

**ABSOLUTE ACCURACY REQUIRED:
THE TTAB'S *MEDINOL* STANDARD REQUIRES CANCELLATION OF
REGISTRATION WHERE THE DESCRIPTION IS ERRONEOUSLY BROAD**

Christina D. Frangiosa and Kristine C. Mehok
Montgomery, McCracken, Walker & Rhoads, LLP

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When an applicant seeks registration of its trademark or service mark with the U.S. Patent & Trademark Office (“USPTO”), the applicant must identify the goods or services, categorized into specific classes, on which it proposes to, or already does, use the mark in interstate commerce. Similarly, after registration issues, the applicant (now, Registrant) must demonstrate on a periodic basis that it continues to use the mark in commerce in connection with all of the goods or services included in its registration. 15 U.S.C. §§ 1051, 1058, 1059.

In 2003, the Trademark Trial and Appeal Board (“TTAB”) issued a precedential opinion clarifying the requirement that the mark must be used, and continue to be used, in connection with all of the goods or services at issue. *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003). Ruling on a summary judgment motion, the TTAB concluded that the Registrant in that case (Neuro Vasx, Inc.) had committed fraud in the procurement of its trademark registration when it listed “stents” on its Statement of Use, when it knew or should have known that it was not using its trademark in connection with stents. *Id.* at 1209-10.

Neuro Vasx, Inc. (“Neuro Vasx”) filed an intent-to-use application for registration of its trademark identifying the goods on which it intended to use the mark NEUROVASX as “medical devices, namely, neurological stents and catheters.” *Id.* at 1205. By the time Neuro Vasx filed its Statement of Use, it had used its mark on catheters, but not on stents. The mark was duly registered in the normal course. Medinol, Ltd. (“Medinol”) filed a Petition for Cancellation of Neuro Vasx’s registration, alleging that Neuro Vasx had not used its mark in connection with “stents” and argued that Neuro Vasx procured its registration through knowingly false or fraudulent statements.

Neuro Vasx, in its answer to the petition, conceded that the mark was not used 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 that it had any fraudulent intent. *Id.* at 1210. Neuro Vasx argued that partial cancellation was the appropriate remedy because, in its view, neither the law nor the evidence presented precluded it from amending its registration to accurately reflect the goods on which it was using its mark. Neuro Vasx requested that the Board enter summary judgment in its favor, thus confirming that the removal of the item was sufficient to avoid cancellation of its registration. Medinol, however, argued that Neuro Vasx’s proposed amendment would not cure the fraud alleged in the petition for cancellation because fraud in procuring a registration taints the entire registration.

The Board found the error on Neuro Vasx’s Statement of Use to be material: “There is no question that the statement of use would not have been accepted nor would registration have issued but for respondent’s misrepresentation, since the USPTO will not issue a registration covering goods upon which the mark has not been used.” *Id.* at 1208. The Board agreed with Medinol’s argument that the deletion of the goods upon which the mark has not yet been used would not remedy an alleged fraud upon the USPTO and concluded that proof of fraud justifies canceling the entire registration. *Id.* (observing that, if fraud is proven, “the entire resulting registration is void”).

The Board noted 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.” *Id.* at 1209. Although the Board acknowledged that Neuro Vasx denied any fraudulent intent, the Board 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 Board 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 Board observed 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, the Board concluded that “[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 Board noted that there were no disputed issues of fact and granted summary judgment in favor of Medinol on the issue of fraud. In a subsequent decision, the Board determined that Medinol had standing to bring the cancellation action and ordered that the registration of the mark NEUROVASX be cancelled.

This case has become a pivotal precedent in trademark application prosecution, and applicants need to be aware of the potential risk of cancellation or refusal that they face if they: 1) fail to use the mark in connection with all of the goods or services cited in the application; or 2) fail to remove specific goods or services on which they do not use the mark in question when filing any supplemental statement, including Statements of Use, Amendments to Allege Use or Declarations of Continued Use under Sections 8 or 9. Indeed, if an applicant is proceeding with an Intent to Use Application, it is good practice to wait to file a Statement of Use or Amendment to Allege Use until the applicant has used its mark in connection with each and every good or service included in the application. Applicants can request extensions of time to file these statements based on a *bona fide* intent to use in order to make full use of the mark as required before signing the declaration under penalty of perjury.

I. Post-Medinol TTAB Decisions Addressing Claims of Fraud on the USPTO

Since 2003, the TTAB has applied its *Medinol* decision and continues to reject various arguments in support of applicants’ or registrants’ claims that their registrations should not be rejected or cancelled if they have included a good or service in their description on which they have not used the mark in question. Specifically, some of the decisions of the TTAB on this point include the following:

- *Nougat London Ltd. v. Garber*, Cancellation No. 92040460 (TTAB May 14, 2003) [not precedential]: Nougat London Ltd. (“Nougat”) filed a Petition for Cancellation of the registration of the trademark NOUGAT for “men’s clothing , namely, suits sweaters, ties, underwear, jackets, coats and belts; women’s clothing, namely dresses, skirts, jackets, pants, t-shirts, sweatshirts, coats and sweaters; children’s clothing, namely, dresses, sweaters, coats, jackets and pajamas.” Nougat sought cancellation on grounds of fraud on the USPTO in that, *inter alia*, Garber failed to use her mark as she had alleged in her

Statement of Use. At the time she filed her Statement of Use, Garber's use of the mark was limited to a single sale of women's skirts. Garber argued that her Statement of Use was not fraudulent because she never said that the mark was being used on "the goods" identified in the Notice of Allowance; instead, she only claimed to be using the mark in commerce in connection with "goods" identified in the Notice of Allowance (*i.e.*, "one or more of the goods"). *Id.* at 6-7. The Board concluded that Garber "deliberately omitted the word 'the' in order to mislead the Office into believing that she had used her mark in commerce on all of the goods listed on the Notice of Allowance when in fact she had not." *Id.* at 10. Calling Garber's response mere "semantic games," the Board held that Garber's registration was fraudulently procured and granted Nougat's motion for summary judgment.

- *Tequila Cazadores, S.A. De C.V. v. Tequila Centinela S.A. De C.V.*, Opposition No. 91125436 (TTAB Feb. 24, 2004) [not precedential]: Tequila Centinela S.A. de C.V. ("Tequila Centinela") filed an application for registration of the mark CABRITO for a number of alcoholic beverages, including gin, wine, whiskey, vodka, and rum. Tequila Cazadores, S.A. De C.V., later joined by Bacardi & Co. as a party plaintiff, filed a Notice of Opposition, arguing that Tequila Centinela engaged in fraud in its trademark application because it never used its mark in connection with gin, wine, whiskey, vodka, or rum. Although Tequila Centinela admitted that it had not used its mark in connection with those goods, it asserted that it was not represented by legal counsel at the time the application was prepared and should therefore be permitted to amend the description to delete those goods.

In addition, during his deposition, the Chairman of the Board of Tequila Centinela explained that the original application identified the goods on which the company genuinely *intended* to use the mark as opposed to the goods on which it was *already using* the mark. The Chairman testified that as a result of the opposition process, he became aware of the requirement that a use-based application could only identify the goods on which the mark was already in use.

The Board held that Tequila Centinelas' lack of legal counsel and its alleged misunderstanding of the clear and unambiguous requirements for an application based on use in commerce did not negate the intent element of fraud. The Board also cautioned that applicants are "charged with knowing what [they are] signing and by signing with a 'reckless disregard for the truth' [applicants] commit[] fraud." *Id.* at 11. The Board further clarified that "proof of specific intent [to commit fraud] is not required, rather, fraud occurs when an applicant or registrant makes a false material representation that the applicant or registrant knew or should have known was false." *Id.* at 11 n.3 (citations omitted).

- *Orion Electric Co. Ltd. v. Orion Electric Co. Ltd.*, Opposition No. 91121807 (TTAB March 19, 2004) [not precedential]: Orion Electric Co., Ltd. ("Opposer") filed an opposition to the application of Orion Electric Co., Ltd. ("Applicant") to register the mark ORION for "display monitors, moniputers and related accessories." Opposer argued that Applicant failed to use its mark on all of the identified goods at the time it filed its use-based application. The application as originally filed contained a lengthy list of goods; before the mark was published for opposition and in connection with an

Examiner's Amendment, Applicant modified its description of goods, narrowing it to: "Display monitors, moniputers, and computer peripherals." Although the identification of goods contained three items, Applicant admitted that it had used the mark solely in connection with computer monitors. Applicant maintained that the retention of "moniputers" in the modified description was inadvertent and resulted from a miscommunication with Applicant's personnel, who were not native English-language speakers.

The Board concluded that Applicant is presumed to know what it was doing when it modified its description pre-publication and retained "moniputers." The Board noted that this was not a case where an applicant realized its mistake in including certain goods and inadvertently failed to delete a particular good because Applicant affirmatively re-listed "moniputers." Accordingly, the Board held that Applicant's misrepresentations constituted fraud and declared its application void *ab initio*, sustaining the opposition.

- *Hawaiian Moon, Inc. v. Rodney Doo*, Cancellation No. 92042101 (TTAB April 29, 2004) [not precedential]: Hawaiian Moon, Inc. ("Hawaiian Moon") filed a Petition for Cancellation of the registration owned by Rodney Doo ("Mr. Doo") for the mark HAWAIIAN MOON in connection with "clothing and sportswear, namely, shirts, shorts, skirts, dresses, caps, swimwear and sweatshirts." In response to Hawaiian Moon's motion for summary judgment, Mr. Doo merely relied on his attorney's arguments that he (Mr. Doo) did not have a copy of the application in front of him when he reviewed the Statement of Use and had assumed that the Statement of Use was accurate. The Board reasoned that Mr. Doo exercised reckless disregard for the truth by failing to consult the Application or Notice of Allowance, even in light of the warnings contained in the Statement of Use that a fine or imprisonment could be imposed for false statements. Accordingly, the Board held that Mr. Doo committed fraud in procuring his registration by filing a false Statement of Use and forwarded the registration to the Commissioner's Office for cancellation.
- *Jimlar Corp. v. Montrexpport S.P.A.*, Cancellation No. 92032471 (TTAB June 4, 2004): Jimlar Corporation ("Jimlar") filed a Petition for Cancellation of Montrexpport S.P.A.'s ("Montrexpport") registration for the mark MONTREX for "shoes, athletic footwear, sandals, boots and slippers." Jimlar argued that Montrexpport made a material misrepresentation in its combined declaration of continued use and incontestability under Sections 8 and 15 when it confirmed that the mark had been continually used in commerce on all listed products. Montrexpport maintained that Mr. Montresor, the President of Montrexpport and the person who signed the Section 8 declaration, did not know that the reference to athletic footwear and slippers was false and that he failed to understand the legal significance of the statements included in the declaration. Montrexpport attempted to distinguish *Medinol* on the grounds that this case involved the maintenance of a registration, as opposed to the procurement of a registration, and because the misrepresentation was made in good faith and without actual knowledge of its falsity. The Board found these distinctions to be immaterial. Accordingly, the Board concluded that Montrexpport's misrepresentations constituted fraud and granted Jimlar's Petition for Cancellation.

- *J.E.M. International Inc. v. Happy Rompers Creations Corp.*, Cancellation No. 92043073, 74 USPQ2d 1526 (TTAB Feb. 10, 2005) [not precedential]: J.E.M. International, Inc. (“J.E.M.”) filed a Petition for Cancellation of Happy Rompers Creations Corporation’s (“Happy Rompers”) registration of the IT’S A GIRL THING mark, in connection with approximately 150 named items of clothing. J.E.M. alleged that Happy Rompers engaged in fraud by failing to use its mark in connection with more than 100 of the goods identified in its application and Statement of Use. In response, Happy Rompers denied the allegations of fraud and filed a motion to amend its registration to delete a majority of the named goods.

In response to J.E.M.’s assertion of fraud, Happy Rompers maintained that it never intended to make misrepresentations to the USPTO, that its failure to amend its application to separate the goods upon which it was not using its mark was the result of “carelessness, not fraud,” and was “an administrative error and oversight” caused by a “lack of knowledge of Trademark Office procedures. *Id.* at 1529. Happy Rompers further argued that because it took corrective steps to amend its registration once it realized its mistake, its motion to amend its registration should be granted.

The Board noted that, although the listing of goods was quite lengthy, it was not complicated. Further, the Board observed that non-use in connection with such a large number of items must be given significance in light of the fact that the form requires a verification that the registrant was using its mark on “all” of the goods. Accordingly, the Board concluded that Happy Rompers engaged in fraud because it knew or should have known that its mark was not in use on over 100 of the listed items (approximately 2/3 of the goods described) and granted the Petition for Cancellation.

- *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, Opposition No. 91116242, 77 USPQ2d 1917 (TTAB Jan. 10, 2006): Standard Knitting, Ltd. (“Standard Knitting”) filed a Notice of Opposition to the registration of the mark TUNDRA for “automobiles and structural parts thereof.” Toyota Jidosha Kabushiki Kaisha (“Toyota”) then filed a counterclaim against Standard Knitting to cancel three of its registrations (for TUNDRA and TUNDRA SPORT) on the ground of fraud, alleging that Standard Knitting failed to use the marks on the all of the identified clothing in each of its three registrations, which included various items of men’s, women’s, and children’s clothing.

Based on the evidence presented, the Board found that the mark was not used, at a minimum, on most of the items of children’s clothing at the time that the underlying applications had been filed. In its defense, Standard Knitting argued that its false statement was an honest mistake, that it did not know or understand the meaning of “use in commerce,” and that it had a reasonable belief that its marks were being used in connection with the identified goods based on its inquiries. The Board observed that any mistake concerning the language in the application was not reasonable because the language in the application was clear and unambiguous.

Moreover, the Board discounted Standard Knitting’s declarant’s testimony that he did not understand the legal meaning of the term “use,” and had believed that “if the items of clothing were ever made or sold, even if the last sale took place 20 years ago, it would support a claim that the mark ‘is’ in use on the goods.” *Id.* at 1927. Indeed, the declarant conceded during a deposition that he properly understood the meaning of “use.”

The Board found that the declarant completely “disregarded the significance” of the declarations it signed, and did not merely misunderstand them. *Id.*

Finally, the Board explained that applicants are required to inquire about the affirmative use of the marks on various goods claimed in the application. Merely reviewing prior registrations, relying on an attorney’s representations of accuracy, and asking whether the goods were “made or sold” was insufficient. *Id.* at 1928. The Board further reasoned that “[a]llowing registrants to be careless in their statements of use would result in registrations improperly accorded legal presumptions in connection with goods on which the mark is not used.” *Id.* at 1928 n.14. Accordingly, the Board held that Standard Knitting committed fraud on the USPTO and cancelled the registrations at issue.

- *Bose Corp. v. Hexawave, Inc.*, Opposition No. 91157315, 88 USPQ2d 1332 (TTAB Nov. 6, 2007) [not precedential]: Bose Corporation (“Bose”) filed a Notice of Opposition against Hexawave’s application for registration of the mark HEXAWAVE claiming likelihood of confusion and fraud in that Hexawave included in its description certain goods on which it had not yet used the mark. Hexawave filed a counterclaim, asserting that Bose committed fraud when it filed its renewal for the mark WAVE under Sections 8 and 9 of the Trademark Act because Bose confirmed its continued use of the mark on audio tape recorders and players when it knew it no longer manufactured or sold those goods.

Bose acknowledged that it stopped manufacturing and selling audio tape recorders and players by early 1997; it argued, however, that it continued to provide repair services on its goods and transported the goods which it transported back to the new owners after performing the necessary repairs. Bose was unable to cite to any case law to support its position that “transporting” a previously-purchased product to its current owner constituted “use in commerce.”

The Board concluded that Bose’s transport of the goods in connection with repairing the goods was not a valid use and held that it was unreasonable for Bose to believe that it was. *Id.* at 1338. The Board thus held that Bose committed fraud by seeking to renew its registration for audio tape recorders and players in addition to the other products in this class for which its use had been continuous and cancelled the registration.

On June 11, 2008, Bose filed a Notice of Appeal to the Federal Circuit. After Hexawave indicated that it was not wish to participate in the appeal, the Director of the USPTO, on November 19, 2008, moved for leave to participate in the appeal and to revise the caption to “*In re Bose Corporation*” to reflect that the case would now be in the nature of an *ex parte* proceeding. On December 16, 2008, the Federal Circuit granted the motion and revised the caption. The USPTO is expected to use this case as a platform to reiterate and further defend its *Medinol* precedent.

- *Hachette Filipacchi Presse v. Elle Belle, LLC*, Cancellation No. 92042991, 85 USPQ2d 1090 (TTAB Apr. 9, 2007): In its Petition for Cancellation, Hachette Filipacchi Presse (“Hachette”) alleged that Elle Belle, LLC (“Elle Belle”) committed fraud in procuring registration for its mark ELLE BELLE in connection with clothing, because Elle Belle

knew that it was not using its mark in commerce in connection with a majority of the goods identified in the application.

The application covered numerous types of clothing for men, women, and children, even though Elle Belle later conceded that it only used the mark in connection with women's clothing. In response to the fraud claim, Elle Belle argued that its President, Parajmit Singh, did not understand English well and had difficulty communicating with his attorney. The attorney had not reviewed the draft application with Mr. Singh and as a result, Mr. Singh did not understand that the mark had to be used on all of the listed items before being claimed in a use-based application.

The Board, however, was unpersuaded and articulated that both Mr. Singh and his attorney shared a duty to ensure that the application was accurate and truthful. Notably, the Board highlighted the attorney's duty to ensure that he had properly understood his client and that the application was correct before obtaining the signed declaration. Thus, the Board concluded that Elle Belle engaged in fraud by misrepresenting the identification of goods on which it was using its mark at the time of the application and granted the petition for cancellation.

- *Sinclair Oil Corp. v. Kendrick*, Opposition No. 91152940, 85 USPQ2d 1032 (TTAB June 6, 2007): Sumatra Kendrick ("Kendrick") applied to register the mark STAACHI'S CO. for "retail store services featuring, bath products, gift products, [and] candy products." Sinclair Oil Corporation ("Sinclair") filed a Notice of Opposition on the basis of fraud and nonuse of the mark. Although Kendrick argued that she in fact was using her mark in commerce, she provided no specific details or evidence to support her contention and in separate discovery responses, conceded that she had no income connected to the mark, nor had she undertaken any marketing of services using the mark. *Id.* at 1036.

The Board concluded that it was not reasonable for Kendrick to believe that merely registering the name as a fictitious business name and engaging in a one-time giveaway of 25 product samples five years prior to applying for registration were sufficient to constitute "use in commerce." The Board thus sustained the opposition and refused registration because her "material representations regarding use of the mark were false and applicant knew or should have known such representations were false," thus justifying the finding of fraud. *Id.* at 1037.

- *Tri-Star Marketing, LLC v. Nino Franco Spumanti S.R.L.*, Cancellation No. 92043953, 84 USPQ2d 1912 (TTAB Aug. 28, 2007): Tri-Star Marketing, LLC ("Tri-Star") filed a Petition for Cancellation of the registration of the mark RUSTICO owned by Nino Franco Spumanti S.R.L. ("Spumanti"), which covered "wines and sparkling wines." Tri-Star asserted that Spumanti committed fraud because it only used the mark RUSTICO on "sparkling wine" and, thus, its statement that it was using its mark on "wines and sparkling wines" in both its underlying application and its Section 8 affidavit of continued use was fraudulent. The Board reasoned that Spumanti's identification of goods was not fraudulent because it used the mark in connection with the more specific product ("sparkling wine"), which was encompassed by the more general terminology ("wines"), and that this was not a case in which the registrant was using the mark in connection with "less than all of the goods." *Id.* at 1916.

- *Hurley Int'l LLC v. Volta*, Opposition No. 91158304, 82 USPQ2d 1339 (TTAB Jan. 23, 2007): Hurley International LLC (“Hurley”) filed a Notice of Opposition to the Voltas’ application to register THE SIGN as a service mark in connection with certain entertainment services. Hurley argued that the Voltas committed fraud by failing to use their mark in commerce in connection with all of the services recited in their application, including “[p]roduction of records; audio recording and production; production of television shows, plays; motion picture film production; production of video disks for others; production of video cassettes for others; radio entertainment production.” *Id.* at 1342. Hurley also contended that the Voltas have not used their mark anywhere in the world in connection with several of the identified services.

In response, the Voltas argued that they misunderstood the application requirements of the Trademark Act and honestly believed that their use in Australia of the mark was sufficient to establish use in the U.S., they were unrepresented by counsel, they acted in good faith, and that Mr. Volta was suffering from poor health, which distracted them from focusing on the details of the application. The Voltas also argued that *Medinol* did not apply since registration had not yet been granted in connection with their mark.

The Board rejected their attempt to distinguish *Medinol*, noting that the timing of the misrepresentation is immaterial. In a footnote, however, the Board discussed *Universal Overall Co. v. Stonecutter Mills Corp.*, 379 F.2d 983, 154 USPQ 104 (CCPA 1967), acknowledging that “a misstatement in an application as to the goods or services on which a mark has been used does not rise to the level of fraud where an applicant amends the application *prior to publication.*” *Id.* at 1344 n.5 (emphasis added). The Board explained that the Voltas were required to investigate the validity of their understanding of their use of the mark “before signing their application under certain penalties.” *Id.* at 1345. The Board held that the Voltas’ trademark application was void for fraud and refused registration.

- *Sierra Sunrise Vineyards v. Montelvini S.p.A.*, Cancellation No. 92048154 (TTAB Sept. 10, 2008) [not precedential]: Sierra Sunrise Vineyards filed a Petition for Cancellation of the Montelvini S.p.A.’s (“Montelvini”) trademark registration for the mark “MONTELVINI” for “wines, spirits and liqueurs.” Sierra Sunrise Vineyards argued that Montelvini, an Italian company, engaged in fraud when it filed its Section 8 Declaration to support its continued registration, incorrectly indicating that it continued to use its mark in connection with all of the goods, specifically liqueurs, when in fact it had never shipped or sold liqueurs bearing the mark in the U.S. Montelvini asserted that “there was a failure on the part of the Italians to appreciate the USPTO’s requirement to demonstrate specific actual use of the mark on each of the various goods contained within the larger class.” *Id.* at *11.

The Board, however, rejected this explanation and noted that Montelvini had an obligation to work with its attorneys to ensure that its statements before the USPTO were accurate. Montelvini also argued that language and cultural differences between the U.S. and Europe regarding the relationship of wine to other beverages contributed to the misunderstanding. The Board was not persuaded, simultaneously rejected Montelvini’s motion to amend its description of goods, and granted the petition.

- *Bass Pro Trademarks, LLC v. Sportsman’s Warehouse, Inc.*, Cancellation No. 92045000 (TTAB April 4, 2008) [precedential]: Bass Pro Trademarks, LLC (“Bass Pro”) filed a Petition for Cancellation of Sportsman’s Warehouse, Inc.’s (“Sportsman’s Warehouse”) registration for the mark SPORTSMAN’S WAREHOUSE on the basis of fraud, among other claims. Sportsman’s Warehouse had filed a use-based application to register its mark for “retail and wholesale stores featuring hunting supplies, fishing supplies, camping supplies, reloading supplies, outerwear clothing and footwear.” Bass Pro argued that Sportsman’s Warehouse never used the mark in connection with wholesale stores, as stated in its application. The Board rejected Bass Pro’s fraud claim because it believed two of Sportsman’s Warehouse’s witnesses who testified that the mark had been used in connection with some wholesale activities. For instance, one witness testified that smaller dealers would purchase items in bulk from Sportsman’s Warehouse to re-sell in their own stores. Based on this testimony, the Board concluded that Bass Pro could not prove its claim of fraud, and denied the petition.
- *Herbaceuticals, Inc. v. Xel Herbaceuticals, Inc.*, Cancellation No. 92045172, 86 USPQ2d 1572 (TTAB Mar. 7, 2008) [precedential]: Herbaceuticals, Inc. (“HCI”) filed a Petition for Cancellation of all six of Xel Herbaceuticals, Inc. (“Xel”) registrations for the mark XEL HERBACEUTICALS on the ground of fraud. The allegation was based on Xel’s failure to use its mark in connection with all of the food and cosmetic items listed in its Statements of Use. Xel attempted to argue that Statements of Use are divisible into sworn and unsworn portions. The Board, however, did not agree and noted that such treatment would encourage applicants to make misrepresentations without fear of any repercussions.

Xel also argued that the wording “all goods and/or services” in the body of the Statement of Use has a different meaning than the reference to “the goods/services” in the supporting declaration. The Board also rejected this argument and found that the two phrases were synonymous. In addition, the fact that the Statement of Use was signed by Xel’s attorney provided no defense; the Board reasoned that the attorney was obligated to inquire as to the use of the mark. *Id.* at 1578. The Board concluded that Xel engaged in fraud with regard to the filing of four of its trademark applications, and denied HCI’s motion for summary judgment as to the remaining two registrations, noting that issues of fact remained concerning them.

In dictum, the Board explained that “if fraud can be shown in the procurement of a registration, the registration is void in the international class or classes in which fraud based on nonuse has been committed.” *Id.* at 1577. This dictum suggests that fraud may eliminate an entire single class in a multiple-class registration. This case, however, only involved single class registrations.
- *Grand Canyon West Ranch, LLC v. Hualapai Tribe*, Opposition No. 91162008, 78 USPQ2d 1696 (TTAB Mar. 17, 2006) (First Case): The Hualapai Tribe applied to register the mark GRAND CANYON WEST in connection with a number of transportation-related services. During the prosecution of the application, the Examining Attorney found that the identification of services was indefinite and suggested an amendment to add the following language; “rail, tram” and “non-motorized vehicles featuring bicycles, and domestic animals.” The Hualapai Tribe agreed to this addition.

Thus, the identification of services, as published, listed the following: “airport services; air transportation services; arranging for recreational travel tours and providing related transportation of passengers by air, boat, raft, rail, tram, bus, motorized on-road and off-road vehicles, non-motorized vehicles featuring bicycles, and domestic animals.”

Grand Canyon West Ranch, LLC (“Grand Canyon West Ranch”) filed a Notice of Opposition to the Hualapai Tribe’s application, alleging among other things that the Hualapai Tribe did not use the mark on all of the identified services. Grand Canyon West Ranch, however, did not specifically allege fraud. In response, the Hualapai Tribe moved to amend its application to delete the services that were added through the Examiner’s Amendment. The Board granted the Hualapai Tribe’s motion.

Following this amendment, the services included the following: “airport services; air transportation services; arranging for recreational travel tours and providing related transportation of passengers by air, boat, raft, bus and motorized on-road and off-road vehicles.” The Board viewed the Tribe’s motion to amend as essentially an agreement to accept judgment with regard to those services. Accordingly, the Board held that, in the absence of a fraud claim, “as long as the mark was used on some of the identified goods or services as of the filing of the application, the application is not void in its entirety.” *Id.* at 1697.

Grand Canyon West Ranch, LLC v. Hualapai Tribe, Opposition No. 91162008, 88 USPQ2d 1501 (TTAB June 30, 2008) [precedential] (Second Case): Grand Canyon West Ranch subsequently amended its Notice of Opposition to include a claim of fraud, asserting that the Hualapai Tribe committed fraud when it had previously claimed use of its mark in connection with certain transportation-related services (the same services that had been deleted in the first action). The Hualapai Tribe argued that it added the services at issue in connection with an Examiner’s Amendment and based on a misunderstanding of USPTO procedures and requirements. The Board, however, was not persuaded and concluded that “applicant either knew or should have known that the statements regarding its services in the examiner’s statement were false.” *Id.* at 1509. Thus, the Board held that the Tribe committed fraud by including certain services in its revised identification of services when it knew or should have known that it had not used its mark in connection with those services. *Id.* at 1510. This decision has been appealed to the Federal Circuit.

- *University Games Corp. v. 20Q.net Inc.*, Opposition Nos. 91168142 and 91170668, 87 USPQ2d 1465 (TTAB May 2, 2008) [precedential]: 20Q.net, Inc. (“20Q.net”) filed an application to register the mark 20Q for the following goods and services: 1) “software for collecting data in the field of artificial intelligence;” 2) “entertainment services, namely, providing an on-line interactive question and answer computer game;” and 3) a stylized version of the mark 20Q for “hand-held unit playing electronic games software for collecting data in the field of artificial intelligence.” University Games Corporation (“University Games”) opposed registration of the mark on various grounds.

20Q.net counterclaimed for cancellation of University Games’ mark TWENTY QUESTIONS on the ground of fraud, arguing that at the time it filed its application, University Games fraudulently misrepresented that it had used its mark in commerce on “t-shirts and supporting promotional materials including videos and paper products.” The Board examined the history of University Game’s registration and observed that the

reference to t-shirts, paper products, and videos had been deleted during the *ex parte* prosecution of its mark.

University Games argued that its original inclusion of t-shirts and other promotional items in its application was not improper because it had distributed such materials at trade fairs. University Games further asserted that, because the goods were deleted prior to the approval of the mark for registration, this deletion negated the materiality element of a fraud claim. The Board held that the correction of a false statement during *ex parte* prosecution creates a rebuttable presumption that the applicant did not have the requisite willful intent to deceive the USPTO.

In a concurring/dissenting opinion, Judge Walsh reasoned that he would have granted summary judgment *sua sponte* to University Games because, in his view, the timely correction of an error “before registration and before any actual or threatened challenge to the application/registration” should completely defeat any fraud claim. *Id.* at 1469. He explained that a fraud claim should be precluded for the following two reasons: “(i) because the action effectively negated the intent required to establish fraud, if such an intent ever existed, and (ii) because the allegedly false statement, once deleted, was not material to the Office’s later approval of the application.” *Id.*

II. Treatment of *Medinol* by U.S. District Courts:

U.S. District Courts have also considered the *Medinol* line of TTAB cases in connection with counterclaims seeking cancellation of a plaintiff’s registration in trademark infringement cases. *Medinol* is not binding upon district courts, but provide guidance as to what the USPTO might support in an application.

For instance, the following cases discuss claims seeking cancellation based on fraud in the application process or post-registration:

- *Zobmondo Entertainment LLC v. Falls Media LLC*, 89 USPQ2d 1048 (C.D. Cal. Aug. 11, 2008): Zobmondo Entertainment LLC (“Zobmondo”) brought an action under Section 38 of the Lanham Act (15 U.S.C. § 1120) against Falls Media LLC for fraud on the USPTO in connection with its registration of the WOULD YOU RATHER mark. In their arguments, the parties focused upon the issue of fraudulent intent and the applicable legal standard, including *Medinol*. The Court noted that it did not have to address the issue of intent in this case in light of its finding that Zobmondo could not prove that it suffered damage. The Court explained that: “*Medinol* and its progeny were decided in cancellation proceedings, not in the context of section 38 damages claims, a distinction that the Court believes could be relevant here. The Court need not decide this issue, however. Whatever the appropriate standard of scienter under section 38, the Court finds Zobmondo’s proof of any injury or damages proximately caused by Falls Media’s alleged fraudulent registration to be entirely speculative.” *Id.* at 1053. Further, the court noted that no court in the Ninth Circuit has cited or relied upon *Medinol* since it was issued. *Id.*
- *Monster Daddy, LLC v. Monster Cable Prods.*, No. 6:06-293, 2007 WL 2199523 (D.S.C. July 27, 2007): Monster Daddy, LLC (“Monster Daddy”) filed a complaint seeking a declaratory judgment that 21 of its alleged marks did not cause a likelihood of confusion

with Monster Cable's trademarks. Monster Cable counterclaimed for cancellation of one of Monster Daddy's registrations on the ground that it was fraudulently obtained and moved for summary judgment on its counterclaim. More specifically, Monster Cable alleged that, although its registration contained over 225 separate goods and services, Monster Daddy failed to use its mark SEA MONSTERS in connection with over 85 goods and services. In addition, Monster Cable argued that Monster Daddy "submitted an intentionally altered photograph as a specimen of use." *Id.* at *1. Monster Cable argued that James Carter, the owner of Monster Daddy who was responsible for signing the Statement of Use, did not understand that he was attesting that the mark was being used on *all* goods in the application. Applying *Medinol*, the court noted that Mr. Carter's subjective intent was irrelevant. Accordingly, the court concluded that Monster Daddy engaged in fraud in procuring its trademark registration and granted Monster Cable's motion for summary judgment.

- *Urban Outfitters, Inc. v. BCBG Max Azria Group, Inc.*, No. 06-4003, 2007 WL 2463379 (E.D. Pa. Aug. 24, 2007): BCBG Max Azria Group, Inc. ("BCBG") brought a counterclaim against various Urban Outfitters divisions, including Free People ("Free People"), seeking cancellation of the FREE PEOPLE trademark registration on the basis of fraud. The underlying application identified the following goods: "clothing; namely, men's, women's and children's pants, shirts, jackets, and outerwear; namely, coats and jackets." BCBG argued that Free People never used the mark in connection with men's and children's clothing. In response, Free People contended that the original declaration and the Section 8 declaration for continued use were true when they were filed and that the signer of the declarations, Kenneth J. Kubacki, believed in good faith that the Free People clothing line included men's and children's clothing. Kubacki's belief was based on his attendance at board meetings, his own review of Free People catalogs, and the fact that his children wore Free People clothing. The court concluded that the evidence produced at trial showed that the mark had, in fact, been affixed to men's clothing. Moreover, the court also believed that Kubacki did not engage in fraud when he signed the declarations in light of the resources he consulted.

The court declined to apply *Medinol* to the facts at hand, noting three reasons as to why it was inapplicable here: 1) *Medinol* is not controlling law; 2) *Medinol* was decided in the context of a summary judgment motion; and 3) the respondent in *Medinol* had admitted that its "intent to use" statement was untrue, even though it denied that its intent was fraudulent.

- *Horizon Healthcare Services, Inc. v. Allied Nat., Inc.*, No. 03-4098 (JAG), 2006 WL 344277 (D.N.J. Feb. 14, 2006):¹ Horizon Healthcare Services alleged that Allied fraudulently procured its registration in the following manner: 1) by fraudulently broadening the scope of services; 2) by submitting a fraudulent specimen of use; 3) by failing to disclose Horizon Healthcare Services' superior rights to the mark; 4) by

¹ In this case, a fraud claim was not brought on the basis of an applicant/registrant failing to use its mark in connection with certain goods or services. Instead, although the court cites to *Medinol*, it applied a higher standard of proof for determining whether a party had fraudulent intent.

fraudulently representing that the mark would not be used in connection with life insurance; and 5) by fraudulently representing that the marketing services were “for others.” *Id.* at *8. Examining the evidence relating to fraudulent intent, the court concluded: “The undisputed evidence thus shows that Allied’s statement of use contained a statement known to be false by the President of Allied, who attested to its truth. Even with this determination, however, this Court cannot conclude that Ashley did so with the necessary fraudulent intent, that he made a ‘conscious effort to obtain for his business a registration to which he knew it was not entitled.’” *Id.* at *9 (citing *Metro Traffic Control v. Shadow Network*, 104 F.3d 336, 341 (Fed. Cir. 1997)).

III. Available Defenses to Cancellation Claim in the Wake of *Medinol*

Since its *Medinol* decision, the TTAB has confirmed that the following defenses to an allegation of fraud in connection with the cancellation of a trademark holder’s application/registration ***are invalid and insufficient*** to avoid cancellation:

- 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*)
- Relying on the advice of counsel – both counsel and applicant have duties to inquire about the scope of use of the mark (*Herbaceuticals*)
- Contending that Statements of Use are divisible into sworn and unsworn portions (*Herbaceuticals*)
- 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*)
- Maintaining that particular goods or services were added as part of an Examiner’s Amendment and based on a misunderstanding of USPTO procedures (*Grand Canyon West Ranch*)
- Misunderstanding the requirements under the Trademark Act (*Hachette*)
- Having an insufficient understanding of the English language (*Hachette*)
- Considering transportation for purposes of repair as “use” – which is insufficient for “use” in commerce (*Bose*)
- Misunderstanding the requirements under the Trademark Act, acting in good faith, and the poor health of Applicant were deemed (collectively) insufficient to avoid final refusal to register based on allegation of fraud (*Hurley*)
- Lacking a proper understanding of the phrase “use in commerce” (*Standard Knitting*)
- Relying on one-time giveaway of 25 product samples five years earlier as sufficient to demonstrate “use” in commerce (*Sinclair Oil*)
- Failing to understand the legal significance of statements in a Section 8 Declaration (*Jimlar*)

- Contending 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*)
- Lacking counsel and misunderstanding of requirements for use-based application (*Tequila Cazadores*)
- Contending that there are cultural differences regarding the relationship of wine to other alcoholic beverages (*Sierra Sunrise Vineyards*)

The following defenses have been *accepted* by the TTAB and have resulted in the dismissal of the Petition for Cancellation:

- Offering credible testimony that the mark at issue was actually being used in connection with the goods or services identified in the Statement of Use (*Bass Pro Trademarks*)
- 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 (*Grand Canyon West Ranch*).
- Correcting a false statement during *ex parte* prosecution, which creates a rebuttable presumption that the Applicant did not have the requisite willful intent to deceive the PTO (*University Games Corp.*)
- Using a mark in connection with a specific item/subset is sufficient to support an allegation of use in the larger category (*Tri-Star Marketing*)
- Amending an application prior to publication undermines an allegation of fraud (*Universal Overall Co. v. Stonecutter Mills Corp.*, 379 F.2d 983, 154 USPQ 104 (CCPA 1967))

IV. Conclusion

Given the frequency by which the USPTO rejects applications and/or cancels them based on allegations that an applicant had committed fraud in the application process by including goods or services in its description that it does not use, it is a good practice for trademark owners to assess continuously whether their marks are used consistently in commerce in the manner in which they are described in filings before the USPTO. With the *Medinol* line of cases, the USPTO has made it clear that simply filing renewals or confirming use of marks (in Statements of Use or Amendments to Allege Use) without inquiring as to the current status of the marks in connection with each good or service will not suffice to show good faith in the application process. When circumstances change, and marks are no longer used in connection with particular classes, goods or services, Applicants and Registrants should take affirmative steps to modify their descriptions of goods and services. The fact that the USPTO has sought to intervene in the *Bose* appeal to defend its *Medinol* standard suggests that the USPTO considers this area to be of prominent importance and that it will continue to develop this line of cases and rely on their underlying principles in prosecuting future trademark and service mark applications.