

Fraud: The 'F' Word Trademark Owners Should Avoid

Monday, Feb 11, 2008 --- As we approach the five-year anniversary of one of the most significant decisions impacting United States trademark prosecution practice, *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d 1205 (TTAB 2003), we continue to be reminded that trademark applications and registrations can be easily voided due to misstatements or overstatements as to the goods and services offered under a trademark.

While the U.S. Trademark Office's stated standard for fraud is quite high and envisions a specific intent to mislead, the U.S. Trademark Trial and Appeal Board ("TTAB") has recently taken the position that, in certain circumstances, mere carelessness can constitute fraud.

Pre-Medinol case law recognized that to commit fraud in procuring or renewing a U.S. trademark registration, the applicant must make a material representation of fact, which it knows or should know is false or misleading. *Torres v. Cantine Torresella S.r.l.*, 808 F.2d 46, 49 (Fed. Cir. 1986).

Moreover, fraud had to be proven to the hilt by clear and convincing evidence and does not exist where the applicant had a reasonable and honest belief that a statement in a trademark filing was true. *Woodstock's Enters. Inc. v. Woodstock's Enters. Inc.*, 43 U.S.P.Q.2d 1440, 1444 (TTAB 1997), *aff'd*, No. 97-1580, 1998 U.S. App. LEXIS 3777 (Fed. Cir. Mar. 5, 1998).

Medinol and its progeny have changed the playing field – a trademark owner essentially has no margin for error or mistaken belief when it comes to declaring what goods and services are being provided under a mark.

At least two trademark rules contribute to this treacherous landscape in trademark prosecution.

First, the U.S. Patent and Trademark Office ("USPTO") requires sworn declarations of use for filings in which the trademark owner confirms that a trademark is being used in commerce, and in doing so, Applicants must swear that the mark is being used to provide all listed goods or services.

Second, the USPTO requires a trademark application to very specifically list the products or services that will be provided, or are currently being provided, in connection with the trademark. An application cannot simply list "clothing"; rather, a sufficiently definite listing of goods might read: "men's clothing, namely, suits, T-shirts, polo shirts, trousers, shorts, skirts, sweaters, jackets, gloves, and ties."

In the Medinol case, a company called Neuro Vasx listed its anticipated

goods as “stents and catheters” in a trademark application, then later filed a document declaring that it was using its trademark to distribute all listed goods. However, it had actually only used the mark to distribute catheters.

Medinol filed with the TTAB a petition to cancel Neuro Vasx’s registration due to fraud. Neuro Vasx attempted to remedy its registration by amending the registration to delete stents. The TTAB held that deletion of stents at a later point could “not remedy an alleged fraud” and thus cancelled Neuro Vasx’s entire registration. *Id.* at 1208.

Stating that Neuro Vasx should have “investigated thoroughly prior to signature,” the TTAB held that its actions constituted “reckless disregard for the truth,” which was deemed sufficient for a finding of fraud. *Id.* at 1209-10.

While the Medinol case has caused quite an uproar, it was not the first holding of its kind. In one case, a trademark registration covered several food products, but only some were ever offered to customers. *Duffy Mott Co. v. Cumberland Packing Co.*, 165 U.S.P.Q. 422, 423 (C.C.P.A. 1970).

The owner’s predecessor had filed a form with the USPTO to maintain the registration, stating that all food items covered by the registration were still being sold under that mark.

When the owner filed a TTAB proceeding against another company that owned a trademark registration for the identical mark, the defendant argued that the pleaded registration was invalid due to fraudulent procurement. The plaintiff claimed mere carelessness, but the court did not view this as an acceptable excuse.

Accordingly, the presiding judge ruled that the plaintiff was precluded from enforcing its registration.

The TTAB heard a case three years later with an analogous fact pattern, involving the erroneous inclusion of “meats” in the registration’s goods listing. *Western Farmers Assoc. v. Loblaw Inc.*, 180 U.S.P.Q. 345, 346 (TTAB 1973). The TTAB deemed the registrant’s argument of inadvertent mistake to be “not in the least persuasive.” *Id.* at 347.

Evidently not amused by the question “where’s the beef,” the TTAB cancelled the plaintiff’s entire registration.

So if these holdings were already in place, why is Medinol so significant? The frequency by which subsequent decisions have relied upon its reasoning is a key reason. Medinol is one of the relatively few citable TTAB decisions to issue in the past several years.

Many Board decisions have, in fact, relied upon Medinol in the few short years since its issuance to rule upon fraud allegations. In each of the following cases, the Board expressed no sympathy for the applicant’s or registrant’s excuses, and voided the registration or application at issue on the ground of fraud:

A company used its mark to sell swimwear, but not the other clothing articles listed in its declaration of use. The document's signatory later stated that he did not have the goods listing "before him" and had assumed the document was in order. *Hawaiian Moon Inc. v. Doo*, Opposition No. 91165327 and Cancellation No. 92042101 (TTAB Apr. 29, 2004) (unpublished).

Companies have blamed language difficulties and misunderstanding for erroneous inclusion of goods not in use. *Orion Elec. Co. v. Orion Elec. Co.*, Opposition No. 91121807 (TTAB Mar. 19, 2004) (unpublished); *Hachette Filipacchi Presse v. Elle Belle, LLC*, 85 U.S.P.Q.2d 1090 (TTAB 2007).

Residents of Australia offered several explanations as to why they erroneously claimed use of their trademark in U.S. commerce. They stated that they misunderstood the meaning of use in commerce, as they had used that mark in Australia.

They also noted that they had sold CDs through the Internet, which could reach consumers anywhere in the world. The applicants, moreover, stressed that they acted in good faith. Finally, they explained that they had been distracted by a major coronary infarct suffered by one of the applicants. *Hurley Int'l LLC v. Volta*, 82 U.S.P.Q. 1339 (TTAB 2007).

A trademark owner's attorney had edited the language in the application's declaration, to read that the owner has used the mark on "goods" – rather than "the goods" – listed in the application. *Nougat London Ltd. v. Garber*, Cancellation No. 92040460 (TTAB July 30, 2003) (unpublished).

In short, most excuses are likely to be considered by the TTAB to be an invalid defense to fraud.

The TTAB is also freely granting parties leave to amend to allege fraud. Approximately two years after a defendant filed its original answer in a TTAB proceeding, the Board granted the defendant leave to amend its answer to add a Medinol fraud counterclaim. *Turbo Sportswear Inc. v. Marmot Mountain Ltd.*, 77 U.S.P.Q.2d 1152, 1155 (TTAB 2005); See also *Hurley Int'l*, *supra*.

Additionally, the TTAB and even courts are deciding Medinol fraud cases on summary judgment where there is no dispute as to the use of the items covered by the registration or application sought to be invalidated for fraud.

So, must your client despair if it makes an erroneous statement about its trademark use? Not necessarily.

First, even if its registration is voided, a trademark owner still owns its common law rights in its mark.

Second, in some instances, the TTAB has indicated that the burden for proving fraud was not met. (Remember, the standard for fraud before the

USPTO is “to the hilt” by “clear and convincing evidence.”)

The Board has declined to find fraud where a mark was used for certain products, but not necessarily used in interstate commerce as required under the law.

In that case, a pro se applicant expended considerable efforts to market his products in the U.S., including maintaining some U.S. operations and an Internet presence, but he had primarily shipped his products between China and Egypt only. *Haldex Brake Corp. v. Haldex Brake Prods. Ltd.*, Opposition No. 91160715 (Sep. 5, 2006).

Additionally, where a mark was used in only limited instances across state lines, the TTAB failed to infer fraud as to statements made by the registrant that the mark was used in interstate commerce. *Maids to Order of Ohio Inc. v. Maid-to-Order Inc.*, 78 U.S.P.Q.2d 1899 (TTAB 2006).

To potentially salvage an erroneous statement to the USPTO, according to dicta in two recent TTAB cases, an applicant may try to amend the application before publication with respect to use in connection with all of the listed goods and services. *Hurley Int’l LLC*, supra, at 16-18 n.5; *Kipling Apparel Corp. v. Rich*, Opposition No. 91170389 (TTAB Apr. 16, 2007) (unpublished). Cf. *Sinclair Oil Corp. v. Kendrick*, Opposition No. 91152940 (TTAB Jun. 6, 2007) (unpublished) (finding fraud and voiding application, where applicant filed an application claiming mark was being used to render services, then moved after publication to amend it to an intent-to-use filing basis).

To date, there have been no holdings to clarify the TTAB’s position, but as it stands, such an action could be a possible remedy.

Going forward, the following practice pointers should be considered:

Offer to audit clients’ portfolios for Medinol concerns, particularly in cases involving applications filed pro se or without trademark counsel. It may be prudent to file new applications to replace tainted filings. Waiting until a client desires to enforce its registrations is an unfortunate time to discover that its registrations are voidable.

Explain to your client – preferably in writing – that a misstatement due to mere carelessness can result in a loss of rights.

Ensure that no confusion or uncertainty exists on the part of your client contacts and signatories (who may be different persons), or on your part, as to what the client has offered in commerce under the mark.

When filing use-based applications or evidence of use documents with the USPTO, even though specimens for each product/service are not required for filing, request that your clients locate documentation supporting use of the mark in connection with all of the goods and services and maintain a file for

that documentation.

To the extent that they cannot find supporting evidence of use, advise them to err on the side of deleting the good or service at issue.

File separate applications for separate offerings. This will force focus on the goods and services, and moreover, if any problem should arise with respect to one filing, the client will hopefully still own a valid trademark application or registration covering other offerings.

Since foreign applications and registrations are often broadly described and use is not always a prerequisite to registration in the home country, pay particular attention to Section 8 & 15 Declarations and Renewals for U.S. registrations originally based on foreign applications and registrations pursuant to Sections 44 or 66 of the Trademark Act – those descriptions will likely need to be narrowed significantly.

In conclusion, although declarations of use appear to be straightforward (particularly in this age of electronic filing), due diligence and investigation regarding how a mark is truly used is critical.

Given the devastating implications of a mere misstatement, practitioners and clients need to exercise extreme caution in making declarations regarding the scope of a mark's use during the prosecution process.

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