UNITED STATES DEPARTMENT OF AGRICULTURE BEFORE THE SECRETARY OF AGRICULTURE

In re:)	
So Ono Food Products, LLC,)))	PACA-D Docket No. 20-J-0124
Respondent.))	

DECISION AND ORDER DENYING RESPONDENT'S APPEAL PETITION AND AFFIRMING THE INITIAL DECISION AND ORDER OF ADMINISTRATIVE LAW JUDGE TIERNEY CARLOS

Appearances:

Shelton S. Smallwood, Esq., with the Office of the General Counsel, United States Department of Agriculture, Washington, DC, for the Complainant, the Deputy Administrator, Fair Trade Practices Program, Agricultural Marketing Service; and

Bruce W. Akerly, Esq., and Carrie R. McNair, Esq., Akerly Law PLLC, Coppell, TX, counsel for Respondent So Ono Food Products, LLC.

Decision and Order Issued by John Walk, Judicial Officer

Preliminary Statement

This is a disciplinary proceeding under the Perishable Agricultural Commodities Act, 1930, as amended (7 U.S.C. §§ 499a *et seq.*) ("PACA"); the regulations promulgated thereunder (7 C.F.R. Part 46) ("Regulations"); and the Rules of Practice Governing Formal Adjudicatory Proceedings Instituted by the Secretary Under Various Statutes (7 C.F.R. §§ 1.130 through 1.151) ("Rules of Practice"). On February 12, 2021, Administrative Law Judge Tierney Carlos

("ALJ") issued a Decision and Order Without Hearing against Respondent. On March 26, 2021, the Respondent filed its Appeal Petition and Supporting Brief. For the reasons discussed herein, Respondent's Appeal Petition is **DENIED** and the ALJ's Initial Decision and Order is **AFFIRMED**.

Relevant Procedural History

This proceeding was initiated by a Complaint filed on May 5, 2020, by the Deputy Administrator, Fair Trade Practices Program, Agricultural Marketing Services, United States Department of Agriculture ("Complainant"), on So Ono Food Products, LLC ("Respondent").

The Complaint alleges that Respondent, during the period March 2018 through March 2019, failed to make full payment promptly to seven (7) sellers for 230 lots of perishable agricultural commodities it purchased, received, and accepted in interstate and foreign commerce, in the total amount of \$1,344,994.87. The Complaint also alleges that Respondent's conduct constitutes willful, flagrant, and repeated violations of section 2(4) of the PACA (7 U.S.C. § 499b(4)). The Complaint requested that an administrative law judge find that Respondent committed willful, flagrant, and repeated violations of section 2(4) of the PACA (7 U.S.C. § 499b(4)) and order the publication of the facts and circumstances surrounding the Respondent's violations pursuant to section 8(a) of the PACA (7 U.S.C. § 499h(a)).

Respondent, through counsel, filed its Answer on June 1, 2020, denying that it owes seven (7) produce sellers the aggregate amount of \$1,344,994.87. The Answer also denied that Respondent willfully, flagrantly, or repeatedly violated the PACA.

On September 22, 2020, Complainant filed Complainant's Motion For A Decision Without Hearing due to Respondent's failure to make full and prompt payment for produce

purchases made in willful, flagrant, and repeated violation of section 2(4) of the PACA (7 U.S.C. § 499b(4)) ("Complainant's Motion").

On November 16, 2020, Respondent filed Respondent's Witness List and Exhibits List which included a copy of the sworn affidavit of (b) (6) an owner of So Ono Food Products, LLC., admitting that as of November 16, 2020, Respondent still owed five (5) of seven (7) sellers at issue in the Complaint a combined total of \$604,456.10.

On November 18, 2020, Respondent filed its Response To Complainant's Motion for a Decision Without a Hearing ("Respondent's Response"), wherein it requested that Complainant's Motion be denied and that a hearing be held. Respondent claimed "[t]here is a material fact in this case that is in dispute – the amount owed to produce vendors. This material fact has not been determined." Respondent also alleged the existence of "agreements with each of its vendors to pay any purported debt owed over time." On December 2, 2020, the ALJ held a telephone conference with counsel for Respondent and counsel for Complainant wherein the ALJ provided the opportunity for Complainant to provide supplemental information to Complainant's Motion and for Respondent to provide supplemental information to Respondent's Response.

Complainant filed its Supplemental Information to Motion for Decision Without Hearing on December 11, 2020 ("Complainant's Supplemental"). Respondent filed its Supplemental

¹ Respondent's Response at 2.

² *Id*.

³ See Summary of December 2, 2020 Telephone Conference and Filing Order; Supplemental Response to Motion for Decision Without Hearing at 1.

Response to Motion for Decision Without Hearing, after receiving an extension of time to file, on February 8, 2021 ("Respondent's Supplemental Response") which states in part:

- 5. At the time the Court requested a supplement and granted an extension, Mr. (b) (6), co-owner of So Ono, and by extension, the undersigned counsel for Mr. (b) (6), understood that additional information could be provided demonstrating that the seven vendors had specific payment arrangements prior to receipt of produce.
- 6. However, since the Hawaii-based business has closed, and because Mr. (b) (6) was not responsible for the day-to-day business or financial operations of So Ono, Mr. (b) (6) has been unable to attain relevant records to supplement at this time.
- 7. Accordingly, at this time, Respondent has nothing additional to produce and therefore relies on its previously filed *Response to Complainant's Motion for a Decision Without Hearing*, filed November 18, 2020.

The ALJ issued his Decision and Order Without Hearing on February 12, 2021 and granted Complainant's Motion ("Initial Decision and Order" or "IDO"). The Initial Decision and Order found that Respondent committed willful, flagrant, and repeated violations of section 2(4) of the PACA (7 U.S.C. § 499(b)(4)) and ordered that the facts and circumstances of those violations be published. The ALJ found a hearing unnecessary based on the admission of Mr.

(b) (6) that Respondent owed more than a *de minimis* amount to produce sellers as of November 16, 2020, and the default orders issued by the Judicial Officer finding that Respondent violated the PACA.

On March 26, 2021, Respondent filed a timely appeal, and supporting brief, of the ALJ's Initial Decision and Order to the Judicial Officer ("Appeal Petition"). The Appeal Petition argues that material facts remain in dispute – the amount owed to produce vendors – and that Respondent entered into agreements with its vendors to pay its debts over time that were not reviewed. Respondent also argues that the ALJ's specific finding that from March 2018 through March 2019, it failed to make full payment promptly to seven (7) produce sellers for 230 lots of

perishable agricultural commodities in the amount of \$1,344,994.87 is negated by Mr. (b) (6) 's affidavit. The Appeal Petition asks the Judicial Officer to overturn the Initial Decision and Order and to allow for a hearing to receive evidence in the proceeding.

Complainant filed a response in opposition to the Appeal Petition on April 19, 2021 ("Response to Appeal Petition").

Statutory and Regulatory Background

Section 2(4) of the PACA (7 U.S.C. § 499b(4)) provides in part:

It shall be unlawful in or in connection with any transaction in interstate or foreign commerce:

. . .

(4) For any commission merchant, dealer, or broker to make, for a fraudulent purpose, any false or misleading statement in connection with any transaction involving any perishable agricultural commodity which is received in interstate or foreign commerce by such commission merchant, or bought or sold, or contracted to be bought, sold, or consigned, in such commerce by such dealer, or the purchase or sale of which in such commerce is negotiated by such broker; or to fail or refuse truly and correctly to account and make full payment promptly in respect of any transaction in any such commodity to the person with whom such transaction is had; or to fail, without reasonable cause, to perform any specification or duty, express or implied, arising out of any undertaking in connection with any such transaction; or to fail to maintain the trust as required under section 499e(c) of this title. However, this paragraph shall not be considered to make the good faith offer, solicitation, payment, or receipt of collateral fees and expenses, in and of itself, unlawful under this chapter.

Complainant alleges in this proceeding that Respondent is in violation of the PACA by its failure to make "full payment promptly" to sellers for its purchase of perishable agricultural commodities.

Regulations issued under the PACA (7 C.F.R. § 46.2) provides in part:

(aa) Full payment promptly is the term used in the Act in specifying the period of time for making payment without committing a violation of the Act. "Full payment promptly," for the purpose of determining violations of the Act, means:

. . .

(5) Payment for produce purchased by a buyer, within 10 days after the day on which the produce is accepted;

. . .

(11) Parties who elect to use different times of payment than those set forth in paragraphs (aa) (1) through (10) of this section must reduce their agreement to writing before entering into the transaction and maintain a copy of the agreement in their records. If they have so agreed, then payment within the agreed upon time shall constitute "full payment promptly": Provided, That the party claiming the existence of such an agreement for time of payment shall have the burden of proving it.

The PACA authorizes the Secretary to take action against violations of 7 U.S.C. § 499b as follows:

Whenever (1) the Secretary determines, as provided in section 499f of this title, that any commission merchant, dealer, or broker has violated any of the provisions of section 499b of this title, . . . the Secretary may publish the facts and circumstances of such violation and/or, by order, suspend the license of such offender for a period not to exceed ninety days, except that, if the violation is flagrant or repeated, the Secretary may, by order, revoke the license of the offender.⁴

Discussion

A. Respondent Admitted the Material Allegations of the Complaint and a Hearing is Not Necessary.

"PACA requires *full payment promptly*, and commission merchants, dealers, and brokers, are required to be in compliance with the payment provisions of the PACA at all times." Full payment promptly in accordance with the PACA means payment by a buyer within ten (10) days of acceptance of the produce. The parties may elect to use a different time of payment so long

⁴ 7 U.S.C. § 499h(a).

⁵ Scamcorp, Inc., 57 Agric. Dec. 527, 547 (U.S.D.A. 1998); see also 7 U.S.C. § 499b(4).

⁶ 7 C.F.R. § 46.2(aa)(5).

as the terms of the agreement are reduced to writing before entering into the transaction.⁷ The party claiming that such an agreement exists has the burden of proving it.⁸

Respondent's Answer does not deny the allegation in the Complaint that Respondent, during the period March 2018 through March 2019, on or about the dates, and in the transactions set forth in Appendix A to the Complaint, failed to make *full payment promptly* to seven (7) sellers for 230 lots of perishable agricultural commodities which Respondent purchased, received, and accepted in interstate and foreign commerce, in the total amount of \$1,344,994.87. Rather, the Answer states that "Respondent does not *owe* seven (7) Produce Sellers the aggregate amount of \$1,344,994.87 as alleged in the *Complaint*, Appendix A." But denying the amount of debt it owes does not address the allegation that Respondent failed to make full payment promptly to the sellers in the total amount of \$1,344,994.87. Section 1.136(c) of the Rules of Practice provides:

Failure to file an answer within the time provided under paragraph (a) of this section shall be deemed, for purposes of the proceeding, an admission of the allegations in the Complaint, and failure to deny or otherwise respond to an allegation of the Complaint shall be deemed, for purposes of the proceeding, an admission of said allegation, unless the parties have agreed to a consent decision pursuant to § 1.138. 11

⁷ 7 C.F.R. § 46.2(aa)(11).

⁸ *Id*.

⁹ Answer at ₱ 7 (emphasis added).

¹⁰ The Appeal Petition also asserts that Mr. (b) (6) 's affidavit "specifically provides that So Ono did not owe seven produce sellers \$1,344,994.87." Appeal Petition at 5. However, Mr. (b) (6) 's affidavit discusses the amount of debt Respondent owed to sellers as of November 16, 2020, but does not address the allegation that Respondent failed to make *full payment promptly* to the sellers in the amount specified.

¹¹ 7 C.F.R. § 1.136(c).

The failure in the Answer to respond to the allegation that Respondent did not make full payment promptly for the amount specified to the sellers for the perishable agricultural commodities purchased constitutes an admission of the allegation.

Pursuant to the Department's longstanding policy set forth in *Scamcorp, Inc.*, ¹² to avoid sanctions as a "no pay" case, Respondent had 120 days from the date the Complaint was served upon it to achieve full compliance with the PACA. "Full compliance requires not only that a respondent have paid all produce sellers in accordance with the PACA, but also, in accordance with *In re Carpentino Bros., Inc.*, [46 Agric. Dec. 486 (U.S.D.A. 1987), *aff'd*, 851 F.2d 1500 (D.C. Cir. 1988), 1988 WL 76618], that a respondent have no credit agreements with produce sellers for more than 30 days." Further, "[i]n any 'no pay' case in which the violations are flagrant or repeated, the license of a PACA licensee, shown to have violated the payment provisions of the PACA, will be revoked." However, where a PACA violator no longer has a license to revoke, publication of the facts and circumstances of the violations is the appropriate sanction. ¹⁵

¹² Scamcorp, Inc., 57 Agric. Dec. 527, 548-49 (U.S.D.A. 1998).

¹³ *Id.* at 549.

¹⁴ *Id*.

¹⁵ See Baiardi Chain Food Corp., 64 Agric. Dec. 1822, 1832 (U.S.D.A. 2005), petition for review denied, 482 F.3d 238 (3d Cir. 2007) ("Respondent's PACA license has already been terminated for failure to pay the PACA license renewal fee. Thus, a finding that Respondent has committed willful, flagrant, and repeated violations of . . . the PACA (7 U.S.C. § 499b(4)) and the publication of the facts and circumstances of Respondent's violations, is the only appropriate remedy."); KDLO Enterprises, Inc., 70 Agric. Dec. 1098, 1103 (U.S.D.A. 2011) ("The appropriate sanction for KDLO, since KDLO no longer has a PACA license, is publication of the facts and circumstances of KDLO's violations of the PACA.").

This case is properly treated as a "no pay" case. The Complaint was served upon Respondent on May 11, 2020. Therefore, Respondent had until September 8, 2020, to achieve full compliance with the PACA. Mr. (b) (6) admits by his sworn affidavit that Respondent still owed \$604,456.10 to five (5) sellers listed in Appendix A of the Complaint as of November 16, 2020. Hence, the outstanding debt admitted as owed to sellers more than 120 days after service of the Complaint exceeds \$5,000.00 and axiomatically represents more than a *de minimis* amount. 16

It is well settled that "[a] respondent in an administrative proceeding does not have the right to an oral hearing under all circumstances, and an agency may dispose of a hearing where there is no material issue of fact regarding which a meaningful hearing may be held."

Respondent continued to object at various points of the proceeding to the accuracy of the amount alleged as owed. However, in a PACA disciplinary proceeding, "even if certain debts are disputed, no hearing is required if the sum of all undisputed debts is enough to make the total amount owed more than *de minimis*."

The admission by Mr. [b) (7)(A) that Respondent still owed \$604,456.10 to five (5) sellers as of November 16, 2020, more than a *de minimis* amount, supports the ALJ's finding that an oral hearing is not necessary in this matter.

Moreover, between September 15 and September 17, 2020, (b) (7)(C) of the PACA Division conducted a compliance investigation to determine the amount of unpaid debt

¹⁶ See Fava & Co., Inc., 46 Agric. Dec. 79, 81 (U.S.D.A. 1984) (ruling on certified question) (finding that anything over \$5000.00 is more than a *de minimis* amount).

¹⁷ The Square Group, LLC, 75 Agric. Dec. 689, 695-96 (U.S.D.A. 2016); see also Veg-Mix, Inc. v. U.S. Dept. of Agriculture, 832 F.2d 601, 607 (D.C. Cir. 1987) ("[A]n agency may ordinarily dispense with a hearing when no genuine dispute exists.").

¹⁸ The Square Group, LLC, 75 Agric. Dec. at 695.

owed by Respondent to the produce sellers listed in Appendix A to the Complaint at the time. As indicated in a declaration provided by (b) (7)(C), this investigation revealed that as of September 15, 2020, Respondent still owed all seven (7) of the sellers listed in Appendix A to the Complaint more than \$899,000.00 for purchases of various perishable agricultural commodities – more than a *de minimis* amount. 19

The Judicial Officer has consistently held that "unless the amount admittedly owed is *de minimis*, there is no basis for a hearing merely to determine the precise amount owed." Therefore, the ALJ properly decided that an oral hearing was not necessary.

B. Respondent's Allegation of Agreements with Sellers.

The Appeal Petition also asserts that Respondent entered into agreements "with each of its vendors to pay any purported debt over time" which were not considered by the ALJ.

Assuming that Respondent is alleging the existence of agreements to use "different times of payment" to satisfy the PACA's full payment promptly requirement, Regulations require that such agreements be reduced to writing "before entering into the transaction." Under the Regulations, Respondent was also required to maintain a copy of the alleged agreements in its records and it has the burden of proving their existence. Nevertheless, Respondent has not

¹⁹ See Attachment A to Complainant's Motion.

²⁰ Tri-State Fruit & Vegetable, Inc., 46 Agric. Dec. 81, 82-83 (U.S.D.A. 1984) (ruling on certified question); see also H.M. Shield, Inc., 48 Agric. Dec. 573, 581 (U.S.D.A. 1989) ("[T]here is no need for complainant to prevail as to each of the transactions, since the same order would be entered in any event, so long as the violations are not de minimis.").

²¹ 7 C.F.R. § 46.2(aa)(11); see also Allred's Produce v. U.S. Dept. of Agriculture, 178 F.3d 743, 747 (5th Cir. 1999) ("Under the regulations, 'full payment promptly' means payment within 10 days of the date on which the produce is accepted, or payment within the time specified in writing by prior agreement of the parties.") (citation omitted).

²² 7 C.F.R. § 46.2(aa)(11).

provided copies of the alleged agreements. Further, there is no evidence in the record that any alleged agreements were reduced to writing prior to the transactions.

During a telephone conference held on December 2, 2020, wherein the parties agreed to provide supplemental documentation to support their positions, Respondent was asked to provide information showing whether and when any payment agreements with Respondent's creditors were entered into.²³ Respondent's Supplemental Response states that "Mr. (b) (6), co-owner of So Ono, and by extension, the undersigned counsel for Mr. (b) (6), understood that additional information could be provided demonstrating that the seven vendors had specific payment arrangements prior to receipt of the produce."²⁴ However, after the ALJ granted an extension of time²⁵ for Respondent to supplement its previously filed response to Complainant's Motion, "Respondent ha[d] nothing additional to produce and therefore relie[d] on its previously filed *Response to Complainant's Motion for a Decision Without Hearing*, filed November 18, 2020."²⁶ To date, Respondent has not submitted any supplemental information, including the alleged agreements or evidence that they were reduced to writing *prior to* the transactions as required to meet full and prompt payment under the PACA.²⁷

²³ IDO at 3.

²⁴ Respondent's Supplemental Response at 2.

²⁵ The telephone conference took place on December 2, 2020. Respondent was originally provided the opportunity to supplement no later than January 8, 2021. The ALJ granted Respondent's request for an extension to file to February 8, 2021. Hence, Respondent had a total of 68 days to supplement its previously filed Response to Complainant's Motion. *See Id.* at 1.

²⁶ Respondent's Supplemental Response at 2.

²⁷ Complainant correctly points out that any alleged agreements entered with PACA creditors after the filing of an informal or formal reparation complaint would not satisfy the requirement to

"A request for a hearing must contain evidence that raises a material issue of fact on which a meaningful hearing might be held." The assertion by Respondent of the existence of agreements to pay its debts to sellers over time, without such evidence, does not raise a genuine dispute to require a hearing. ²⁹

C. Respondent's Violations Were Flagrant, Repeated, and Willful.

The ALJ correctly found that Respondent's violations were flagrant. "Flagrancy is determined by evaluating the number of violations, total money involved, and length of time during which the violations occurred." Respondent failed to make *full payment promptly* in the amount of \$1,344,994.87 to seven (7) sellers for 230 lots of perishable agricultural commodities during the period March 2018 through March 2019. By its failure to make full payment promptly to multiple sellers with respect to these transactions which involved a large amount of money over an approximate twelve (12) month period, Respondent's PACA violations were flagrant. Mr. (b) (6)s affidavit admits that as of November 16, 2020, more than six (6)

make full payment promptly. See Response to Appeal Petition at 8. The record reflects that all seven (7) sellers at issue in the Complaint filed reparation complaints against respondent.

²⁸ Cmty. Nutrition Inst. v. Young, 773 F.2d 1356, 1364 (D.C. Cir. 1985), cert. denied, 475 U.S. 1123 (1986).

²⁹ See Veg-Mix, Inc. v. U.S. Dept. of Agriculture, 832 F.2d 601, 608 (D.C. Cir. 1987) ("Here the submissions by Veg-Mix were not substantial enough to create a genuine dispute requiring a hearing.")

³⁰ Olympic Wholesale Produce, Inc., 78 Agric. Dec. 186, 191 (U.S.D.A. 2019); see also Five Star Food Distribs., Inc., 56 Agric. Dec. 880, 895 (U.S.D.A. 1997) ("The violations are flagrant because of the number of violations, the amount of money involved, and the lengthy time period during which the violations occurred.").

³¹ See Five Star Food Distribs., Inc., 56 Agric. Dec. at 895-97 (finding violations of the PACA involving 174 lots of perishable agricultural commodities in the total amount of \$238,274.08 over an approximate eleven month period flagrant); *Tolar Farms*, 56 Agric. Dec 1865, 1878-80 (U.S.D.A. 1997) (finding failure to make full payment promptly for 46 lots of perishable

months after the Complaint was served, the Respondent still owed five (5) sellers \$604,456.10 – much more than a *de minimis* amount.

The ALJ also correctly found that Respondent's violations were repeated. "Violations are 'repeated' under PACA when they are committed multiple times, non-simultaneously." Respondent's violations were clearly repeated as it failed to make full payment promptly to multiple sellers in multiple transactions that occurred over an approximate twelve (12) month period.

"A violation is willful under the Administrative Procedure Act (5 U.S.C. § 558(c)) if a prohibited act is done intentionally, irrespective of evil intent, or done with careless disregard of statutory requirements." Here, Respondent's violations of the PACA were done intentionally by withholding full and prompt payment of more than a *de minimis* amount from multiple sellers for numerous transactions over a period of approximately twelve (12) months. Respondent knew or should have known that it could not make prompt payment for the large amounts of perishable agricultural commodities it ordered, yet it continued to make purchases over a lengthy period of time and did not pay the sellers promptly. The ALJ correctly found that Respondent's violations were willful.

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agricultural commodities in the total amount of \$192,089.03 for violations that occurred over a 3 month period was flagrant).

³² Olympic Wholesale Produce, Inc., 78 Agric. Dec. at 191; see also Five Star Food Distribs., Inc. 56 Agric. Dec. at 895 ("Respondent's violations are 'repeated' because repeated means more than one.").

³³ Tolar Farms, 56 Agric. Dec. at 1879.

³⁴ Scamcorp, Inc., 57 Agric. Dec. 527, 552-53 (U.S.D.A. 1998) ("Willfulness is reflected by Respondent's violations of express requirements of the PACA (7 U.S.C. § 499(b)(4)) and the Regulations (7 C.F.R. § 46.2(aa)) and in the length of time during which the violations occurred and the number and dollar amount of violative transactions involved.").

Order

A decision and order without hearing was properly issued in this proceeding. The ALJ's Initial Decision and Order of February 12, 2021, is AFFIRMED and Respondent's Appeal Petition of March 26, 2021, is DENIED. The following findings are adopted:

- 1. Respondent, during the period March 2018 through March 2019, on or about the dates, and in the transactions set forth in Appendix A to the Complaint, failed to make full payment promptly to seven (7) sellers for 230 lots of perishable agricultural commodities which Respondent purchased, received, and accepted in interstate and foreign commerce, in the total amount of \$1,344,994.87.
- 2. The total unpaid balance due to sellers more than 120 days after the Complaint was served upon Respondent represents more than a *de minimis* amount and a hearing is not necessary in this proceeding.
- 3. Respondent has committed willful, flagrant, and repeated violations of section 2(4) of the PACA (7 U.S.C. § 499b(4)).
- 4. The facts and circumstances of Respondent's PACA violations are hereby ordered to be published pursuant to section 8(a) of the PACA (7 U.S.C. § 499h(a)).

Right to Seek Judicial Review

Respondent has the right to seek judicial review of the Order in this Decision and Order in the appropriate United States Court of Appeals in accordance with 28 U.S.C. §§ 2341-2350. Judicial review must be sought within sixty (60) days after the date of entry of the Order in this Decision and Order, as indicated below.³⁵

Done at Washington, D.C.,

this 1st day of June 2021

JOHN WALK

Digitally signed by JOHN WALK Date: 2021.06.01

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John Walk Judicial Officer

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³⁵ 28 U.S.C. § 2344.