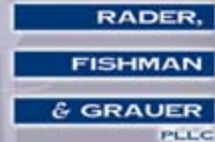




WEST MICHIGAN CORPORATE IP ROUNDTABLE



Fraud Claims Post-*Bose*

- Mary Margaret O'Donnell, Member RFG
Overview and Background
- David Herdman, Senior TM Counsel Kellogg
Current Trends and Practice Considerations

Overview of Fraud Before the TTAB

Why Fraud Matters (even in a *Post-Bose* World)

- Makes registration vulnerable to challenge
- May result in cancellation of registration, forcing party to rely on common law rights alone
- May be effective tool for counterattack

When Can Fraud Arise?

Any time there is sworn statement to PTO:

- Initial filing (application)
- Prosecution
- Amendment to Allege Use
- Statement of Use
- Section 8 Declaration (continued use)
- Section 15 Declaration (incontestability)
- Section 9 Renewal

If false, knowing, material and intent to deceive

Fraud: The Olden Days

- Fraud “disfavored” claim / defense
- Must be “proven to the hilt” with “clear and convincing evidence”
- Doubts resolved in favor of accused party
- Focus on subjective intent
- If no intent to deceive, no fraud

Enter (the now-overruled) *Medinol*

- *Medinol v. Neuro Vasx*, 67 USPQ2d 1205 (TTAB 2003)
- Move to strict liability standard
- Fraud if Applicant / Registrant “knew or should have known” statement was false
- Focus on objective manifestation of intent
- Entire registration cancelled where SOU filed for “catheters and stents” even though mark not used for stents

The Pendulum Starts to Swing Back

- • Strong reaction to harsh effects of *Medinol* in legal community, prevalence of fraud claims eventually led to softening of TTAB position
- Hint that fraud relating to one class may not result in cancellation of other classes: *Herbaceuticals v. Xel Herbaceuticals*, 86 USPQ2d 1572 (TTAB 2008)
- Confirmation in 2009: *G&W Laboratories v. GW Pharma*, 89 USPQ2d 1571 (TTAB 2009), proof of fraud as to a single class of a multi-class registration will not result in cancellation of the entire registration; only class at issue will be voided

The Federal Circuit Revisits the Olden Days

***In Re Bose*, 91 USPQ2d 1938 (Fed.Cir. 2009): a trademark is obtained fraudulently only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the PTO.**

- Applicant / Registrant makes false statement
- Must concern “material” issue (results in issuance/continuation of registration)
- Must be made knowingly
- Must be made with intent to deceive

In re Bose

- Bose did not commit fraud in renewing registration even though not in use for tape recorders and Bose knew it was not in use for such goods
- Bose's error went to what constituted "use"
- TTAB erred in canceling registration
- Only tape recorders /players should be deleted

In re Bose, continued

- Misunderstanding, inadvertence, negligent omission, and gross negligence not enough
- Party seeking cancellation on fraud bears “heavy burden of proof”
- Fraud must be “proven to the hilt” with clear and convincing evidence
- Standard for patent inequitable conduct cases applicable to trademark fraud cases

In re Bose, continued

- Direct evidence of subjective intent rarely available
- Intent can be inferred from indirect and circumstantial evidence
- Evidence must still be clear and convincing
- No fraud if “honest misunderstanding” or inadvertence without willful intent to deceive

In re Bose, Implications

- Fraud more difficult (but not impossible) to prove
- “Reckless disregard” may suffice
- Elevated pleading requirements
- If outcome is deletion of unused goods, more deadwood marks likely to remain on register

Pleading Requirements

- Elements to be alleged with particularity (FRCP 9(b))
- Insufficient to allege fraud “on information and belief” without something more (*Asian and Western v. Selkow*, 92 USPQ2d 1478 (TTAB Oct. 22, 2009))
- Intent should be pleaded

Pleading Requirements, *continued*

-*DaimlerChrysler v. American Motors*, 2010
LEXIS (TTAB Jan. 14, 2010):

-False statements made to induce PTO to issue
registration

-Registrant knew representations were false

-PTO relied on representations; would not have
issued registrations but for false representations

-Intent can be generally averred, but “preferred
practice” is to allege intent to deceive PTO

Is *Bose* a Welcome Change?

- For many practitioners, trademark owners, yes (breathing room, removes automatic harsh effects of *Medinol*)
- May make it more difficult to attack asserted registrations
- May result in increased deadwood on register
- Inequitable conduct in patent arena results in invalidation of patent; this is different in TM scenario, where common law rights continue; does it make sense to apply patent rules here?

Is *Bose* a Welcome Change? *continued*

- Is subjective intent to deceive now too difficult to prove?
- Is discovery now needed before fraud can be asserted? If so, how can 66(a) applications be challenged when the notice of opposition cannot be amended to add a ground?
- Does *Bose* encourage applicants and registrants to **refrain** from making an inquiry on use?
- Is it advisable to amend false statements?

How Can Issues (Still) Arise?

- Mistaken impression that maintenance is a “routine filing”
- Failure to read language of form
- Too easy to check boxes on electronic forms
- Listing of goods does not appear on electronic forms
- Failing to adequately answer Examiner inquiries (meaning, geography, etc.)

How Can Issues (Still) Arise? *continued*

- Only one specimen need be submitted per class, but mark must be in use for ALL goods/services
- Evolving use from initial filing to maintenance
- Lack of communication between business people and counsel between initial filing and maintenance

Fraud Examples

- False representation on use
 - Application based on use
 - Allegation of use
 - Declaration of use
 - Declaration of incontestability

Pre-Bose Fraud Examples, continued

-Submission of specimen no longer in use

Torres v. Cantine Torrecella, 808 F2d 46 (Fed. Cir. 1986): registrant was no longer using mark as registered and knowingly attempted to mislead PTO by submitting old label as specimen for renewal; registrant also falsely claimed use for all goods in specification

Pre-Bose Fraud Examples, continued

-False statement in affidavit of incontestability (Section 15)

Mister Leonard v. Jacques Leonard Couture, 23 USPQ2d 1064 (TTAB 1992): declaration signed by president who was unaware that mark was not in use on men's swimwear was not sufficient to excuse fraud, TTAB critical of failure to correct

Post-*Bose* Fraud Examples, *continued*

-Failure to identify geographic name not sufficient for fraud allegation where place is obscure or remote

Bell's Brewery v. Bell Hill Vineyards, 2009 TTAB LEXIS (Dec. 18, 2009)(no fraud where applicant did not disclose mark as name of road due to remoteness)

Can Fraud Be Cured?

- Misstatement may be corrected prior to publication
- Non-material issues may be corrected at any time and do not result in fraud (e.g., incorrect date of first use)
- Correction made before a registration is challenged creates rebuttable presumption that registrant did not intend to commit fraud
- Some commentators believe fraud meeting heightened standard post-*Bose* cannot be cured

When Is Behavior Fraudulent Enough?

Tougher post-*Bose*:

- Misunderstanding?
- Inadvertence?
- Negligent omission?
- Gross negligence?

May Be Enough:

- Reckless disregard?

How Can Fraud Be Proven in a Post-Bose World?

- Smoking Gun
- Indirect Evidence
- Circumstantial Evidence

Judge Michel Interview: “The law does not require a confession from the applicant...All that is needed is sufficient evidence so that a reasonable finder of fact could conclude that a person intended to cheat or deceive the USPTO into giving a registration that it would not have done if it was aware of the true facts.”

Practice Tips

- Take care in prosecution and maintenance
- Aim for broader, more general specifications
- Conduct evaluation of TM portfolio to identify applications/registrations at risk for fraud
- Conduct evaluations of acquired portfolios (prior maintenance, ownership issues, etc.)
- Review applications for issues and correct prior to publication
- Attempt corrections to any at-risk registrations (e.g., deletion of affected class of goods)

Practice Tips, *continued*

- Consider value of obtaining in-use verifications
- Refile any important at-risk registrations
- Verify that registration not vulnerable to attack prior to asserting registration against third party
- Keep heightened pleading requirements in mind when asserting fraud claim
- Consider focusing discovery on transactions between applicant/registrant and PTO
- Continue monitoring fraud cases for guidance



Questions? Comments?

Mary Margaret O'Donnell

David Herdman