.3d at 1295. A showing of "prejudice
to [the non-moving party], [is] not required." *Id.*

13 **C. Defendant's Motion Fails To Show "Good Cause" Because Defendant
14 Misplaces its Focus on Plaintiff, its Misunderstanding of Trademark Law
Is No Excuse for Delay, and it Was In Possession of All The Facts
Necessary To File its Motion on March 26, 2007**

15 **1. Defendant Mistakenly Focuses its Motion on Plaintiff**

16 Defendant has failed to show "good cause." Indeed, Defendant's Motion lacks any
17 evidence of diligence on its part. Defendant's Motion, in large part, ignores its own actions
18 with regard to its failure to amend its Counterclaim before the expiration of time specified in
19 the Scheduling Order. Instead, the Motion mistakenly focuses its attention on Plaintiff.

20 While the "good cause" standard examines only the diligence of Defendant,
21 Defendant tries to show this Court that *Plaintiff* must have known that the Mark was a part of
22 the defined term Midwest's Marks because of settlement correspondence, an Interrogatory
23 Response and a deposition taken on February 19, 2008. Yet, Defendant's own Motion
24 concedes that, during Defendant's deposition of Mr. Vitale on February 19, 2008,
25 "Plaintiff...asserted that the mark 'synthetic organic dust control' is *not* in the instant case."¹

26
27 ¹ Defendant also argues that Plaintiff would not be prejudiced by the Court's granting of Defendant's Motion.
28 Defendant's argument turns the issue of prejudice on its head by urging that, since Mr. Vitale was questioned during his
deposition about the non-existence of "synthetic organic dust control" as a Mark in the case, and he admitted that it
wasn't; and that therefore he was not further questioned on the topic that Plaintiffs were not prejudiced.

1 Defendant's Brief at 4 (emphasis added). Defendant cannot, in good faith, assert that
2 Plaintiff understood the Mark to be included in the defined term Midwest's Marks when, by
3 Defendant's own admission, Plaintiff believed otherwise as recently as February 19, 2008.
4 Again, the standard under Rule 16 "primarily considers the diligence of the party seeking the
5 amendment" and not Plaintiff. However, even if this Court were to ignore this rule, Plaintiff
6 knew that the Mark was "not in the instant case." To grant Defendant's Motion would cause
7 Plaintiff severe prejudice.

8 **2. Defendant's Ignorance of Trademark Law Is Not Evidence of** 9 **"Good Cause"**

10 Defendant's ignorance of fundamental legal principles does not demonstrate diligence
11 on the part of Defendant sufficient to show "good cause."

12 Defendant's Counterclaim explicitly asserts that Plaintiff has infringed upon
13 "Midwest's Marks," a clearly defined term in the Complaint. And, despite alleging that it
14 has a trademark in "synthetic organic dust control" (in the very next paragraph), Defendant
15 made no claim in its Counterclaim that Plaintiff has, in any way, infringed upon the Mark
16 despite the fact that no new facts have come to light since the Counterclaim was filed, but
17 one: the federal registration of the Mark. Now, one year after filing its Counterclaim, and
18 eight and one-half months after the Scheduling Order's deadline for amending, Defendant
19 makes the curious assertion it could not have filed a trademark infringement claim for this
20 term any sooner.

21 Indeed, there has been no change in circumstances regarding the basis for Defendant's
22 allegations of infringement against Plaintiff other than its federal registration of the Mark
23 (the validity of which Plaintiff does not concede) on December 7, 2007. Defendant has
24 known the facts giving rise to its Motion since the inception of this lawsuit. But, Defendant
25 contends it was prevented from including the Mark in its Lanham Act infringement action
26 (or from asserting any other potential state, federal or common law cause of action) because
27 the Mark lacked federal registration.

28 "Defendant could not have asserted a cause of action for federal trademark
infringement for this trademark before it was registered." Defendant's Brief at 5.
"Defendant did not have standing to assert a claim for trademark infringement of . . .

1 'synthetic organic dust control' until they received confirmation of the registration." *Id.*
2 "Because Defendant's trademark 'synthetic organic dust control' was not registered when it
3 filed its answer, Defendant did not include the trademark in its counterclaim for trademark
4 infringement." *Id.* at 6. Defendant misunderstands a fundamental principle of trademark
5 law.

6 The Lanham Act does not require registration to bring a trademark infringement claim
7 under Section 43(a). Section 43(a) of the Lanham Act provides, in pertinent part, the
8 following:

9 Any person who . . . uses in commerce any word, term, name, . . . or any false
10 designation of origin, false or misleading description of fact, or false or
11 misleading representation of fact, which . . . is likely to cause confusion, or to
12 cause mistake, or to deceive as to the affiliation, connection, or association of
13 such person with another person, . . . or commercial activities by another
14 person . . . shall be liable in a civil action by any person who believes that he or
15 she is or is likely to be damaged by such act.

16 15 U.S.C. 1125(a).

17 Indeed, the United States Supreme Court unequivocally holds that "it is common
18 ground that § 43(a) [of the Lanham Act] protects qualifying unregistered trademarks." *Two*
19 *Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768 (1992); *See also Brookfield*
20 *Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1046 (9th Cir.
21 1999) ("[S]ection 43(a)(1) of the Lanham Act . . . applies to both registered and unregistered
22 trademarks"). Even this Court recently held that the "purpose of section 43(a) is to protect
23 persons against unfair competition through misleading and deceptive uses of an unregistered
24 trademark or trade dress." *Ultimate Creations, Inc. v. THQ Inc.*,
25 No. CV-05-1134-PHX-SMM, 2008 WL 215827 at *5 (D. Ariz. Jan. 24, 2008).

26 Defendant's failure to understand the law is no excuse and should not be considered
27 "good cause" under Fed. R. Civ. P. 16. "It is well settled that 'inadvertence, ignorance of the
28 rules, or mistakes construing the rules do not usually constitute excusable neglect.'" *Reynolds v. Wagner*, 121 F.3d 716 at *2 (9th Cir. 1997); *See also Kyle v. Campbell Soup Co.*, 28 F.3d 928, 931 (9th Cir. 1994); *See also Pioneer Inv. Servs. Co. v. Brunswick Assocs. Ltd. Partnership*, 507 U.S. 380, 392 (1993). Even if such an excuse were acceptable, Defendant received registration for the Mark on December 7, 2007—three and one-half

1 months ago. Defendant proffers no explanation for this delay other than Plaintiff should
2 have known this Mark was now a part of its Counterclaim. Defendant's Motion should be
3 denied.

4 **3. Defendant Has Discovered No New Facts Since Filing Its March 26,**
5 **2007 Counterclaim Which Would Show Good Cause**

6 Defendant's Motion presents no new facts discovered by Defendant which would
7 explain its inexcusable delay for the Motion. A "district court properly exercise[s] its
8 discretion in denying [a] motion to amend [when the movant] delayed attempting to amend
9 her complaint until more than three months after the deadline set by the district court,
10 *although she discovered facts giving rise to the potential amendment more than two months*
11 *before that deadline."* *Adams*, 2007 WL 464741 at *1 (emphasis added) (Court held, based
12 upon this showing, the movant "failed to show good cause for her failure to comply with the
13 district court's scheduling order under Federal Rule of Civil Procedure 16").

14 In *Coleman*, the moving party failed to move to amend its complaint, despite having
15 knowledge of the facts which form the basis for its amendment well in advance of filing its
16 motion and after the deadline set forth in the scheduling order. *Coleman*, 232 F.3d at 1294-
17 1295. Again, the Ninth Circuit affirmed the district court's denial of a motion to amend
18 based solely on Defendant's inexplicable delay.

19 Here, Defendant has known of the facts which give rise to its Motion from the time it
20 filed its Counterclaim on March 26, 2007. Yet it has waited an entire year to file its Motion.
21 Defendant has no excuse for failing to amend prior to the deadline set forth in the Scheduling
22 Order. Its proffered excuse for delay is based upon a fundamental misread of the law of the
23 Lanham Act, the Supreme Court, the Ninth Circuit and the Federal District Court of Arizona.
24 Defendant's mistake is not, and cannot be found to be, "good cause." The Motion should be
25 denied.

26 **III. CONCLUSION**

27 For the reasons set forth above, Plaintiff respectfully requests that this Court deny
28 Defendant's Motion.

