

Avoiding fraud in the prosecution and maintenance of US trademarks

To avoid a finding of fraud in relation to a pending US trademark application or issued registration, it is vital to ensure that all statements made in support of the application or registration are true at the time they are made. However, this may be easier said than done

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A finding of fraud in connection with a pending US trademark application or an issued registration can have a devastating effect. Cancellation of a registration or a finding that a pending application is void *ab initio* is news that will never be well received by the business and marketing groups which have come to rely on the rights afforded by the registration, or which may be working to build equity in a mark that is the subject of a pending application. While trademark rights in the United States grow out of use (as opposed to merely registration), a company's investment in federal registration protection can often be a significant one – and one that should provide a significant return in the long run. Having some basic background with respect to the fraud issue can help trademark owners (and their counsel) to avoid serious headaches with respect to the validity of their US registrations.

Fraud generally

Fraud in connection with the prosecution of a US application or the maintenance of a registration traditionally arises when there is a false material statement knowingly made in furtherance of the application or

registration (eg, *Torres v Cantine Torresella Srl*, 808 F 2d 46 (Fed Cir 1986); *Medinol Ltd v Neuro Vasx, Inc*, 67 USPQ 2d 1205 (TTAB 2003)). Fortunately, fraud must be shown by clear and convincing evidence (*Smith Int'l, Inc v Olin Corp*, 209 USPQ 1033, 1044 (TTAB 1981)). Indeed, because of this, “a party making a fraud claim is under a heavy burden” (*Herbaceuticals, Inc v Xel Herbaceuticals, Inc*, 86 USPQ 2d 1572, 1576 (TTAB 2008)). Nonetheless, “proof of specific intent to commit fraud is not required” (*Bose Corp v Hexawave, Inc*, 88 USPQ 2d 1332, 1334 (TTAB 2007)), and ignorance or misunderstanding with respect to the requirements for filing and maintaining US trademarks will not exculpate an applicant or registrant whose acts have amounted to fraud (eg, see *Hurley Int'l, Inc v Volta*, 82 USPQ 2d 1339, 1345).

Fraud in prosecution

Fraud, when it arises, is arguably most common during prosecution of intent-to-use applications. In the United States, an applicant can file its application claiming a *bona fide* intention to use the mark on or in connection with the goods or services listed in the application. A *bona fide* intention is one that, as of the time of filing, is based on a good-faith intention eventually to use the mark in connection with the applied-for goods/services. The test is purposefully flexible and whether a *bona fide* intention exists at the time of filing is based on an objective view of the circumstances. However, “the mere assertion of an intent to use [a] mark without corroboration of any sort, whether documentary or otherwise, is not likely to provide credible evidence to establish a *bona fide* intent” (*LC Licensing v Berman*, 86 USPQ 2d 1883, 1892 (TTAB 2008)). Before an intent-to-use application matures to

registration, the applicant must also submit a “statement of use” attesting to the use of the mark on or in connection with all of the goods/services listed in the allowed application.

In an intent-to-use application, the opportunity for fraud can grow out of a listing of goods for which the applicant does not have the requisite *bona fide* intention to use the mark at the time of filing; or more frequently, will grow out of a statement of use attesting to use of the mark on all of the goods claimed in the application when in fact there is no use on certain of the goods. Thus, for example, where an allowed application includes two specific goods but the applicant has used the mark in connection with only one, the trademark owner which submits a statement of use alleging use of the mark in connection with “[t]hose goods/services identified in the Notice of Allowance” commits fraud (eg, see *Medinol, supra*; *Herbaceuticals, supra*). The position of the Trademark Trial and Appeal Board is that the corporate representative who signs the declaration on applicant’s behalf either knows or should know the goods in connection with which the mark is used. The appropriate inquiry is not into the applicant’s/registrant’s subjective intent, but rather into the objective manifestations of that intent (*Medinol*, at 1209). The fact that a fraudulent statement may be made inadvertently (eg, because the non-use of certain listed goods had been “overlooked”) is not persuasive. The signatory’s knowledge or “reckless disregard for the truth” is enough to find fraud.

Fraud can also occur with respect to use-based applications, as demonstrated recently in *DC Comics v Gotham City Networking, Inc*, Opposition No 91175853 (TTAB 28th September 2008). There, during prosecution, the claimed services were amended (by agreed-to examiner’s amendment), to recite services different from those originally applied for (and for which there was no use). In a subsequent opposition, it was argued that the applications should be declared void *ab initio* because the marks had not been used in connection with the services listed in the amended recitations. Despite the applicant’s denial of fraud – at most, the applicant argued, there had been an “immaterial”, “inadvertent mistake” made in “good faith” – the Board found fraud, concluding that in agreeing to the amendments, the applicant effectively made fraudulent statements regarding its use of the marks which were “material to issuance of [the] registration[s]”.

Foreign applicants seeking US registrations face the same issues as US-based applicants with respect to fraud. However, because foreign laws relating to application scope can be different from those in the United States (eg, with respect to the *bona fide* intention to use requirement), foreign applicants can almost inadvertently open their applications to a fraud claim. For example, a foreign applicant can apply to register a mark in the United States based on its home country application or registration. In either case, the foreign applicant must indicate its *bona fide* intention to use its mark in US commerce. The fraud potential arises from the fact that frequently foreign applications are filed for long lists of goods/services because the home country’s rules permit such filings. Frequently the foreign applicant is unaware that its allegation of a *bona fide* intention to use a mark in US commerce, if challenged, may be viewed as a fraudulent statement if the applicant cannot prove its *bona fide* intention with respect to each of the listed goods or services as of the application filing date. Thus, the foreign applicant, prior to filing a US application based on its home-country application or registration, should review the list of claimed goods/services to ensure that, if necessary, a *bona fide* intention to use the mark in the United States can be proven for each of the listed goods.

Fraud in connection with registration maintenance

Generally, the same principles apply to the trademark owner seeking to maintain its registration when filing either a Section 8 affidavit of continuing use or a renewal. The registrant (and, in particular, the person signing the affidavit on behalf of the registrant), in making its Section 8 or renewal filings, must investigate the veracity of the statements made in support thereof. If the Section 8 or renewal filing will attest to ongoing use of the mark on all of the goods listed in the certificate of registration, then reasonable steps must be taken to ensure that the mark is in fact in use on all of the listed goods. A statement attesting to use on all, when the mark is actually used only on some, can give rise to a finding of fraud (eg, see *Medinol*). If the registration lists goods or services that are no longer offered under the mark, the time to address this is in connection with the filing of the affidavit by amending the scope of the registration. Goods or services no longer offered should be deleted.

Carefully reviewing the goods covered by the registration is particularly important for foreign registrants whose US registrations are based on applications or registrations previously filed in their home country. As in these situations it is possible for a US registration to issue without the mark ever having been used in the United States, the filing of the affidavit of continuing use between the fifth and sixth year after the issuance of the registration may be the first time that the owner of such a registration has to confirm that its mark is in use in US commerce. If the registration at issue lists multiple goods, fraud can arise if the registrant files its Section 8 affidavit without making the necessary investigation as to which goods are actually being offered in the United States (eg, see *Sierra Sunrise Vineyards v Montelvin, SpA*, Cancellation No 92048154 (TTAB, 10th September 2008)). If use is not being made with respect to certain claimed goods, they should be deleted from the registration. Again, the time for making this inquiry is prior to the filing of the affidavit; once a representation of ongoing use is made and attested to, it is generally not possible to “correct” it later. The same holds true for renewals.

So what? Is fraud a big deal?

Unfortunately, where fraud is found the penalty is severe. Under *Medinol*, where “fraud [is shown] in the procurement of a registration, the entire resulting registration is void” (*Medinol*, at 1208). The Board’s reasoning in *Medinol* has been carried forward to other cases, including *DC Comics*, where the Board declared the published/opposed applications void *ab initio*. Where an applicant or registrant makes a fraudulent statement that is relied upon by the Trademark Office, cancellation of the registration (or a finding that the application is void) is the appropriate remedy, because but for that misrepresentation, no registration would have issued or the application would not have been published. Also, importantly, it is clear from *Medinol* that a registration in connection with which a fraud finding has been made cannot be saved by the fact that the mark was actually in use with some of the goods covered by the application (see the discussion below, however, with respect to multi-class applications and registrations). Indeed, if this were the case, applicants would have little incentive to tell the truth because misstatements could be corrected merely by deleting the non-used goods. Registrations

for which fraudulent statements have been made in connection Section 8 affidavits or renewals face the same fate.

Can potential fraud issues be fixed?

Generally, once fraud has been asserted (eg, in an *inter partes* proceeding), it is not possible for a trademark owner to go back and undo an allegedly fraudulent statement material to a decision of the Trademark Office. However, prior to such time, there are steps that can minimise the potential that a fraud allegation will be successful.

Pending intent-to-use applications can, of course, be amended during prosecution to clarify or narrow the originally claimed goods. The Trademark Office will generally not question an applicant’s *bona fides* with respect to the goods listed in its application; such a challenge will typically come later. As such, while an application can be held void where an applicant is later shown not to have had a *bona fide* intent for certain goods as of the application filing date (eg, *LC Licensing, supra*), it may be difficult to establish that goods removed from an intent-to-use application by way of an amendment during prosecution (prior to publication) were goods for which there existed no good-faith intention at the time of filing. Nevertheless, applicants filing intent-to-use applications should take steps to ensure that the goods listed in the application, when filed, are goods for which their *bona fides* can be established. Such substantiation should be maintained for subsequent use, if necessary.

Where the question of fraud arises in connection with use-based applications (eg, where a use-based application alleges use of a mark on certain goods for which there is, in fact, no use), case law suggests that the application can be saved provided that an amendment to delete the goods (or, where possible, to amend the filing basis for such goods) is made prior to the time the application is published for opposition (and, of course, prior to any allegation of fraud) (eg, see *University Games Corp v 20Q.net, Inc*, 87 USPQ 2d 1465, 1468 (TTAB 2008) (amendment to application during *ex parte* examination was enough to create a rebuttable presumption that there was no willful intent to deceive the Trademark Office); see also *Universal Overall Co v Stonecutter Mills Corp*, 154 USPQ 104 (CCPA 1967)).

With respect to multi-class registrations, fraud as to one class does not carry over to the other classes. Thus, affirmatively amending the registration to delete the class to which the fraud applies

can save the balance of the registration. As explained in the recent *G&W Labs* decision, a multi-class registration is analogous to a series of single-class registrations (or applications). A fraud finding in connection with one registration will not, in and of itself, taint other registrations. Thus, in *G&W*, the Board pointed out that carrying a fraud finding over from one class of a multi-class registration to another would be similarly inappropriate and would effectively penalise applicants which take advantage of the rules that permit multi-class filings (*G&W Laboratories, Inc v GW Pharma Ltd*, Opposition No 91169571 (TTAB 29th January 2009)).

What can be done to avoid fraud?

The simplest answer to this question is to ensure that all statements made in support of an application or registration are true at the time they are made. This, of course, is easier in theory than in practice, because although it is arguably rare that an intentionally fraudulent statement is made, it is frequently the case that statements are made without thorough knowledge of the underlying relevant facts. Thus, it is

imperative that the in-house counsel or representative who signs the affidavit on behalf of the company actually be familiar with the goods in connection with which the mark is actually (or will be) used in the United States. In this regard, it is important to recognise before signing the application that the list of goods/services contained in the original application (or registration) may not be the same as those on which the mark is presently used. The signatory is expected to have made this investigation, and arguing that he or she did not realise that the mark was not used on certain covered goods or services, or assumed that the mark was in use, will be to no avail. Similarly, educating the business and marketing teams that are driving the product naming and consumer communications functions with respect to a company's brands is important. An education programme explaining the trademarking process and the representations that need to be made therein can often help those in business and marketing roles to recognise the potential pitfalls that can arise in connection with the application or maintenance processes. **iam**



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