

THE CONSEQUENCES OF COMMITTING FRAUD IN TRADEMARK FILINGS¹

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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, statements of continued use, and renewals. Generally, fraud may be committed when a trademark applicant alleges use of its mark on a variety of goods and services, but in fact is not actually using the mark on each and every of the goods and services listed in the application. Fraud may be alleged in an opposition or cancellation proceeding and is actionable even if an innocent error.

While the fraud doctrine has been in place for many years, the TTAB caselaw continues to evolve. Indeed, under today's standard the consequences are clear—if an applicant commits fraud by providing a misstatement of goods or services use in a single-class trademark application, the resulting registration may be cancelled in its entirety upon challenge. For a multi-class application, fraud may potentially result in the cancellation of the mark within the international class of nonuse or misstated use.² While a finding of fraud does not necessarily eliminate a mark owner's common law rights, the owner does lose the benefits of a federal registration.

Origins of the Fraud on the PTO Doctrine

Section 14 of the Lanham Act, 15 U.S.C. § 1064, provides a series of grounds upon which a registered mark may be cancelled, including committing fraud in procuring a federal registration. Fraud is also a defense to claims of trademark infringement and unfair competition, pursuant to Section 33(b) of the Lanham Act, 15 U.S.C. § 1115(b). The issue of fraud on the PTO gained particular 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 registration. But in *Medinol*, the Board stated that specific intent to defraud the PTO is not necessary; rather, the standard is whether the applicant *knew or should have known* that it was making false, material representations of fact in connection with the

¹ As published in THE ILLINOIS STATE BAR ASSOCIATION INTELLECTUAL PROPERTY NEWSLETTER, March 2009, Vol. 48, No. 3.

² While this article was in process, the TTAB decided *G&W Laboratories, Inc. v G W Pharma Ltd.*, Opp. No. 91169571 (T.T.A.B. Jan. 29, 2009) (precedential), holding that "each class of goods or services in a multiple class registration must be considered separately when reviewing the issue of fraud, and judgment on the ground of fraud as to one class does not in itself require cancellation of all classes in a registration."

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 involving an application, fraud may also be committed by submitting a false statement of continued use (i.e., Section 8 affidavit) or a misstatement that a trademark specimen was actually used in interstate commerce. 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.

Recent Interpretations

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 (used with wines, spirits and liqueurs) because the trademark owner fraudulently claimed continued use on liqueurs in its Section 8 declaration of use. The Board's decision in *Sierra Sunrise* underscores the key fact that reliance on a foreign application for a U.S. registration requires use in U.S. (interstate) commerce on *each and every good* and service in the application.

In *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, 86 U.S.P.Q.2d 1572 (T.T.A.B. 2008), the Board cancelled four registrations for the mark XEL HERBACEUTICALS, each of which was a single-class application for a variety of herbal remedy goods. Finding that the mark owner was not in fact using the mark on each and every good as alleged in its statements of use, the Board dismissed the mark owner's plea to partially cancel the registrations only for the goods of nonuse. Instead, the Board stated that "if fraud can be shown in the procurement of a registration, the registration is void in the international class or classes in which fraud based on nonuse has been committed."

Also, until recently, the TTAB remained silent regarding whether a correcting amendment to a description of goods and services prior to publication avoided fraud. 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 (used with a variety of entertainment services) on some of the services in its application constituted fraud. In dicta, the Board hinted that a misstatement of goods and services, amended prior to publication, would not amount to fraud.

In *University Games Corp. v. 20Q.net, Inc.*, Opp. Nos. 91168142, 91170668 (T.T.A.B. 2008), the Board 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 disagreed, finding that the applicant failed to rebut the presumption that the registrant had no willful intent because it amended its goods description prior to publication.

Best Practices and Recommendations

Given the current enforcement practices of the Patent and Trademark Office, avoiding fraudulent statements in trademark filings should be a top priority for mark owners and trademark practitioners. Indeed, there are several practices that trademark owners and practitioners can implement to lessen the possibility of committing fraud.

For the individual applicant, such as a small business filing on its own behalf, it is imperative that the initial trademark application only cover those goods and services upon which the proposed mark is *actually* being used, or alternatively upon which there is a bona fide intention to use the mark. A bona fide intention should be more than a mere business plan—it should entail actual efforts to begin use of the mark on those goods or services, or at the very least, concrete plans to commence use in the near future. Further, it is best practice that the signing party for the application has personal knowledge of actual use. Willful blindness by the signing party is no defense to fraud. As stated in *Medinol*, the appropriate standard is whether the applicant knew or should have known the statement was false.

If the applicant is a general practitioner or in-house counsel, she should request some level of proof from the client that it is actually using the mark or has a bona fide intention to use it on every good and service. Also, while it may be more costly initially, the attorney may recommend filing a separate application for each international class of goods and services to simplify the application process and minimize the risk of committing fraud.

The trademark attorney should take an active role in the continuation and renewal of the client's trademark registrations. Between the fifth and sixth year following registration, the mark owner must submit a Section 8 affidavit stating continued use on every good and service. At each ten year point following registration, the owner must renew its mark for an additional ten years by filing a Section 9 Renewal Application together with a Section 8 Affidavit of Continued use. In each of these contexts, the attorney should actively question the client to ensure that use is continuing on *all* goods and services. In the event that use ceases on one or more of the goods or services, it is imperative that those goods/services be deleted from the Affidavit of Continued Use in order to avoid fraud and subjecting the entire registration to potential cancellation.

For any type of trademark applicant, if an error in the statements regarding actual use or intended use becomes evident early in the application process (prior to publication of the

application), the applicant should promptly amend its goods and services description to avoid fraud.

Finally, if a trademark owner is considering pursuing litigation for trademark infringement, opposing another applicant's proposed mark, or instituting a cancellation proceeding against a subsisting registration, the trademark owner and its counsel must first consider whether its own mark is vulnerable to cancellation based upon a fraudulent description of goods and services.

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