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United States District Court
Northern District of California

18 SONOMA FOODS, INC., a California corporation,
19 Plaintiff,
20 vs.
21 SONOMA CHEESE FACTORY, LLC, a California limited liability company and
DOES 1 through 50, inclusive,
22 Defendant.
23 AND RELATED COUNTERCLAIMS
24
25
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27
28

) Case No. 3:07-cv-00554 (JSW)
)
) **Defendants' Motion for Partial Summary**
) **Judgment on U.S. Trademarks Nos. 1,111,024**
) **and 1,099,709**
)
) Date: February 22, 2008
) Time: 9:00 a.m.
) Courtroom: 2, 17th Floor
) Judge: Hon. Jeffrey S. White

Notice of Motion and Motion

Please take notice that a motion will be heard on February 22, 2008, at 9:00 a.m., or as soon thereafter as the matter may be heard in Courtroom 2, 17th Floor, for the United States District Court in and for the Northern District of California, 450 Golden Gate Avenue, San Francisco, California.

Defendants Sonoma Cheese Factory LLC, L. Peter Viviani, Maria Viviani, and Sally Gries move for partial summary judgment of no liability on two claims with respect to two trademarks asserted by Plaintiff Sonoma Foods Inc. The defendants have no liability on Sonoma Foods' second claim (trademark infringement under the Lanham Act) or Sonoma Foods' sixth claim (false description/palming off) with respect to U.S. Trademarks Nos. 1,111,024 and 1,099,709 (the "Bull Trademarks"). The defendants' second affirmative defense (statute of limitations) provides a complete defense to the second and sixth claims with respect to the Bull Trademarks.

Dated: January 18, 2008

Mount & Stoelker, P.C.
Dan Fingerma

/s/
Attorneys for Sonoma Cheese Factory LLC, L. Peter
Viviani, Maria Viviani, and Sally Gries

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Introduction

Sonoma Foods alleges that the defendants wrongfully used eight trademarks. The defendants began using U.S. Trademarks Nos. 1,111,024 and 1,099,709 (the "Bull Trademarks") on December 31, 2001. Sonoma Foods waited until January 26, 2007 to file this lawsuit. This five-year delay is far beyond the three-year statutory limitations period for trademark infringement and for false description/palming off.

Sonoma Cheese Factory used the Bull Trademarks on two signs in its retail store. These signs hung above the store's front door and above its main cheese counter, just inside the front door. Both signs were displayed continuously from December 31, 2001 until after this suit was filed. During the same period, Sonoma Cheese Factory sold cheeses and other products packaged in paper bags imprinted with U.S. Trademark No. 1,099,709. Sonoma Cheese Factory also used U.S. Trademark No. 1,111,024 on mailing envelopes at least as early as February 2002.

These signs, bags, and envelopes were used in commerce, in connection with sales of cheese products — including products that compete with Plaintiff's cheeses. Sonoma Foods' officers knew the defendants were using the Bull Trademarks but took no action for over five years. The statute of limitations therefore provides a complete defense to Sonoma Foods' second and sixth claims.

I. The statutory limitations period is three years

A. The Lanham Act "borrows" the three-year statute of limitations from California law

The Lanham Act has no express limitations period.¹ When Congress provides no limitations period for federally-created rights, it "borrows" the most closely-analogous limitations period from state law.² The U.S. Supreme Court explained in 1946, in *Holmberg v. Armbrecht*:

If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter. The Congressional statute of limitation is definitive. The rub comes when Congress is silent. Apart from penal enactments, Congress has usually left the limitation of time for commencing actions under national legislation to judicial implications. As to actions at law, the silence of Congress has been interpreted to mean that it is federal policy to adopt the local law of limitation. The implied absorption of State statutes of limitation within the interstices of the federal enactments is a phase of fashioning

¹ *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 836 (9th Cir. 2002)
² *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946); *Jarrow Formulas*, 304 F.3d at 836

1 remedial details where Congress has not spoken but left matters for
2 judicial determination within the general framework of familiar legal
3 principles.³

4 California's trademark statute also has no explicit limitations period.⁴ Federal courts therefore
5 apply California's general statutory limitations period of three years, as set forth in California's Code
6 of Civil Procedure § 338 to claims for trademark infringement and for false description/palming off.
7 In 2002, the Ninth Circuit held that infringement claims asserted in California under the "Lanham Act
8 ... are subject to a three-year statute of limitations which began to run upon [the plaintiff's] actual or
9 constructive knowledge of the wrong."⁵ Two months later, a different Ninth Circuit panel held that
10 California's limitations period for false description claims under the Lanham Act is also three years,
11 since "the analogous limitations period is California's period for fraud, which is three years."⁶

12 **B. The critical date is January 26, 2004**

13 In Sonoma Foods' First Amended and Supplemental Complaint, the second and sixth claims
14 assert trademark infringement and false description/passing off under the Lanham Act.⁷ The initial
15 complaint was filed on January 26, 2007. Since the statute of limitations is three years, the critical
16 date for each claim is January 26, 2004.⁸

17 The ongoing nature of the defendants' use of the Bull Trademarks did not toll the statutory
18 limitations period or otherwise delay the statute. The Ninth Circuit has held that, for these claims,
19 "the limitations period runs from the time the plaintiff knew or should have known about his § 43(a)
20 cause of action."⁹ Sonoma Foods knew or should have known of the defendants' use of the Bull
21 Trademarks on December 31, 2001, so there was no delayed accrual.

22 **II. Standard for summary judgment**

23 Summary judgment is appropriate when "there is no genuine issue as to any material fact and
24 ... the movant is entitled to judgment as a matter of law."¹⁰ An "issue" is "genuine" only if sufficient

25 ³ *Holmberg*, 327 U.S. at 395 (citations omitted)

26 ⁴ See e.g., Cal. Bus. & Prof. Code § 14320, "Infringement" (lacking a limitations period)

27 ⁵ *Karl Storz Endoscopy-America, Inc. v. Surgical Technologies, Inc.*, 285 F.3d 848, 857 (9th Cir. 2002)

28 ⁶ *Jarrow Formulas*, 304 F.3d at 833–34 and 838 (discussing Cal. Code Civ. Proc. § 338(d))

⁷ Request For Judicial Notice ("RJN") Exhibit F

⁸ *Karl Storz*, 285 F.3d at 857; *Jarrow Formulas*, 304 F.3d at 833–34 and 838

⁹ *Karl Storz*, 285 F.3d at 857; *Jarrow Formulas*, 304 F.3d at 838

¹⁰ Fed. R. Civ. P. 56(c)

1 evidence would allow a reasonable fact finder to find for the non-moving party.¹¹ A party opposing a
 2 motion for summary judgment cannot create a "genuine" issue of fact by contradicting its own
 3 testimony from earlier in the case.¹²

4 **III. Defendants used the Bull Trademarks on signs hanging prominently in their store**

5 Sonoma Cheese Factory uses commercial signs in connection with its business, including its
 6 sale of cheese products. The two signs below were prominently displayed in its store continuously
 7 for over five years — from December 31, 2001 until after this action was filed.¹³

8 **Storefront Sign**



Cheese Counter Sign



19 **U.S. Trademark No. 1,099,709**



U.S. Trademark No. 1,111,024



27 Since December 31, 2001, the storefront sign hung above Sonoma Cheese Factory's front
 28 door, overlooking Sonoma's historic plaza — an area of heavy pedestrian foot traffic.¹⁴ Also since

¹¹ *Id.* at 5–6 (citing *Anderson*, 477 U.S. at 248)

¹² *Radobenko v. Automated Equipment Corp.*, 520 F.2d 540, 543–44 (9th Cir. 1975)

¹³ Declaration of Peter Viviani at ¶¶ 4–9 and Exhibits A and B

¹⁴ Declaration of Peter Viviani at ¶ 9

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1 December 31, 2001, the cheese counter sign hung above Sonoma Cheese Factory's main cheese
2 counter, which is immediately inside the front door.¹⁵ The cheese counter and the sign above it are
3 the first things that all visitors would see after walking into the store's front door.¹⁶

4 Both signs were hanging on December 31, 2001 and remained there continuously until after
5 this lawsuit was filed.¹⁷ The three-year statute of limitations therefore expired on December 31,
6 2004. Sonoma Foods' initial complaint, filed on January 26, 2007, was over two years late.

7 **IV. Sonoma Cheese Factory packaged goods in bags imprinted with U.S. Trademark 1,099,709**

8 Like most stores, the Sonoma Cheese Factory wraps its customers' purchases in paper bags.¹⁸
9 During the entire period from December 31, 2001 until after this lawsuit was filed, Sonoma Cheese
10 Factory used paper bags imprinted with U.S. Trademark 1,099,709:¹⁹



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22 These bags were distributed with many kinds of products sold in the Sonoma Cheese Factory
23 store — including cheese products and sandwiches that contain cheese.²⁰ In many instances, these
24 cheeses were *not* Sonoma Jack or other cheeses made by Sonoma Foods.²¹

25 _____
26 ¹⁵ Declaration of Peter Viviani at ¶¶ 7–8

27 ¹⁶ Declaration of Peter Viviani at ¶ 8

28 ¹⁷ Declaration of Peter Viviani at ¶¶ 5–6

¹⁸ Declaration of Juana Corona at ¶ 4

¹⁹ Declaration of Juana Corona at ¶¶ 4–5. A sample bag is provided as Exhibit A to Juana Corona's declaration.

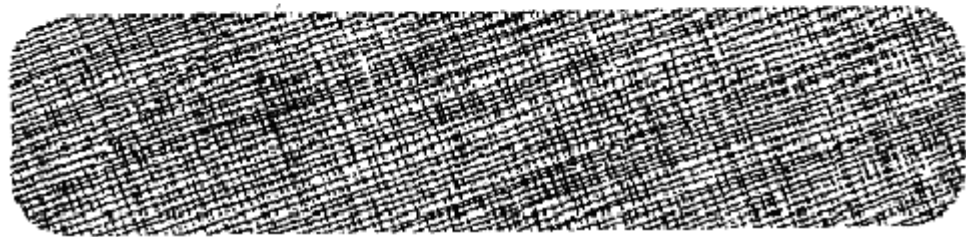
²⁰ Declaration of Juana Corona at ¶ 6

²¹ Declaration of Juana Corona at ¶ 6

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V. Sonoma Cheese Factory used envelopes imprinted with U.S. Trademark 1,111,024

Like any business, Sonoma Cheese Factory uses the U.S. mail. It regularly has envelopes imprinted with its name and address.²² On February 3, 2002, Sonoma Cheese Factory placed an order with California Envelope & Printing, Inc. for envelopes like the one pictured below:²³



The printer delivered the envelopes on February 25, 2002.²⁴ Sonoma Cheese Factory used these envelopes to send commercial mail.²⁵

The logo on the envelopes is nearly identical to the design registered as U.S. Trademark No. 1,111,024. The only difference is the word "The", which appears in the trademark but not on the envelope. This inconsequential difference would not distinguish the two designs in the mind of any reasonable observer.²⁶

Sonoma Cheese Factory U.S. Trademark No. 1,111,024 in commerce on its envelopes beginning in February 2002. Since Sonoma Foods waited until January 26, 2007 to file suit, the statute of limitations provides a complete defense.

²² Declaration of Peter Viviani at ¶¶ 14–15

²³ Declaration of Peter Viviani at ¶¶ 15–16 and Exhibit E, page 3

²⁴ Declaration of Peter Viviani at ¶ 16 and Exhibit E, page 1

²⁵ Declaration of Peter Viviani at ¶ 15

²⁶ *Perfumbay.com Inc. v. eBay Inc.*, 506 F.3d 1165 (9th Cir. 2007)

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VI. Sonoma Foods knew of the Defendants' use of the Bull Trademarks on December 31, 2001

Sonoma Foods and Sonoma Cheese Factory were commonly owned until December 31, 2001. Sonoma Foods acknowledges having no involvement in Sonoma Cheese Factory's advertising and marketing activities since that date. Thus, when Sonoma Cheese Factory used the Bull Trademarks on its signs, bags, and envelopes, those uses were without Sonoma Foods' permission and were adverse to Sonoma Foods' ownership of the Bull Trademarks. Sonoma Foods had knowledge of Sonoma Cheese Factory's use from the very beginning but took no action for more than five years.

A. Sonoma Foods transferred the signs to Sonoma Cheese Factory on December 31, 2001

Before December 31, 2001, Sonoma Foods Inc. owned and operated the Sonoma Cheese Factory retail store.²⁷ The corporation was restructured on December 31, 2001, per an agreement between Peter Viviani and Sonoma Foods.²⁸ Sonoma Cheese Factory LLC was formed, and Sonoma Foods transferred the retail store, along with its assets and liabilities, to the new entity.²⁹ Peter Viviani took control of the new entity, which owned the retail store's assets.³⁰

When Sonoma Foods owned the retail store (before the restructuring), it placed the Bull Trademark signs in locations that maximized their visibility to the public.³¹ When Sonoma Cheese Factory acquired the store, it took ownership of the signs and left them in the same well-chosen locations.³²

Sonoma Foods' board of directors ratified the restructuring by resolutions dated December 31, 2001.³³ David Viviani testified in his April 18, 2007 declaration that the first version of the minutes from that December 31, 2001 board meeting accurately reflects the transfer of assets from Sonoma Foods to Sonoma Cheese Factory.³⁴ That document recites the transfer of "Store Equipment" and "Leasehold Improvements", which include the signs installed within the store and on its premises:³⁵

²⁷ Declaration of C. David Viviani in Support of Counterdefendant Sonoma Foods, Inc.'s Special Motion to Strike Counterclaimants Sonoma Cheese Factory, LLC's & L. Peter Viviani's Amended Counterclaims as a Strategic Lawsuit Against Public Participation (SLAPP) ("Declaration of David Viviani") at ¶ 3 (RJN Exhibit B)

²⁸ Declaration of David Viviani at ¶¶ 14–15 (RJN Exhibit B)

²⁹ Declaration of David Viviani at ¶ 15–16 (RJN Exhibit B)

³⁰ Declaration of David Viviani at ¶ 15–16 (RJN Exhibit B)

³¹ Declaration of Peter Viviani at ¶ 6

³² Declaration of Peter Viviani at ¶ 6

³³ Declaration of David Viviani at ¶ 20–22 (RJN Exhibit B)

³⁴ Declaration of David Viviani at ¶ 20 and Exhibit 2 thereto (RJN Exhibit B)

³⁵ Declaration of David Viviani at Exhibit 2 thereto at Exhibit A (RJN Exhibit B)

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ASSETS	Debit	Credit
Cash Fund - Store		3,400.00 ✓
Sonoma Valley Bank - Payroll		30,884.88 ✓
Sonoma Valley Bank - Credit Cards		51,175.78 ✓
- Cash Value Officers Life		8,256.82 ✓
Accounts Receivable - Store		7,484.42 ✓
Inventory - Store Sonoma Jack		5,837.51 ✓
Inventory - Mail Order		
Inventory - Store Supplies		1,721.22 ✓
Inventory - Store Wine & Beer		18,208.33 ✓
Inventory - Store Other Cheeses		1,082.50 ✓
Inventory - Store Grocery		21,031.31 ✓
Inventory - Store Grocery Tax		20,178.58 ✓
Inventory - Store Deli		3,108.87 ✓
Profit Insurance - Store		500.00 ✓
Store Equipment		323,904.00 ✓
Accum. Dep. - Equipment	272,208.00 ✓	
Leasehold Improvements		548,825.00
Accum. Amort. Leasehold Imps.	225,135.00	
Stockholder's Adv - LPV		5,000.00
	<u>447,433.00</u>	<u>1,052,281.10</u>

B. Sonoma Foods' officers saw Sonoma Cheese Factory using the signs every day

Every day, Sonoma Foods' officers saw Sonoma Cheese Factory using the Bull Trademark signs.

On April 18, 2007, two Sonoma Foods officers, David Viviani and Martin Adams, filed declarations in this action.³⁶ Both men testified that they worked in the office above the retail store between December 31, 2001 and 2003 in their capacities as Sonoma Foods officers.³⁷ That office is accessible only by walking up a staircase that rises up from the main retail floor.³⁸ The bottom of that staircase is adjacent to the main cheese counter.³⁹

The image below shows David Viviani standing on the staircase, with the cheese counter and sign in the background:⁴⁰

³⁶ RJN Exhibits B and C
³⁷ Declaration of David Viviani at ¶ 32 (RJN Exhibit B); Declaration of Martin Adams in Support of Counterdefendant Sonoma Foods, Inc.'s Special Motion to Strike Counterclaimants Sonoma Cheese Factory, LLC's & L. Peter Viviani's Amended Counterclaims as a Strategic Lawsuit Against Public Participation (SLAPP) ("Declaration of Martin Adams") at ¶ 15 (RJN Exhibit C)
³⁸ Declaration of Peter Viviani at ¶ 13
³⁹ Declaration of Peter Viviani at ¶ 13
⁴⁰ Declaration of Peter Viviani at ¶¶ 12-13 and Exhibit D



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Martin Adams, Sonoma Foods' CEO, testified in his April 18, 2007 declaration that Sonoma Foods "has had nothing to do with the operations of SCF's retail" operations since December 31, 2001.⁴¹ Since then, "The only business connections that have existed between Sonoma Foods and SCF have been that: 1) Sonoma Foods for a time had some of its operations located in the same building as SCF; and 2) Sonoma Foods sells [its] products to SCF as one of its customers."⁴²

Sonoma Foods' aloofness from Sonoma Cheese Factory's operations includes a lack of any involvement in the retail store's marketing. Sonoma Cheese Factory's use of the Bull Trademark signs was therefore independent of Sonoma Foods and adverse to Sonoma Foods' interests. The statute of limitations therefore began to run on the first day Sonoma Cheese Factory used the signs, December 31, 2001.

⁴¹ Declaration of Martin Adams at ¶ 5 (RJN Exhibit C)
⁴² Declaration of Martin Adams at ¶ 5 (RJN Exhibit C)

C. David Viviani understood the importance of the store's signage

In August 2000, the American Cheese Society published a promotional video that featured David Viviani, as a Sonoma Foods officer.⁴³ The video shows the busy foot traffic around the store's main cheese counter, with the sign showing U.S. Trademark 1,111,024 hanging above it:



The picture above is a still image from that video.⁴⁴ It is an accurate visual depiction of the main cheese counter in the Sonoma Cheese Factory store, just inside the front door in August 2000.⁴⁵ In his voiceover during this bustling scene, David Viviani discusses the central importance of the storefront to Sonoma Foods' brand-building efforts. He highlights the value of marketing to the large volume of customers who come into the store from Sonoma's historic downtown plaza.⁴⁶

⁴³ Declaration of Peter Viviani at ¶¶ 10–11 and Exhibit C

⁴⁴ Declaration of Dan Fingerma n at ¶ 7

⁴⁵ Declaration of Peter Viviani at ¶ 12

⁴⁶ Declaration of Peter Viviani at Exhibit B; Declaration of Dan Fingerma n at ¶ 4

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1 So it takes time to grow a brand. ... And to be able to build a brand in
2 conjunction with the growth of the wine country has been a real gift.
3 And also another gift is the location of our plant and our store being
4 right on the plaza. You know we have more visitors here than any
winery in the wine country. So it's been a very strong way to build our
brand.

5 When Sonoma Cheese Factory took over the retail store on December 31, 2001, it left the
6 Bull Trademark signs in the strategic locations where Sonoma Foods had placed them.⁴⁷ Having
7 previously used the same signs for brand-building, Sonoma Foods knew the value of the signs and the
8 value of their particular placement. Still, Sonoma Foods waited to file suit for over five years.

9 **D. David Viviani purchased competing cheeses wrapped in Sonoma Cheese Factory's bags**

10 David Viviani visited the Sonoma Cheese Factory store and purchased products from the store
11 on many occasions between December 31, 2001 and January 26, 2007.⁴⁸ Many of those purchases
12 were wrapped in one of the bags imprinted with Sonoma Foods' U.S. Trademark 1,099,709.⁴⁹ In
13 some instances, David purchased sandwiches that contained cheese made by other companies —
14 which competed with Sonoma Foods' Sonoma Jack line of cheeses.⁵⁰

15 Despite having actual knowledge that the defendants' use of these bags in connection with the
16 sale of competing cheese products, Sonoma Foods took no action for over five years. Accordingly,
17 the three-year statute of limitations provides a complete defense.

18 **Conclusion**

19 Sonoma Foods was acutely aware of the value of displaying its trademarks on signs in a busy
20 retail setting. While Sonoma Foods operated the retail store, it consciously placed these signs above
21 the front door and above the main cheese counter to maximize their public exposure. Then it
22 transferred the retail store — and the signs — to Sonoma Cheese Factory on December 31, 2001. For
23 a long time after the transfer, Sonoma Foods' officers walked past both signs every day. During this
24 same time, David Viviani purchased products in the store that competed with Sonoma Foods'
25 products and saw that Sonoma Cheese Factory was wrapping them in paper bags imprinted with
26

27 ⁴⁷ Declaration of Peter Viviani at ¶ 6
28 ⁴⁸ Declaration of Juana Corona at ¶ 7
⁴⁹ Declaration of Juana Corona at ¶ 7
⁵⁰ Declaration of Juana Corona at ¶ 7

1 Sonoma Foods' U.S. Trademark No. 1,099,709. Sonoma Cheese Factory also used U.S. Trademark
2 No. 1,111,024 commercially on envelopes.

3 Sonoma Foods waited until January 26, 2007 to sue Sonoma Cheese Factory for trademark
4 infringement and false description/passing off. This five-year delay is well beyond the three-year
5 statute of limitations for both claims. The statute of limitations therefore provides a complete defense
6 to both claims.

7 Accordingly, the defendants are entitled to partial summary judgment on the claims for
8 trademark infringement and false description/passing off with respect to U.S. Trademarks Nos.
9 1,111,024 and 1,099,709.

10
11 Dated: January 18, 2008

Mount & Stoelker, P.C.
Dan Fingerman

12 _____
13 /s/
14 Attorneys for Sonoma Cheese Factory LLC, L. Peter
15 Viviani, Maria Viviani, and Sally Gries
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