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

William M. Bryner
Kilpatrick Stockton LLP
WBryner@KilpatrickStockton.com
Act I: General Legal Background
Act II: Regime of Broad Language Weighing Against Fraud
Act III: The Medinol Decision
Act IV: The Aftermath
Act V: Practical Implications
Act I: General Legal Background
• Lanham Act § 14(3) permits cancellation of a U.S. trademark registration, at any time, if the registration “was obtained fraudulently.”
• “ Obtained” in this context has been interpreted to mean not only the procurement of the initial registration, but the maintenance (Section 8), renewal (Section 9), and incontestability status (Section 15) of an existing registration.
“Fraud in procuring a trademark registration or renewal occurs when an applicant knowingly makes false, material representation of fact in connection with his application.” Torres v. Cantine Torresella S.r.l., 1 U.S.P.Q.2d 1483, 1484 (Fed. Cir. 1986).
• As noted by the Board’s written emphasis in Mister Leonard, the action in this area has tended to center on whether or not false statements were “made knowingly.”
• 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.
  – Fraud was found, and an opposition sustained at trial, because the applicant signed a pre-ITU-era application for “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.”
  – The credibility of applicant’s witnesses was substantially questioned.
  – Note that this was an opposition; the registration had not yet technically been “procured.”
  – Fraud found at summary judgment, and registration canceled, due to submission of Section 8 and 15 declarations that declared 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.
• Respondent filed an ITU application to register the mark NEUROVASX for “medical devices, namely, neurological stents and catheters.”
• The application was published, and a Notice of Allowance issued.
• After obtaining two extensions of time, Respondent (then applicant) 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.”
• Petitioner sought cancellation on grounds of fraud.
• Respondent 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 Respondent’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 Respondent, and indicated that it would cancel the registration *in toto* provided the Petitioner 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” (with later citation to First Int’l Servs.).
  – “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.”
ACT IV: 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 subjective misunderstandings about what does or does not technically constitute “use in commerce.”
  – Medinol redux, but on a motion for leave to amend answers to notices of opposition.
  – Motion granted, allowing Applicant to allege counterclaims for fraud due to false statements in Opposer’s Section 8 and 15 affidavits.
  – Medinol redux, but after trial.
  – Applicant asserted counterclaims for cancellation of Opposer’s pleaded registrations, in their entireties, on grounds of fraud.
  – Opposer claimed an “honest mistake,” and sought to cure the problem by filing amendments to its registrations by deleting the unused goods from the pleaded registrations.
– Not good enough, said the Board. “Fraud cannot be cured by the deletion of goods from the registrations,” and Opposer’s pleaded registrations were cancelled.
– “The specific or actual intent of [opposer’s declarants] is not material to the question of fraud. . . . [F]raud occurs when an applicant or registrant makes a false material representation that the applicant or registrant knew or should have known was false.”
– Officers are obligated to inquire as to the scope of use of the mark. Their actions of looking at prior registrations, relying on their attorney’s representations, and asking employees whether the goods were ever sold “were grossly insufficient,” particularly when sales data was readily available.
  
  – Medinol redux in an opposition to a use-based application filed by the owner of a foreign registration.
  
  – 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 dicta 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).
  
  – *Medinol* redux on summary judgment; fraud found as a matter of law.
  
  – Affiant (a U.S. citizen but for whom English was as second language) was obligated to confirm the meaning and accuracy of statements made in the application before signing the declaration and prior to submission to the USPTO.
  
  – Registrant and its attorney shared the duty to ensure the accuracy of the application and the truth of its statements.
– Registrant’s amendment to delete the “problem goods,” submitted after the commencement of the cancellation proceeding, did not “cure the fraud,” even though the Post-Registration branch approved the amendment.

– But, in dicta in a footnote, the Board reserved the question of whether an amendment filed before the commencement of the cancellation proceeding (but obviously post-publication) would suffice to “cure the fraud.”
  - Applicant cannot “cure” fraud by moving, during a post-publication opposition proceeding, to amend from a §1(a) basis to a § 1(b) basis, even if such a motion is granted as a means of mooting a “non-use” ground for opposition.
  - Fraud found as a matter of law, and Opposer’s motion for summary judgment granted.
• A number of additional, unpublished opinions have followed Medinol strictly, and as a matter of law.
• One worth particular mention.
  
  – “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.

- T.T.A.B. denied a motion for summary judgment on the fraud issue because the cancellation respondent’s witnesses had a good-faith belief that the mark was in use in interstate commerce on the services identified in the application at the time the application was filed, when the Section 8 affidavit was filed, and when the Section 9 renewal affidavit was filed.

- “While these activities are not, in any way, conclusive on the question of whether [respondent] has in fact used the mark MAID TO ORDER in interstate commerce, they do serve to establish that Ms. Kern had a good faith belief that MTO had used/was using the mark MAID TO ORDER in interstate commerce at the time of filing the application, the Section 8 declaration, and the application for renewal.”

- Smith v. Olin cited, but not Medinol.

- No fraud found after trial in opposition proceeding because the pro se applicant “may well have been unaware of the technical requirements for an allegation of ‘use in commerce’ under the Lanham Act.”

- Applicant had made active attempts to create a market for his products in the U.S., including supplying prototypes to parts retailers in Tampa and Washington DC; had a meaningful volume of international sales; and had an ongoing presence on the Internet. While not technically “use in commerce,” it was not “fraud” either.

- Smith v. Olin cited, but not Medinol.
  – Summary judgment on fraud claim denied.
  – Applicant had advertised its services prior to filing its use-based application, but had not actually rendered the services. Thus, no use had technically occurred by the time the application was filed.
  – Genuine issue of material fact found as to “whether applicant knowingly filed a use-based application when the use of the involved mark may not have been sufficient to support the filing of a use-based application,” noting in a footnote that “[c]ases involving questions of intent are generally ill-suited for resolution by summary judgment.”
  – Goods in question were “wine” (general) and “sparkling wine” (specific). Use was only on “sparkling wine” (not “still wine”).
  – No fraud. If the general product terminology encompasses the specific product terminology in an identification of goods, and there is use on the specific product, then there is no fraud.
  – **BUT**, the converse is not true. If the mark is used in connection with the general product terminology and **NOT** in connection with the specific product terminology, then there can be fraud.
Act V: 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, even if more than five years old.
• If any “cure” is to be attempted, according to Hurley, it safest to attempt it before publication.

• After publication may be too late, although Hachette indicates that amendments before the application/registration is challenged may suffice.
• Attorneys (and especially outside counsel) should be extremely reticent to sign applications or other sworn documents on a client’s behalf.

• Declarants are now clear deposition targets, and the basis for the declarant’s knowledge of the sworn statements (including otherwise privileged communications) may be discoverable.
• It is presently unclear whether the T.T.A.B. will extend the Medinol rationale beyond that decision’s particular fact pattern of “use on some identified goods, but not on others.”
• 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) ITU application, or an application with a § 44 basis, 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?
  – Although the term “bona fide” is not defined within the Act itself, the legislative history of the Trademark Law Revision Act of 1988 reveals that Congress intended the test of “bona fide” intent to be shown by “objective” evidence of “circumstances” showing “good faith.”
  – The Board found several “circumstances” to support a conclusion that the applicant lacked the requisite bona fide intention to use the mark in commerce.
  – These “circumstances” included: Lists of hundreds of items and filing of numerous ITU applications for a variety of marks covering the same goods and services.
– Similarly, in a § 1(b) ITU application, could it be fraudulent to file a request for an extension of time to file a Statement of Use, and to click the “KEEP ALL LISTED GOODS” box, when the company no longer has a *bona fide* intention to use the mark on all of the listed goods?

• If so, this may not “curable” if *Hurley* is to be believed, but might be “curable” if *Hachette* dicta is followed.
– 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?


- See also eSpeed, Inc. v. eSpeedient Sys., LLC, Cancellation No. 92046796 (T.T.A.B. Sept. 14, 2007) (unpublished)
  - Motion to amend pleading to assert fraud granted where applicant declared that the submitted specimen was in use as of October 18, 2002, when, in fact, the specimen bore a 2004 copyright notice.
  
  – The adequacy of the specimen submitted on renewal goes to the issue of the mark’s use, but apparently does not bear on the issue of fraud, so long as the manner of use of the mark is truthfully disclosed and nothing is concealed/withheld.
  
  – Seems to be a *Maids to Order* type approach.
– Could it be fraudulent to file a declaration under § 2(f) that the applied-for mark has been in substantially exclusive and continuous use for five years when such is not the case (at least not for all of the identified goods/services)?
• When it comes to knowledge, or lack of knowledge, about the technical requirements for trademark or service mark “use in commerce,” Maids to Order, Haldex, and LIOC indicate that what’s in one’s head and in one’s heart may still matter.
• What to do about it:
  – If you cannot “cure” the false statement (i.e., if you are post-publication or, worse, a party to an opposition/cancellation proceeding where the vulnerable application/registration is involved), 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.
• BUT BEWARE: Re-filing for the exact same mark for lesser-included goods means that you may draw a refusal because the application is “duplicative” of the existing (but vulnerable) registration.
  – Not as big a problem for word marks (you can file in stylized letters), but a really thorny problem for design marks. You may eventually have to surrender your earlier registration for cancellation in order to get the later application through.
• Query whether, given the current state of the law, you should file a multi-Class application (as opposed to multiple, single-Class applications).

• Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc., Cancellation No. 98045172 (March 7, 2008).
  – In dicta, the Board said, in essence, that the “infection” from a Medinol problem might not spread across different Classes.

• The safest course is likely still to file multiple single-Class applications.
• Be careful with even single-Class applications for multiple goods.
• Cost of multiple single-Class applications becomes a greater factor, but may still be the safest course to ensure enforceable registrations.
• 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!