

FRAUD ON THE U.S. TRADEMARK OFFICE: DOES IT MATTER ANYMORE WHAT'S IN YOUR HEAD AND IN YOUR HEART?

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General Legal Background

- Lanham Act § 14(3) permits cancellation of a U.S. trademark registration, at any time, if the registration “was obtained fraudulently.”

- Three elements: Statements that are (1) “false,” (2) “material,” and (3) “made knowingly.” Mister Leonard Inc. v. Jacques Leonard Couture Inc., 23 U.S.P.Q.2d 1064, 1066 (T.T.A.B. 1992) (emphasis in original).

- The action in this area has tended to center on whether or not false statements were “made knowingly.”

- But “materiality” is what distinguishes fraud in the trademark context from fraud in the patent context.
 - Fewer disclosures are required in trademark applications than in patent applications. Therefore fewer statements are “material.”
 - Example: A trademark applicant is not required to disclose the existence of senior third-party marks that might be confusingly similar to the applicant’s.

1981 to 2003:
Broad Language Weighing Against
Findings of Fraud

- Fraud “implies some intentional deceitful practice.”
- “Intent to deceive must be ‘willful.’”
- “Honest misunderstandings,” “inadvertence,” and “negligent omissions” do not amount to fraud.
- A “reasonable and honest belief” that a false statement was true means no fraud.
- Fraud must be proven “to the hilt.”
- Clear and convincing evidence is required.
- “No room for speculation, inference or surmise” and “any doubt must be resolved against” the party charging fraud.

- In this era, more often than not, the T.T.A.B. dismissed claims of fraud – at trial, through Rule 12(b)(6) motions (though sometimes without prejudice and with leave to amend), or through refusing to grant a motion to amend to allege a count of fraud.

- BUT, the T.T.A.B. did find fraud in two cases from this era (once at trial and once on summary judgment) that served as harbingers of what was to come.

- First International Services Corp. v. Chuckles, Inc., 5 U.S.P.Q.2d 1628 (T.T.A.B. 1988).
 - Fraud was found at trial, because the applicant signed an application attesting to use of the mark on “shampoos, hair conditioner preparation and scalp massage treatment preparations” when, in fact, at the time of the application’s filing, the mark was used only on “shampoo and hair setting lotion.”

- Mister Leonard Inc. v. Jacques Leonard Couture Inc., 23 U.S.P.Q.2d 1064 (T.T.A.B. 1992).
 - Fraud found at summary judgment, and registration canceled, due to submission of declarations that the registered mark in question was in (continuous) use on “bathing costumes for men” when the mark had only been used on women’s clothing.

The New Fraud Era:

Medinol Ltd. v. Neuro Vasx Inc. 67
U.S.P.Q.2d 1205 (T.T.A.B. 2003)

- Neuro Vasx filed an application to register the mark NEUROVASX for “medical devices, namely, neurological stents and catheters.”
- Neuro Vasx later filed a Statement of Use, signed by its CEO and declaring (through the electronic submission form) that “Applicant is using the mark in commerce on or in connection with the following goods/services: Those goods/services identified in the Notice of Allowance in this Application.”

- BUT, at the time the Statement of Use was filed, Respondent was using the mark only on catheters and not on stents.
- Respondent's registration nonetheless issued for "medical devices, namely, neurological stents and catheters."
- Respondent's excuse? The electronic check-box for "those goods/services identified in the Notice of Allowance" was inadvertently checked, and the fact that stents was still included was "apparently overlooked."

- Medinol sought cancellation on grounds of fraud.
- Neuro Vasx filed a motion to amend the registration to delete “stents,” proffered payment of the appropriate fee for such an amendment, and then moved for summary judgment to dismiss the cancellation petition.

- The T.T.A.B. denied Neuro Vasx’s motion for summary judgment.
 - “[D]eletion of the goods upon which a mark has not been used does not remedy an alleged fraud upon the Office.”
 - “[E]ven if ‘stents’ were deleted from the registration, the question remains whether or not respondent committed fraud on the Office in the procurement of its registration.”

- The Board then, sua sponte, entered summary judgment against Neuro Vasx, and indicated that it would cancel the registration in toto provided Medinol could prove that it had standing to petition for cancellation (which it later did).

- Compare these statements in Medinol with the statements from Smith v. Olin listed previously.
 - “The appropriate inquiry is not into the registrant’s subjective intent, but rather into the objective manifestations of that intent.”
 - “There were only two goods identified in the notice of allowance; the mark was either in use on both or it was not.”
 - “Statements made with such degree of solemnity clearly are – or should be – investigated thoroughly prior to signature and submission to the USPTO.”
 - “Respondent will not now be heard to deny that it did not read what it had signed.”
 - “Respondent’s knowledge that its mark was not in use on stents – or its reckless disregard for the truth – is all that is required to establish intent to commit fraud in the procurement of a registration.”

The Somewhat Schizophrenic Aftermath

- On the one hand, the Medinol approach has been affirmed, on analogous facts, in a number of subsequent published (and unpublished) T.T.A.B. opinions, and largely followed as a matter of law.
- On the other hand, there have been some indications that the Medinol approach might not always be followed, at least when it comes to misunderstandings about what does or does not technically constitute “use in commerce.”

- Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha, 77 U.S.P.Q.2d 1917 (T.T.A.B. 2006)
 - Medinol redux, but after trial and on counterclaims for cancellation.
 - Registrations pleaded by the opposer were canceled in their entireties on grounds of fraud, due to the signing of verified Statements of Use that listed goods on which the mark was not being used.

- Hurley Int'l LLC v. Volta, 82 U.S.P.Q.2d 1339 (T.T.A.B. 2007).
 - Medinol redux in an opposition to a use-based application, with a sympathetic applicant.
 - Opposition on grounds of fraud sustained at summary judgment, citing Medinol and Standard Knitting.
 - Despite language of Section 14(3) about “procurement,” the T.T.A.B. said, “It is irrelevant, despite what applicants would have us believe, that a registration has yet to issue for the applicant’s mark. The timing of the misrepresentation is immaterial.”
 - BUT, in a subsequent footnote, “[A] misstatement in an application as to the goods or services on which a mark has been used does not rise to the level of fraud where an applicant amends the application prior to publication” (emphasis added).

- Nougat London Ltd. v. Garber, Cancellation No. 92040460, 2003 WL 21206253 (T.T.A.B. May 14, 2003) (unpublished)
 - “Creative tinkering” to get around Medinol will not be permitted. The T.T.A.B. canceled a registration, on grounds of fraud, in which the owner of the registration had declared that the mark was in use on “goods identified in the application” (as opposed to “the goods” or “all the goods”).

- Still, the Board appears to be recognizing some limitations to the Medinol approach.

- A good-faith belief that the mark has, in fact, been “used in commerce,” irrespective of ultimate compliance with technical requirements, might avoid a finding of fraud.
 - Maid to Order of Ohio, Inc. v. Maid-to-Order Inc., 78 U.S.P.Q.2d 1899 (T.T.A.B. 2006);
 - Haldex Brake Corp. v. Zikry, Opposition No. 91160715 (T.T.A.B. September 5, 2006) (unpublished);
 - LIOC Endangered Species Conservation Federation v. Long Island Ocelot Club, 2002, Opposition No. 91160291, 2006 WL 1559662 (T.T.A.B. June 6, 2006) (unpublished).

Practical Implications

- Be extremely careful with use-based applications and Statements of Use to ensure that the mark is, in fact, being used on all identified goods.
- If you are not careful, the entire registration is vulnerable to cancellation.

- If any “cure” is to be attempted, according to Hurley, it must attempted before publication. After publication appears to be too late.

- It is presently unclear whether the T.T.A.B. will extend the Medinol rationale beyond that decision's particular fact pattern.

- If the T.T.A.B. extends Medinol to other aspects of the registration process, there arise any number of additional possibilities for a claim of fraud.

- Examples:
 - Could it be fraudulent to file a § 1(b) intent-to-use application, or an application with a § 44 basis (relying on a foreign registration or application), or an application to extend protection to the U.S. under the Madrid Protocol, if the applicant has no bona fide intention to use the applied-for mark in the U.S. in connection with all of the goods identified in the application?

- Could it be fraudulent to provide an erroneous date of first use?
 - Probably not, so long as the mark was actually in use at the time the use-based application was filed. Under those circumstances, an erroneous first-use date is not “material.” See Itote Inc. v. Totes Isotoner Corp., Opposition No. 91121054, 2006 WL 2263324 (T.T.A.B. July 19, 2006) (unpublished).

- Could it be fraudulent to submit faulty specimens of use?
 - Possibly, if the specimens are “fabricated” in an effort to “outfox” the Examiner. See This Little Piggy Wears Cotton v. Piggy Toes, Opposition No. 91159506, 2004 WL 1701272 (T.T.A.B. July 13, 2004) (unpublished).

- What to do about it:
 - If you cannot “cure” the false statement (i.e., if you are post-publication), you likely must re-file to remove the fraud vulnerability.
 - There is no way around it: You will lose your earlier nationwide priority date, and will want to get a new priority date sooner rather than later.
 - A “fraudit” of the portfolio is therefore recommended, if it has not already been performed.

- This jurisprudence may engender a sense of “mutually assured destruction” among competitors.
 - If portions of your portfolio are vulnerable, portions of your competitors’ portfolios are likely similarly vulnerable.
 - Going forward, fraud issues should be an important component of your litigation strategy in prosecuting or defending T.T.A.B. proceedings.

STAY TUNED FOR FURTHER TWISTS
IN THE PLOT!