

Court Relief Is Not Enough: Diligent Trademark Management Is the Best Defense Against Fraud Attacks

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Why does it take a crisis to get our attention and to make us do what we already know to do?

In the world of trademarks, the crisis that grabbed the attention of trademark owners was the rise of fraud attacks. A successful claim of fraud in procurement is the death of a trademark registration. But with so few fraud claims raised and the standard for finding fraud high, it was not a matter of concern, at least not until 2003. In that year, a decision by the Trademark Trial and Appeal Board (“the Board”) lowered the standard for a finding of fraud and sparked a rash of fraud attacks in trademark cases.

In *Medinol Ltd. v. Neuro Vasx Inc.*, Neuro Vasx Inc. (“the petitioner”) filed a petition to cancel U.S. Registration No. 2,377,883 for the mark NEUROVASX used on “medical devices, namely, neurological stents and catheters.”¹ The petitioner alleged that Medinol Ltd. (“the respondent”) had not used the mark in connection with stents when it filed its statement of use nor anytime thereafter. The petitioner claimed that the respondent fraudulently procured the

registration by knowingly submitting fraudulent statements “with the intent to induce authorized agents of the [US] PTO to grant said registration.”² In response to the petitioner’s allegations, the respondent filed, inter alia, a motion to amend the registration to delete “stents” from the identification of goods.³ The petitioner objected to the proposed amendment claiming that the fraudulent statement tainted the entire registration and that curing the misstatement by merely deleting the goods would be of no consequence to the registrant.

The Board agreed with the petitioner. The Board, citing *Torres v. Cantine Torresella S.r.l.*, ruled that “a trademark applicant commits fraud in procuring a registration when it makes material representations of fact in its declaration which it knows or should know to be false or misleading.”⁴ Although the Board accepted the respondent’s explanation that the inclusion of “stents” in the statement of use was inadvertent, it rejected the argument that an amendment deleting the goods obviated any finding of fraud. The Board determined that the element of intent to deceive is not





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based on “the registrant’s subjective intent but rather... the objective manifestation of that intent.”⁵ The Board, in granting summary judgment to the petitioner, ruled that the inadvertence did not “undercut the conclusion that respondent knew or should have known that its statement of use was materially incorrect,” and that “[r]espondent’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.”⁶

Without the element of deceptive intent, or rather with intent to commit fraud inferred from the fact that an application, registration or supporting allegation of use contains (1) a false representation (2) of material fact (3) that registrant knew or should have known was false, finding fraud became an easy way to cancel registrations. Thus, it was not only advantageous for third parties to raise fraud as a claim or defense in a trademark dispute, it was expected.

In the line of cases that followed *Medinol*, the Board sustained oppositions and granted petitions to cancel registrations where at least one product or service for which the mark was not in use was listed in an application,⁷ where registrants misrepresented the goods in a statement of use,⁸ and where registrants falsely asserted claims of continued use in declarations of use.⁹ Once the moving party made a showing of material misrepresentation, a registrant was without recourse. The Board rejected amendments attempting to correct the misrepresentation and arguments that such amendments cured the fraud.¹⁰

With no foreseeable change in the law, trademark owners were forced to take precautionary measures to safeguard their registrations. Fraud audits (“fraudits”) emerged as a method of evaluating claims of use and bona fide intent of use. The approach taken by trademark practitioners conducting audits of trademark portfolios varied. Generally, trademark owners were advised to produce physical evidence (1) to demonstrate that the mark was in use in commerce on the products and services identified on the application or registration and (2) to support the dates of use claims. If the trademark owner could not produce the evidence to support ongoing bona

fide commercial use from as early as the dates asserted in the registration, counsel would determine if the misrepresentation could be cured by amendment or if it required the filing of a new application.

Whether or not one approves of the Board’s handling of *Medinol*, one can agree that it raised the consciousness of trademark owners and practitioners that prosecuting and maintaining trademark registrations required a more diligent assessment and accuracy in claiming use of the mark. That outcome benefits everyone.

In 2009, the United States Court of Appeals for the Federal Circuit (“the Court”) finally brought relief to trademark owners with a decision that essentially eviscerated the Board’s lenient standard for a finding of fraud in *Medinol*. In *In re Bose Corp.*, the Court reversed the Board’s holding that Bose committed fraud on the USPTO when it claimed use on all the goods in the registration in its combined declaration of continued use and renewal application (“Section 8/9 renewal”), even though Bose knew that it was no longer manufacturing or selling some of the goods.¹¹

The Court, in rejecting the *Medinol* standard for fraud relied upon by the Board, explained that “[b]y equating “should have known” of the falsity with a subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard.”¹² The Court reasoned that while subjective intent to deceive is difficult to prove it is nevertheless an indispensable element in the finding of fraud and though deceptive intent may be inferred by indirect and circumstantial evidence it must be clear and convincing.¹³ Thus, the Court held that “a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the [US] PTO.”¹⁴ The *In re Bose* decision has seemingly curtailed fraud attacks, or at least the cancellation of trademark registrations based on a claim of fraud. However *In re Bose* will not fully immunize trademark registrations from fraud attacks. Trademark owners should not dispense with preventive measures. Trademark counsel should be involved in evaluating use in commerce for statutory compliance during every stage of the registration and post-registration



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processes, as well as in assessing whether preliminary activities rise to the level of bona fide intent to use for intent-to-use applications.

Some relief from a court decision is not enough to replace a wise and prudent course of action that includes the diligent management of trademark portfolios, including fraudsuits, for the safeguarding of trademark registrations against any possible future attack.

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¹ 67 USPQ2d 1205 (TTAB 2003).

² *Medinol*, 67 USPQ2d at 1206.

³ *Id.* At 1207.

⁴ 808 F.2d 46, 1 USPQ2d 1483 (Fed. Cir. 1986); *Id.* at 1209.

⁵ *Medinol*, 67 USPQ2d at 1209.

⁶ *Id.* at 1210. (Emphasis added).

⁷ *Hurley International LLC v. Volta*, 82 USPQ2d 1339 (T.T.A.B. 2007); *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 USPQ2d 1917, 1927 (T.T.A.B. 2006).

⁸ *Standard Knitting*, 77 USPQ2d at 1927; *J.E.M. International, Inc. v. Happy Rompers Creation Corp.*, 74 USPQ2d 1526 (T.T.A.B. 2005)(not precedential).

⁹ *Jimlar Corp. v. Montrexpert S.P.A.*, Cancellation No. 92032471, slip. op. at 18 (T.T.A.B. June 4, 2004).

¹⁰ *J.E.M. International, Inc.*, 74 USPQ2d at 1530; *Jimlar*, Cancellation No. 92032471, slip. op. at 18.

¹¹ 580 F.3d 1240 (Fed. Cir. 2009)

¹² *In re Bose*, at 1244.

¹³ *Id.* at 1245.

¹⁴ *Id.* at 1245.