



Armatus

Technology & Intellectual Property Update



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Armatus is the Latin word for "armor." This newsletter addresses intellectual property issues and suggests ways to protect your intellectual property.

U.S. Trademark Fraud: Mitigating Strict Liability for False Statements of Use

Introduction

The emphasis on "use" as the basis for establishing trademark rights has long been a distinguishing characteristic of the U.S. system. Those filing in the U.S. are no doubt familiar with the two forms of a required declaration—"use" or "*bona fide* intent to use"—that must accompany every application, whether filed directly in the U.S. or relying upon foreign priority. Likewise, declarations of continued use are required to maintain applications in the U.S.

These statements are initially accepted without inquiry by the Trademark Office and may lie dormant for months or years. They face close scrutiny, however, if the application or registration ever becomes the subject of a dispute before the Trademark Trial & Appeal Board (TTAB).

In recent years, a strict liability regime with regard to the veracity of trademark use declarations has emerged from a series of harsh decisions rendered by the TTAB. Under this regime, material false statements of use, regardless of any actual intent to defraud, may result in cancelled registrations or refusals to register. As a result, allegations of "fraud" have become a stock tactic of trademark litigants before the Board.

This article reviews the use declarations required in the U.S., how the TTAB decisions have analyzed false declarations, and what practical

solutions exist for avoiding and correcting false statements.

Use & Intent Declarations Required for U.S. Applications & Registrations

Applicants filing directly in the U.S. may choose either a Section 1(a) "use" basis or a Section 1(b) "*bona fide* intent to use" basis for their initial application. However, prior to the issuance of the registration, the applicant must declare essentially all of the following: The applicant (i) presently is and has been using its mark in U.S. commerce (ii) as this mark appears in the application (iii) in connection with each and every good or service listed in the application (iv) at least as early as the date specified by the applicant.

Applicants relying upon foreign priority under Section 44 of the U.S. Trademark Act (Paris Convention) or

Section 66 (Madrid Protocol) must, at a minimum, declare their *bona fide* intent to use the mark in the U.S. Section 44 applicants may optionally include Section 1(a) or 1(b) bases, and if so doing, must also comply with the declaration requirements of these provisions.

Although the term "*bona fide*" is not defined within the Act itself, the legislative history of

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the Trademark Law Revision Act of 1988 (“TLRA”) reveals that Congress intended the test of “bona fide” intent to be shown by “objective” evidence of “circumstances” showing “good faith.” In other words, some shred of evidence from the real world must exist that would lead one to believe that the trademark owner’s claim of intent is true.

The maintenance of all U.S. registrations require a declaration of use or excusable non-use under Section 8 of the U.S. Trademark Act. This declaration is required regardless of whether the registration was initially based upon foreign priority or use in the U.S. It must be filed between the fifth and sixth year anniversary of registration, between the ninth and 10th year anniversary, and every 10 years thereafter.

The Section 8 declaration may, at the option of the registrant, be combined with a declaration of “Incontestability” under Section 15, essentially stating that the owner, or its related company (i) has continuously used the mark in commerce on or in connection with the goods and/or services for five (5) consecutive years after the date of registration; (ii) is still using the mark in commerce on or in connection with the identified goods and/or services; (iii) there has been no final decision adverse to the owner’s claim of ownership of such mark for such goods and/or services, or to the owner’s right to register the same or to keep the same on the register; and (iv) there is no proceeding involving said rights pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts.

TTAB Precedent Upholding Charges of Fraud Due to False Declarations

In the landmark case of *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003), the registrant initially filed an intent to use application under Section 1(b) for use with essentially two goods: catheters and stents. After the application was allowed by the PTO, the registrant filed a statement of use for both goods despite the fact that it was only using the mark with catheters. A registration issued listing both goods, setting the stage for a third-party challenge on the basis of fraud.

In the cancellation proceeding that followed, the Board focused its fraud inquiry upon the objective manifestations of intent and gave little or no weight to the registrant’s *post hoc* explanations of its subjective intent when it filed its false statement. Finding that the registrant “knew or should have known” that it was not using the mark on all of the goods, especially because there were only two, the Board rejected the excuse that the inclusion of the non-used good was “apparently overlooked.”

Furthermore, the Board refused to allow the registrant to amend the registration to correct the error noting that the amendment would not cure the original fraud.

Since *Medinol*, the TTAB has extended its doctrine through a series of decisions to create what commentators have correctly described as a strict liability regime. For example, in *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 USPQ2d 1917 (TTAB 2006), the Board examined a false statement of use in a registration that involved not just two goods, as in *Medinol*, but rather a long list of items, at least some of which were not used with the mark. Despite the factual difference, the Board once again found that the trademark registrant was charged with the knowledge of its false statement and refused to hear excuses for the error.

Foreign and *pro se* filers are likewise held to the strict liability standard. In *Hurley Int’l LLC v. Volta*, Opposition No. 91158304 (January 23, 2007), two Australian musicians filed a use-based application under Section 1(a) to register their mark for various entertainment related services. When it was later proven that they had not used their registration in the U.S. for all of the services listed, the registrants filed a motion to amend their application to delete the Section 1(a) basis and to substitute a Section 44(e) basis, relying on their Australian registration for the mark. Once again, the Board was unsympathetic to the registrants’ excuses and found that they had an obligation to investigate thoroughly before signing the application.

Note: *Hurly* suggests in *dictum* that had the registrants corrected their error prior to the application being published for opposition in the Official Gazette, the registration may have been saved. However, this tactic has not yet been tested in a precedential case addressing the question directly.

In *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, Cancellation No. 92045172 (March 7, 2008), the Board cancelled four registrations on the basis that the registrant had not used its mark on all of the goods listed in any of the registrations. Although not before it, the Board went on to suggest in *dictum* that if fraud is proven with respect to a one class in a multi-class application, the other classes in that application might not also be cancelled. However, as with the *Hurly dictum*, the court’s opinion on this point is not binding in later decisions of the TTAB.

A final example of the TTAB case law demonstrates the alarming trajectory of the TTAB’s thinking on the question of fraud. *Intel Corp. v. Emeny*, Opposition No. 91123312 (May 15, 2007) [not precedential] appears to be the first case in which

the Board actually refused registration upon a finding that an applicant did not have a *bona fide* intention to use the mark on all of the goods listed in an application.

In this case, the applicant had filed multiple intent-to-use applications under Section 1(b), each listing a broad range of goods, allowed all but one application to go abandoned, and continued to file for extensions of time for the remaining application without ever developing or using the mark. On this basis, the Board held that the opposer had established a *prima facie* case of fraud and therefore shifted the burden to the applicant to come forward with evidence supporting its good faith intention to use the mark. When the applicant could produce no documentation of its plans to use the mark, the Board granted opposer's motion to refuse registration on the basis that the applicant had made a fraudulent statement when it filed its 1(b) application.

Practical Advice to Avoid and Mitigate the Risk of Cancellation Due to Fraud

1. Owners of global trademark portfolios should give special consideration to their filings in the U.S. Simply repeating a long list of goods or services from a non-U.S. registration without stopping to verify that there is at least a *bona fide* intention to use the mark with all of the listed goods in the U.S. could subject the registrant to charges of fraud.
2. Any declaration of use, whether made at the application or maintenance stages, re-

quires careful, good-by-good analysis prior to submission. Any goods not used should be struck from the registration. Section 8 filings for 66(a) and 44(e) registrations are especially susceptible to the errant inclusion of non-used goods and should therefore be given even greater attention.

3. Where possible, consider avoiding multi-class applications by filing multiple single class applications. In addition to other advantages, these separate filings help to insulate claims of fraud from cancelling unaffected classes. While the *Herbaceuticals dictum* suggests non-effected classes might be saved where fraud pertains to only one class, at the very least this is an issue subject to further court interpretation and is by no means a sure defense.
4. Similarly, while the *Hurly dictum* suggests that false statements of use in an application may be cured by amendment prior to publication, this is not a guaranteed winner. For important marks, it may be worthwhile to re-file the application in addition to making the amendment.
5. Re-filing should always be considered as one option to cure false statements of use on an existing registration or application. The relatively low cost of the filing may prevent the need to litigate the matter in the future.

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