

## IN FOCUS

# INTELLECTUAL PROPERTY

## TTAB has been canceling registrations for fraud

Focus of Trademark Trial and Appeal Board is overly broad claims.

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UNTIL RECENTLY, trademark applicants and registrants have not been subjected to serious fraud inquiries. But a recent spate of Trademark Trial and Appeal Board (TTAB) decisions indicates that change is afoot, and trademark applicants and registrants should beware. A finding of fraud by the board causes more than just embarrassment; it also results in cancellation of the registration.

Thus far, the TTAB's cancellations of fraudulent registrations have concerned overly broad use claims. In order to register a trademark, an applicant must certify that the mark is being used in commerce and submit a specimen showing such use. This can be done in a use-based application or in a statement of use after the U.S. Patent and Trademark Office (PTO) allows an intent-to-use application. Additionally, registrants must file § 8 affidavits six years after registration, and every 10 years when renewing the registration, confirming the continued use of the mark on the specific goods or services for which the mark is registered. Each of these documents includes an oath as to the accuracy of the filing and a dire warning against "willful false statements." The TTAB has recently given teeth to this oath by holding that overly broad use claims are "willful false statements," resulting in cancelled registrations.

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The TTAB's recent rulings mean that fraud claims have become a powerful potential defense in any inter parte proceeding before the TTAB, causing trademark owners to examine their own registrations carefully before initiating such proceedings. For example, an applicant whose application is being opposed may file a counterclaim, asserting that the opposer's registration was fraudulently obtained because the opposer's mark was not used in connection with all of the goods and/or services for which it is registered. (Fraud must be affirmatively alleged in a cancellation counterclaim, and the allegations must be specific. See *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d (BNA) 1696, 1697 (T.T.A.B. 2006).)

### TRADEMARK

## Recent rulings mean fraud claims may be powerful defense.

To constitute fraud on the PTO, a statement must be false, made knowingly and a material misrepresentation. *Standard Knitting Ltd. v. Toyota Jidosha K.K.*, 77 U.S.P.Q.2d (BNA) 1917, 1926 (T.T.A.B. 2006). "Fraud must be proven with clear and convincing evidence." *Id.* In TTAB fraud cases, the issues of falsity and material misrepresentation are rarely disputed. See, e.g., *id.* at 1926-27. Rather, the question of knowledge, or intent, takes center stage in TTAB fraud cases.

### Objective showing of intent

Trademark owners, of course, loudly dispute that they intended to commit fraud. Nevertheless, the TTAB routinely finds the requisite intent

whenever it determines that a mark has not been used on goods or services for which it was registered because the TTAB requires only the objective manifestation of intent, rather than proof of specific intent. (Similar fraud cases have yet to be brought in a federal court, so whether a federal court would apply the same standard remains an open question.) This requirement for objective manifestation of intent can be met by showing that a reasonable person would have known, or a reasonable inquiry would have revealed, that the mark was not used on all of the listed goods. See *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d (BNA) 1205, 1210 (T.T.A.B. 2003) ("Respondent'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").

Such a finding of intent to commit fraud is a death knell for the registration, notwithstanding the trademark owner's protestations of inadvertence, lack of knowledge or mistake, or the trademark owner's willingness to amend its registration to delete the extra goods and services. Several factors make false statements of use particularly fertile ground for finding such an objective manifestation of intent. (Although several of these factors concern the statement of use document itself, the board has drawn no distinctions between statements of use and declarations of continued use made after registration. See *Jimlar Corp. v. Montrexport S.P.A.*, 2004 T.T.A.B. Lexis 333, at \*22 (not citable as precedent).)

First, in all of the cases to date, the list of goods has been relatively simple and nontechnical in nature. For example, a short list of two or three items, or even a long list of simple items like clothing, does not pose comprehension challenges for the average person. The suggestion that the signatory did not understand the list of goods appears to exasperate the TTAB. See, e.g., *id.*

(the goods listed were not “highly technical” or “otherwise confusing”).

Second, the statement of use has very clear language: “[t]he owner is using the mark in commerce on or in connection with all goods and/or services listed in the application or Notice of Allowance.” If this is not correct, the form has a space where the applicant is to state what should be deleted from the application. Given the unambiguous wording—“all” and “is using” having straightforward and well understood meanings—the TTAB has demonstrated little patience with the argument that the signatory did not understand the statement of use. See, e.g., *Hurley Int’l LLC v. Volta*, Opposition No. 91158304 (T.T.A.B. Jan. 23, 2007) (“The fact that applicants allegedly misunderstood a clear and unambiguous requirement for an application based on use, were not represented by legal counsel, and were suffering health problems does not change our finding of fraud herein.”); *J.E.M. Int’l Inc. v. Happy Rompers Creations Corp.*, 74 U.S.P.Q.2d (BNA) 1526, 1530 (T.T.A.B. 2005) (not citable as precedent) (“Statement of Use form is not complicated, and the term ‘all’ has a commonly understood meaning”).

## Three factors allow TTAB to find showing of fraudulent intent.

Third, the oath accompanying the statement of use and the declaration of continued use is weighty: “The undersigned, being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both,... and that such willful false statements and the like may jeopardize the validity of this document, declares that...all statements made of his/her own knowledge are true and that all statements made on information and belief are believed to be true.” The TTAB often comments on the “solemnity” that should attend the signing of any document with such a warning, observing that “[s]tatements made with such degree of solemnity clearly are—or should be—investigated thoroughly prior to signature and submission.” *Medinol*, 67 U.S.P.Q.2d (BNA) at 1209.

### Duty to know what one signs

Similarly, the TTAB ascribes to signatories a duty to know what they are signing, easily dismissing arguments that signatories did not know what was covered by the statement of use because they did not have the application in front of them when they signed the statement of use. See *Tequila Cazadores S.A. de C.V. v. Tequila Centinela S.A. de C.V.*, 2004 T.T.A.B. Lexis 109, at \*12 (Feb. 24, 2004) (not citable as precedent); *Medinol*, 67 U.S.P.Q.2d (BNA) at 1210 (“the President/CEO who signed the document was clearly in a

position to know (or to inquire) as to the truth of the statements therein”). To sign a document that clearly warns of the consequences of false statements without personally inquiring into the accuracy of the statements made is, in the board’s view, a “reckless disregard for the truth.” See *Tequila Cazadores*, 2004 T.T.A.B. Lexis 109, at \*12; *Hawaiian Moon Inc. v. Rodney Doo*, 2004 T.T.A.B. Lexis 274, at \*11-\*12 (April 29, 2004) (not citable as precedent).

These three factors—the simplicity of the goods/services, the simplicity of the document’s statements and the dire warning regarding false statements—come together to allow the TTAB to find an objective manifestation of intent from the circumstances, because no reasonable or good-faith explanation justifies making a false statement when the facts are both straightforward and within the applicant’s or registrant’s control, and questions of law are virtually nonexistent. In the TTAB’s view, signing a false statement of use under such circumstances is either the product of intentional fraud or recklessness with respect to one’s duty to reasonably investigate the veracity of the statements made, and neither explanation suffices to avoid a finding of intent.

The TTAB’s recent fraud cases seem motivated by a desire to deter such behavior in the future, and by a frustration with the lack of respect being accorded the PTO when documents are signed with barely a cursory review. The PTO relies on the accuracy of such statements in determining the scope of rights that it initially grants. See *Tequila Cazadores*, 2004 T.T.A.B. Lexis 109, at \*13 n.3. It does not require a specimen to be submitted showing use of the mark on every good listed in the statement on use; rather, a specimen showing use on any good suffices to demonstrate use for all goods claimed in that class. *Id.* Moreover, the PTO relies on the accuracy of such statements in maintaining registrations after they are issued. For example, a trademark is deemed incontestable five years after registration when the registrant files a § 15 affidavit alleging continuous use of the mark. Once a mark is deemed incontestable, several bases for challenging the validity of the mark are extinguished. 15 U.S.C. 1065. Thus, the integrity of the trademark registration system depends on true statements by applicants and registrants. When the TTAB finds what it considers to be flagrant disrespect for the integrity of the system, it employs the harsh remedy of cancellation.

Although it has not yet done so, the TTAB could easily extend its jurisprudence to cancel overly broad registrations issued to foreign entities. Foreign entities may register their marks without claiming or showing use of them in the United States, but such registrations must contain a signed claim of a bona fide intent to use the mark in commerce. One can envision a day when the TTAB finds the requisite intent to commit fraud when it reviews a claim that an applicant had a bona fide intent to use its mark in connection with a ridiculously long list of disparate goods (such as

computer software and hardware, eyeglasses and fire extinguishing apparatus, all in Class 9).

### The ‘Maid to Order’ decision

On the other hand, the TTAB has indicated that there are some limits to its recent decisions. In *Maid to Order of Ohio Inc. v. Maid-to-Order Inc.*, 78 U.S.P.Q.2d (BNA) 1899 (2006), the TTAB considered whether the registrant had committed fraud in its statement of use by stating that its mark, “Maid to Order,” was used “in commerce,” i.e., in interstate commerce. The registrant was a cleaning business located in Chicago that had billed out-of-state clients for services performed in Chicago, and whose employees had on occasion crossed state lines to provide cleaning services under the “Maid to Order” mark. The evidence at summary judgment indicated that the registrant had believed at the time of registration (and continued to believe) that this level of contact with out-of-state entities or people constituted use of the mark in interstate commerce.

## When there is some ambiguity, TTAB might not find fraud.

Without making a finding with respect to whether the registrant’s mark was, in fact, being used in interstate commerce, the TTAB declined to find an intent to defraud the PTO, even assuming that the mark was not used in interstate commerce. The TTAB implicitly recognized the relatively sophisticated analysis required to determine whether an activity constitutes interstate commerce, and determined that the interstate contacts relied on by the registrant “serve to establish that [the signatory] had a good faith belief that [Maid-to-Order Inc.] had used/was using the mark MAID TO ORDER in interstate commerce.” *Id.* When a mark is clearly not in use in commerce—such as when the mark is not used at all in the United States—the analysis required is not nuanced and the TTAB will reject as unreasonable an applicant’s assertion of misunderstanding the meaning of “use in commerce.” *Hurley Int’l*, Opposition No. 91158304.

The *Maid to Order* case suggests that the TTAB is not ready to find fraud every time a trademark owner makes a misstatement, and that it might be more flexible if the trademark owner had good reason to be confused. **NLJ**