



IP NEWS BRIEF
Autumn 2008

The Consequences of Committing Fraud in Trademark Filings

One area of growing interest in trademark law today is the Trademark Trial and Appeal Board's ("TTAB" or "Board") position toward the commission of fraud on the U.S. Patent and Trademark Office ("PTO") in trademark applications. While this area is still evolving, the consequences are clear—if an applicant commits fraud by providing a misstatement of goods or services in a trademark application, the resulting registration may be cancelled in its entirety upon challenge. Generally, fraud may be committed when a trademark owner files an application alleging use of the mark on a variety of goods and services, but in fact is not actually using the mark on each and every category of goods and services listed in the application. Fraud may be alleged in an opposition or cancellation proceeding, and even if innocent, the entire trademark is subject to cancellation.

The issue of fraud on the PTO gained prominence after the TTAB's decision in *Medinol Ltd. V. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003). Prior to *Medinol*, the TTAB required a showing of bad faith on the part of the applicant to justify a finding of fraud—and thus possible cancellation of a trademark. But in *Medinol*, the TTAB stated that specific intent to defraud the PTO is not necessary; rather, the standard is whether the applicant knew or should have known that he was making false, material representations of fact in connection with the application. For instance, in *Medinol*, the trademark owner signed a statement of use for its NEUROVASX mark on catheters and stents, but the trademark owner did not actually use the trademark on catheters. The Board cancelled the trademark in its entirety, finding that the owner knew or should have known that its statement of use was false.

After *Medinol*, there was uncertainty over what exactly constituted fraud. In addition to false statements of use in an initial application, fraud may include a false statement of continued use with a Section 8 affidavit, or a misstatement of use of a specimen within U.S. commerce at the time alleged. For instance, in *Sierra Sunrise Vineyards v. Montelvini S.p.A.*, Cancellation No. 92048154 (T.T.A.B. 2008), the TTAB cancelled the registration for MONTELVINI VENEGAZZU and Design because the trademark owner fraudulently claimed continued use on liqueurs in its

Section 8 declaration of use. That case also underscored the point that reliance on a foreign application for a U.S. registration still requires use in U.S. commerce on each and every good and service in the application. Further, fraud may also be found in Section 1(b) intent-to-use applications. The TTAB has held that an applicant must have, at the time of filing, a *bona fide* intent to use its trademark on *all* of the goods and services within its application.

With regard to correcting misstatements of goods and services use prior to publication, the TTAB remained silent until recently. In *Hurley International LLC v. Volta*, 82 U.S.P.Q.2d 1339 (T.T.A.B. 2007), the Board held that an applicant's nonuse of its trademark THE SIGN and design on some of the goods in its application constituted fraud. In dicta, the TTAB hinted that a misstatement of goods and services, amended prior to publication, would not amount to fraud. Earlier this year, in *University Games Corp. v. 20Q.net, Inc.*, Opp. Nos. 91168142, 91170668 (T.T.A.B. 2008), the Board specifically held that an applicant is entitled to a "rebuttable presumption" that there was no willful intent to deceive the PTO if the applicant amends its application prior to publication. In *University Games*, the registrant initially applied for the trademark TWENTY QUESTIONS for board games, t-shirts, and promotional materials. After the Examining Attorney determined that the goods description was improper, the registrant deleted references to t-shirts, paper products, and videos, and its application was registered. During a cancellation proceeding, the applicant for the trademark 20Q for entertainment services claimed that the registrant had committed fraud by initially claiming use of the TWENTY QUESTIONS mark on t-shirts and promotional materials. The Board applied the rebuttal presumption of no willful intent, and the applicant failed to rebut the presumption with evidence of bad faith.

Therefore, there are several practices that should militate against the possibility of committing fraud on the PTO:

- If the initial trademark application is a *use-based* application, ensure that the person making the sworn statement actually knows that the company is using the trademark on each and every good and service listed in the application.
- If the initial application is an *intent-to-use* application, ensure that the person making the sworn statement has a legitimate, *bona fide* intent to use the trademark in U.S. commerce for every good and service listed in the application.
- The trademark owner should continually monitor use of the mark on all of the goods and services—nonuse on just one of the goods and services in the application puts the entire trademark at risk.
- To simplify the application process, and to minimize the risk of fraud, a trademark applicant should consider filing a separate application for each class of goods and

services. In this regard, if use is discontinued in one category but not another, trademark rights can remain for the categories of ongoing use.

- If the applicant does learn of an error in the goods and services description, an amendment to remove that error should be made prior to publication to avoid a potential fraud finding.
- Finally, if a trademark owner is considering pursuing litigation for trademark infringement, opposing another applicant's proposed mark, or instituting a cancellation proceeding, the trademark owner should first determine whether its own mark is vulnerable to cancellation based upon a fraudulent description of goods and services.

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