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**Ethics in Trademark Application Prosecution:  
Alleging “Fraud in the PTO” After *In re Bose***

**Christina D. Frangiosa  
Panitch Schwarze Belisario & Nadel, LLP  
One Commerce Square  
2005 Market Street  
Philadelphia, PA 19103**

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Trademark owners filing for federal registration of their trademarks are required to submit declarations under penalty of perjury that the facts alleged in their applications are true. 15 U.S.C. § 1051. Specifically, applicants must verify: 1) the truth of the facts relied upon in the application; 2) either a bona fide intent to use the mark in commerce, or a date of first use in commerce on all of the goods or services identified in the application; and 3) ownership of the mark and verification that upon information and belief (unless filed under concurrent use provisions), no one else is entitled to use the mark in commerce. *See id.* § 1051(a)(3); 37 C.F.R. § 2.20. This declaration cannot be made in reliance on someone else’s knowledge of the facts, but instead must be based upon the signer’s personal knowledge. Trademark Manual of Examining Procedure (“TMEP”) § 804.02.

Failure to ensure that the declaration is verifiable can result in the U.S. Patent and Trademark Office’s (“USPTO”) refusal to register the trademark or service mark, or in the cancellation of an existing registration under certain circumstances. As a result, applicants and registrants filing maintenance documents should confirm the accuracy of the statements made in their filings, and conduct a reasonable investigation to ensure that their personal knowledge is sufficient to form the basis of the declaration.

This article will examine situations in which declarations were rejected as a result of evidence submitted during prosecution of an application (including through examinations, or opposition or cancellation proceedings) that the declarations were inaccurate in some way. Many of these cases were decided based upon the Trademark Trial and Appeal Board’s (“TTAB”) “fraud on the PTO” line of cases following the *Medinol* decision in 2003. *See Medinol Ltd. v. Neuro Vasx, Inc.*, Cancellation No. 92040535, 67 USPQ2d 1205 (TTAB May 13, 2003), overruled by *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

Next, this article will address the new standard for alleging fraud set forth by Federal Circuit in *In re Bose*, and discuss additional cases decided in the post-*Bose* world that rely on the new knowledge-based standard. Finally, this article will consider the potential impact of this revised doctrine on trademark application prosecution practices, and make some recommendations about areas in which practitioners should exercise caution to avoid creating ethical issues or conflicts.

#### **I. Prior Fraud Standard Articulated in *Medinol v. Neuro Vasx, Inc.*: “Knew or Should Have Known” (TTAB 2003)**

In 2003, the TTAB issued its precedential opinion that a registration could be cancelled based on fraud where the registrant did not use the mark in connection with each of the goods identified in the registration but failed to delete those goods from the registration in maintenance filings. *Medinol Ltd. v. Neuro Vasx, Inc.*, Cancellation No. 92040535, 67 USPQ2d 1205 (TTAB May 13, 2003). Ruling on Petitioner’s (Medinol) summary judgment motion, the TTAB concluded that the Registrant (Neuro Vasx, Inc.) committed fraud when it alleged actual use as to “medical devices, namely, neurological stents and catheters” in its Statement of Use, when it

“knew or should have known”<sup>1</sup> that it was not using its trademark in connection with stents. *Id.* at 1209-10. Neuro Vasx conceded that it did not use the mark in connection with stents, and requested partial cancellation of its registration by deleting the term “stents” from the description of goods. It explained that it “apparently overlooked” the fact that it had included “stents” in its Statement of Use and denied Medinol’s allegation that including “stents” in the description was the result of any fraudulent intent.

The TTAB was unpersuaded. Although the TTAB acknowledged that Neuro Vasx denied any fraudulent intent, it observed that, “[t]he appropriate inquiry is ... not into the registrant’s subjective intent, but rather into the objective manifestations of that intent.” *Id.* The TTAB found it significant that Neuro Vasx signed its Statement of Use under penalty of perjury, including “fine or imprisonment, or both, ... and [knowing] that such willful false statements may jeopardize the validity of the application or any resulting registration.” *Id.*

On this basis, the TTAB admonished that “[s]tatements made with such degree of solemnity clearly are – or should be – investigated thoroughly prior to signature and submission to the USPTO.” *Id.* Accordingly, Neuro Vasx’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.” *Id.* at 1210. Finally, the TTAB explained that no disputed issues of fact had been raised, and granted summary judgment in favor of Medinol on the issue of fraud.<sup>2</sup>

## II. Application of Medinol Doctrine

Since 2003, numerous cases before the TTAB have been decided in which applicants and registrants fell prey to incomplete due diligence, misunderstandings, and even carelessness with respect to filings containing false statements – resulting in the refusal of their applications or the cancellation of their existing registrations.

Following *Medinol*, the TTAB rejected the following defenses to an allegation of fraud on the USPTO, based on the lesser standard that the filer “knew or should have known that declaration was false”:

### Failing to Account for ALL of the Goods/Services in the Registration

- Failing to understand the USPTO’s requirement that the registrant must demonstrate actual use of the mark on all of the identified goods (*Sierra Sunrise Vineyards v. Montelvini S.p.A.*, Cancellation No. 92048154 (TTAB Sept. 10, 2008) [not precedential])

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<sup>1</sup> This “knew or should have known” standard is what has been overruled by the *Bose* case. The current standard for finding fraud on the USPTO requires proof by clear and convincing evidence that the registrant had an affirmative “intent to defraud” the USPTO when it submitted its filing. *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

<sup>2</sup> In a subsequent decision, the TTAB granted Medinol’s motion for summary judgment on standing grounds, noting that Neuro Vasx had not filed any response and thus deemed the motion to be conceded. *Medinol Ltd. v. Neuro Vasx, Inc.*, Cancellation No. 92040535, slip op. (TTAB Aug. 9, 2003). The TTAB ordered that the registration of Neuro Vasx’s mark be cancelled in due course. *Id.*

- Asserting that the meaning of the phrase “all goods and/or services” in the body of the Statement of Use means something different from the phrase “the goods/services” in the supporting declaration (*Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, Cancellation No. 92045172, 86 USPQ2d 1572 (TTAB Mar. 7, 2008) [precedential])<sup>3</sup>
- Arguing that the registrant was using its mark in connection with “goods” identified in the Statement of Use as opposed to “the goods” identified in the Statement of Use (*Nougat London Ltd. v. Garber*, Cancellation No. 92040460 (TTAB May 14, 2003) [not precedential])

**Misunderstanding English Language, American Culture or U.S. Trademark Law**

- Relying on suspected “cultural differences” regarding the relationship of wine to other alcoholic beverages (*Sierra Sunrise Vineyards*)
- Maintaining that particular goods or services were added only by Examiner’s Amendment and based on a misunderstanding of USPTO procedures (*Grand Canyon West Ranch, LLC v. Hualapai Tribe*, Opposition No. 91162008, 78 USPQ2d 1696 (TTAB Mar. 17, 2006) [precedential])
- Having an insufficient understanding of the English language and misunderstanding the requirements of the Trademark Act (*Hachette Filipacchi Presse v. Elle Belle, LLC*, Cancellation No. 92042991, 85 USPQ2d 1090 (TTAB Apr. 9, 2007) [precedential])
- Misunderstanding the requirements under the Trademark Act, though acting in good faith, and suffering poor health (collectively) (*Hurley Int’l LLC v. Volta*, Opposition No. 91158304, 82 USPQ2d 1339 (TTAB Jan. 23, 2007) [precedential])

**Failure to Conduct Independent Inquiry**

- Relying on the advice of counsel – both counsel and applicant have duties to inquire about the scope of use of the mark (*Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, Cancellation No. 92045172, 86 USPQ2d 1572 (TTAB Mar. 7, 2008) [precedential])
- Lacking counsel (*Tequila Cazadores, S.A. De C.V. v. Tequila Centinela S.A. De C.V.*, Opposition No. 91125436 (TTAB Feb. 24, 2004) [not precedential]); *Esprit IP Limited v. Mellbeck Ltd*, Opposition No. 91189412 (TTAB June 25, 2009) [not precedential] (holding that “[t]he fact that applicant is a foreign entity that is representing itself without previous experience in United States trademark procedure cannot avoid a finding of fraud”).

**Misunderstanding the Definition of “Use in Commerce”**

- Lacking a proper understanding of the phrase “use in commerce” (*Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, Opposition No. 91116242, 77 USPQ2d 1917 (TTAB Jan. 10, 2006) [precedential])

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<sup>3</sup> In response to a motion by Respondent Xel Pharmaceuticals, and in light of Petitioner’s failure to respond, the TTAB vacated its grant of partial summary judgment on the issue of fraud in the *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, case, finding that the claim had been dependent upon the now-overruled *Medinol* standard and upon Petitioner’s allegations based solely “upon information and belief.” *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, Cancellation No. 92045172, slip op. (TTAB Feb. 25, 2010).

- Relying on one-time giveaway of 25 product samples five years prior to filing the application as sufficient to demonstrate “use” in commerce (*Sinclair Oil Corp. v. Kendrick*, Opposition No. 91152940, 85 USPQ2d 1032 (TTAB June 6, 2007) [precedential])
- Mistakenly believing that the shipping of products for repair purposes constitutes “use in commerce” (*Bose Corp. v. Hexawave, Inc.*, Opposition No. 91157315, 88 USPQ2d 1332 (TTAB Nov. 6, 2007) [not precedential], *overruled by In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009))

#### **Misunderstanding the Significance of the Declaration**

- Failing to understand the legal significance of statements in a Section 8 Declaration (*Jimlar Corp. v. Montrexpert S.P.A.*, Cancellation No. 92032471 (TTAB June 4, 2004) [not precedential])
- Contending that Statements of Use are divisible into sworn and unsworn portions (*Herbaceuticals*)

#### **Some Mistakes Can be Remedied**

To some degree, the TTAB has limited the *Medinol* standard – even before the *Bose* case was decided. Specifically, in a few cases, the TTAB has permitted certain types of mistakes to be remedied, if the evidence demonstrated that the applicant/registrant took appropriate corrective action in advance of any dispute. For instance, the following attempts to correct applications or registrations containing misstatements have been accepted:

- Amending the description of goods/services to remove items based on non-use, if submitted prior to registration and in the absence of any allegation of fraud. The TTAB held that such a correction could moot a claim of fraud on the USPTO (*Grand Canyon West Ranch, LLC v. Hualapai Tribe*, Opposition No. 91162008, 78 USPQ2d 1696 (TTAB Mar. 17, 2006) [precedential])
- Correcting a false statement during *ex parte* prosecution. The TTAB held that this correction could create a rebuttable presumption that the Applicant did not have the requisite willful intent to deceive the USPTO (*University Games Corp. v. 20Q.net Inc.*, Opposition Nos. 91168142 and 91170668, 87 USPQ2d 1465 (TTAB May 2, 2008) [precedential])
- Seeking to amend (before any opposition or other validity claim was made) a registration to delete goods on which the mark was not being used. *Zanella Ltd. v. Nordstrom, Inc.*, Opposition No. 91177858 at 6-10 (TTAB May 13, 2009, previously issued on Oct. 23, 2008) [recharacterized as precedential]. While the TTAB cancelled one of the subject registrations citing the *Medinol* “knew or should have known”<sup>4</sup> standard because not all of the goods in the registration continued to be used in commerce, the TTAB also

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<sup>4</sup> In light of the Federal Circuit’s holding in the *Bose* case that an affirmative “intent to deceive” must be shown by clear and convincing evidence to support a fraud allegation, the *Zanella* court’s reliance on the overruled *Medinol* “knew or should have known” standard with respect to the first cancelled registration could be called into question. See *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009).

concluded that “opposer’s [Zanella’s] timely proactive corrective action with respect to these [remaining four] registrations raises a genuine issue of material fact regarding whether opposer had the intent to commit fraud.” *Id.* at 9. The TTAB concluded that this proactivity created a “rebuttable presumption that opposer did not intend to deceive the Office.” *Id.* at 10.

### III. **The New Fraud Standard Set by *In re Bose* (Fed. Cir. 2009): “Intent to Deceive”**

At the same time that the line of cases following *Medinol* were being litigated, the TTAB issued a non-precedential opinion canceling Bose Corporation’s registration in its mark WAVE in connection with “radios, clock radios, audio tape recorders and players, portable radio and cassette recorder combinations, compact stereo systems and portable compact disc players.” *See Bose Corp. v. Hexawave, Inc.*, Opposition No. 91157315, 88 U.S.P.Q.2d 1332 (TTAB Nov. 6, 2007).

The TTAB found that Bose had submitted a false sworn affidavit of continued use in support of the renewal of its Registration and also concluded that cancellation of this registration was appropriate because Bose “should have known” that the affidavit was false with respect to “audio tape recorders and players,” (on which Bose had not used the mark in connection with new products in many years) by submitting it, thereby attempted to defraud the Trademark Office. The Board recognized that the mark continued to be used in connection with the remaining goods covered by the Registration and only focused on the affidavit with respect to these few goods. *See id.*

Bose appealed, and ultimately succeeded in overturning the *Medinol* “knew or should have known” standard. *In re Bose Corp.*, 580 F.3d 1240 (Fed. Cir. 2009). Specifically, on August 31, 2009, the U.S. Court of Appeals for the Federal Circuit reversed the TTAB’s cancellation of Bose’s federal trademark registration for its mark WAVE based on fraud. *Id.*

In reversing the TTAB’s decision, the Court held that the TTAB erred when it relied on a lesser standard to prove fraud in obtaining or maintaining a trademark registration as set forth in the *Medinol* decision and when it cancelled the Registration for this mark in its entirety. The Court remanded the case for further proceedings to narrow Bose’s registration to “reflect commercial reality,” presumably to remove the goods on which the mark is no longer used in interstate commerce (specifically “audio tape recorders and players”). *Bose*, 580 F.3d at 1247.

#### A. **Bose’s Articulation of Current Fraud Standard**

In its opinion, the Court of Appeals for the Federal Circuit articulated the new standard to support the cancellation of a registration based on the claim that the “registration was obtained [or maintained] fraudulently” (15 U.S.C. § 1064(3)), requiring that the court find that the applicant “knowingly [made] false, material misrepresentations of fact in connection with his application.” *Bose*, 580 F.3d at 1243 (quoting *Torres v. Cantine Torresella, S.r.l.*, 808 F.2d 46, 48 (Fed. Cir. 1986)). The Court confirmed that a “heavy burden of proof” is required and that the party seeking cancellation has to prove the allegation of fraud “to the hilt” through clear and convincing evidence. *Id.* (“There is no room for speculation, inference or surmise and, obviously, any doubt must be resolved against the charging party.”).

The Court focused on the TTAB's conclusion that Bose "should have known" that its renewal affidavit was false and held that the TTAB's prior opinion in the *Medinol* case changing the standard from "knew" to "should have known" (on which the TTAB relied here) improperly reduced the standard to commit fraud to that of ordinary negligence. *Id.* In addition, finding that an applicant's conduct constituted "mere negligence" or even "gross negligence" would be insufficient to meet the proof requirement for fraud. Instead, a subjective "intent to deceive" is an indispensable element of the claim. *Id.* at 1244.

In sum, "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 PTO." *Id.* at 1245 (emphasis added). Fraud does not exist when false statements are "occasioned by an honest misunderstanding or inadvertence without a willful intent to deceive." *Id.* at 1246 (citations omitted).

Applying the correct standard for finding fraud, the Court determined that Bose lacked the "intent to deceive" and credited the testimony of Bose's general counsel that he believed that repairing previously-sold tape players and shipping them back to consumers constituted "use in commerce" sufficient to support the renewal when he signed the affidavit in 2001. *Id.* While the Court declined to address the issue of whether this belief was "reasonable," the Court noted that there was no precedent for finding repair/return activity insufficient to prove use of the mark in commerce. *Id.* at 1246 n.2. As a result, by submitting the affidavit as he did, Bose's general counsel had not ignored prior legal precedent.

#### **B. Rejecting Fraud Claims Based on the New *Bose* Standard**

Since August, the TTAB has had a few opportunities to apply the new fraud test, and has rejected several fraud claims as insufficiently pleaded under the new *Bose* standard. For instance, the TTAB recently held that allegations of fraud based solely on the Opposer's "information and belief" without a statement of the underlying facts upon which the belief is based, without an allegation of applicant's "intent to deceive," and in reliance upon the "knew or should have known standard" were insufficient to meet the more stringent test to demonstrate fraud on the USPTO set forth in the *Bose* case. *Ayush Herbs, Inc. v. Hindustan Lever Ltd Co.*, Opposition No. 91172885 at 13, 15 (TTAB Nov. 19, 2009) (denying the request to amend the answer to include a counterclaim for fraud).

Similarly, the TTAB rejected claims of fraud based on negligence in filing false declarations because such claims do not rise to the level of an affirmative intent to deceive. *See Asian & Western Classics B.V. v. Selkow*, Cancellation No. 92048821 (TTAB Oct. 22, 2009) (holding that intent is a mandatory element of the claim of fraud and finding insufficient those "[p]leadings of fraud which rest solely on allegations that the trademark applicant or registrant made material representations of fact in connection with its application or registration which it 'knew or should have known' to be false or misleading . . . because it implies mere negligence and negligence is not sufficient to infer fraud or dishonesty").

More recently, in *DaimlerChrysler Corp.*, the TTAB upheld the fraud claim as sufficiently pled, but concluded that summary judgment was inappropriate when a genuine issue remained about whether the applicant had the requisite intent to deceive the USPTO. *DaimlerChrysler Corp. v. Am. Motors Corp.*, Cancellation No. 92045099 (TTAB Jan. 14, 2010).

In its ruling, the TTAB issued several important clarifications about the practice of alleging fraud on the USPTO.

First, the TTAB confirmed that “intent to deceive” was an indispensable element of a claim of fraud on the USPTO, whether the claim related to the procurement of the registration or its maintenance. *Id.* at 5. As a result, the TTAB described the “preferred practice” of alleging fraud in a TTAB proceeding, noting that it was prudent to “specifically allege the adverse party’s intent to deceive the USPTO, so that there is no question that this indispensable element has been pled.” *Id.* at 6.

Second, the TTAB described the new fraud standard as “stricter than the standard for negligence and gross negligence,” and confirmed that submitting a filing to the USPTO with a reckless disregard for the truth may be sufficient to meet the “intent to deceive” test, but that the question remained open. *Id.* at 7 & n.5; *see also Enbridge, Inc. v. Excelerate Energy Limited Partnership*, Opposition No. 91170364 (TTAB Oct 6, 2009) (“The standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, and evidence of deceptive intent must be clear and convincing.”).

Moreover, the TTAB clarified that while intent to deceive had to be affirmatively pled, it could be pled in general terms, either by direct evidence or “inferred from indirect or circumstantial evidence,” provided that the evidence submitted was clear and convincing. *DaimlerChrysler* at 7; *see also Kerzner Int’l Ltd v. Monarch Casino & Resort, Inc.*, No. 3:06-CV-232, 2009 U.S. Dist. LEXIS 116624 (D. Nev. Dec. 14, 2009) (“At most, the evidence in the record requires the conclusion that Kerzner’s representations to the USPTO may have been based on mistaken understandings of trademark law -- in other words, the statements may have been false, and perhaps Kerzner even should have known they were false. But there is no clear and convincing evidence that Kerzner knew that the statements were false. Under the high standard articulated in *In re Bose*, that is not enough.”).

Finally, while accepting the sufficiency of petitioner’s allegations, the TTAB acknowledged the omission of any evidence of intent to deceive and opined that “questions of intent are typically unsuited to resolution by summary judgment (or other pretrial motions).” *DaimlerChrysler*, slip op. at 11 (citing *Copelands’ Enter. Inc. v. CNV, Inc.*, 945 F.2d 1563 (Fed. Cir. 1991)).

### C. Certain Defenses May Have been Resurrected Post-Bose

As a result of the TTAB’s consistency in requiring that “intent to defraud” claims must be demonstrated by clear and convincing evidence), some of the justifications rejected by the TTAB in the post-*Medinol* line of cases may now be valid under the post-*Bose* standard, such as:

- Honest misunderstanding of the requirements of trademark law, particularly where the applicant is unrepresented by counsel (compare with *Sierra Sunrise Vineyards, Hachette Filipacchi Presse*, and *Hurley Int’l LLC*); and
- Relying on mistaken interpretations of the “use in commerce” requirement where there is no precedent on point to give guidance to the applicant (compare with *Bose*).

Despite the positive changes introduced by the *Bose* opinion, the courts would be unlikely to overlook efforts by an applicant to “game the system,” as applicants in *Herbaceuticals* and *Nougat* were reputed to do, by arguing that their declarations as to the use of their marks on “the goods/services” and “goods” did not mean “all” goods and services covered by the application. Undoubtedly, this conduct would remain inappropriate under the *Bose* standard, and could be used to support an inference of an intent to deceive the USPTO based on circumstantial evidence. See *Bose*, 580 F.3d at 1245 (“When drawing an inference of intent, ‘the involved conduct, viewed in light of all the evidence . . . must indicate sufficient culpability to require a finding of intent to deceive.’”).

#### IV. Conclusions

While the test for determining that an applicant’s or registrant’s conduct in filing an application or maintaining trademark registrations was fraudulent has become more stringent, applicants, registrants and their counsel still face some pitfalls in the process. Indeed, although certain amendments of an inaccurate filing may be accepted (provided that no challenge to the validity of the application or registration has yet been filed), it is clear that both the TTAB and the Federal Circuit discourage carelessness in preparing these filings.

Accordingly, applicants and registrants are strongly encouraged to do at least the following to avoid increasing the risk of claims or counterclaims of fraud on the USPTO, and thus, loss of a pending application or a particular registration:

- Conduct appropriate due diligence to ensure that the marks sought to be registered (or renewed) qualify as “in use” or validly subject to the “intent to use” process;
- Ensure that the intended signatory for the declaration has the appropriate level of personal knowledge to support the allegations of use or intent to use, exclusive right to use the mark and other averments of fact;
- Ensure that any licensees upon whose use the applicant/registrant will rely to maintain the registration properly use the mark in commerce and provide sufficient evidence to the applicant/registrant to support the maintenance filing; and
- Undertake proper due diligence before filing an Opposition or Cancellation proceeding to ensure that the trademark or service mark forming the basis of a challenge to another application or registration does not have any exposure to a counterclaim for fraud on the USPTO and thus at risk for cancellation during the pendency of the proceeding.

Note that undertaking these preparations cannot completely moot claims of fraud on the USPTO, but they lend support and reasonableness to a potential response that no “intent to deceive” can be demonstrated by clear and convincing evidence. Finally, this entire line of cases confirms that the USPTO, TTAB and Federal Circuit Court of Appeals have strong interests in ensuring that the trademark Register be kept current and accurate, and demonstrates a disfavor of carelessly filed and unreliable factual statements about the use or non-use of trademarks and services marks in active use in U.S. commerce.