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Fraud in U.S. Trademark Applications: Let the Filer Beware

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Client Alert

When applying to register or renew a trademark in the U.S., how should you describe your goods and services? Should you try to "cover the waterfront" with a broad description, or is it better to submit a focused list? Unless you want to put your entire registration at risk, you'd be wise to do the latter.

The reason: The Trademark Office has toughened its stance toward U.S. trademark registrations that reach beyond the actual use of a mark. In the U.S., rights derive only from using a trademark with particular goods or services, and the law limits registration of the mark to the actual uses made. But the Trademark Office has no way to investigate how trademarks are used out in the marketplace. Instead, it is forced to rely on the claims made by trademark owners in their applications and other filings. To motivate trademark owners to supply accurate descriptions of their goods and services, the Trademark Office has begun to treat any error in those descriptions — intentional or not — as a "fraud." And the price of such fraud? The Trademark Office will deny an entire application or void an entire existing registration.

For most purposes, the law defines "fraud" as a *knowing* misrepresentation or concealment of a material fact. Before 2003, overstating the scope of goods or services covered by a trademark rarely led to a fraud proceeding before the Trademark Trial and Appeal Board ("TTAB") because trademark owners could always claim that their statements were not "knowingly" false. If, for example, a trademark owner had diligently used a mark for twenty or more goods for the first year, but then later neglected to use it for one good without realizing it had done so, it could claim that its statements were not "fraudulent."

But starting with the decision in *Medinol Ltd. v. Neuro Vasx, Inc.,* 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003), and perhaps drawing indirectly from the doctrine of "inequitable conduct" applied in patent-prosecution matters, the TTAB has developed a far more unforgiving definition of "fraud." In *Medinol*, Neuro Vasx filed an application based on its intent to use a trademark for two medical devices, "stents and catheters." It later used the mark only on catheters, but failed to delete stents when filing the statement of use required for a final registration. Not having any reason to doubt Neuro Vasx, the Trademark Office issued a registration covering both products. When Medinol sought to cancel the registration for fraud, Neuro Vasx professed innocence, shown in part by its effort to delete stents after discovering the error. To no avail: The TTAB canceled the entire registration, setting aside the issue of whether the applicant had any "specific intent" to mislead the Trademark Office. Rather, *Medinol* and later TTAB decisions have uniformly found fraud whenever an applicant has made any claim about its use of a mark that it "knew or **should have known** was false" (emphasis added).

What's more, the TTAB has concluded that a trademark owner should *always* know whether or not it has used the mark with each good or service it claims. *See*, *e.g.*, *J.E.M. Int'l v.*

Happy Rompers Creations Corp., 74 U.S.P.Q.2d 1526 (T.T.A.B. 2005) (not precedential); *Hawaiian Moon, Inc. v. Doo*, 2004 WL 1090666 (T.T.A.B. 2004) (not precedential). As the TTAB's logic goes, an applicant's false statement about facts that are uniquely within its control, knowing that the Trademark Office will rely on that statement in acting on the application, is a fraudulent attempt to secure the benefits of a trademark registration. To avoid committing "fraud" in this way, a trademark owner must verify its claim to each item included in a description of goods and services. And because owners are required to swear to their allegations of use, the TTAB affords no excuse for carelessness. As it reasoned in the *Medinol* case:

> [The applicant] signed its statement of use under penalty of "fine or imprisonment, or both, … and [knowing] that such willful false statements may jeopardize the validity of the application or any resulting registration…." Statements made with such degree of solemnity clearly are – or should be – investigated thoroughly prior to signature and submission to the [Trademark Office]. [The applicant] will not now be heard to deny that it did not read what it had signed.

The TTAB shows no signs of taking a softer approach to "fraud." It has repeatedly reaffirmed its position, including in three precedent-setting decisions from the TTAB in the first half of 2007 alone. *Sinclair Oil Corp. v. Sumatra Kendrick*, 2007 WL 1653584 (T.T.A.B. 2007); *Hachette Filipacchi Presse v. Elle Belle, LLC*, 2007 WL 1144946 (T.T.A.B. 2007); *Hurley Int'l LLC v. Volta*, 82 U.S.P.Q.2d 1339 (T.T.A.B. 2007). In fact, the TTAB has relied on *Medinol* in 17 proceedings in the past 18 months, compared to 13 in the period from 2003-2005. These numbers suggest an increasing willingness to void trademark registrations on the basis of imprecise or overreaching descriptions of goods and services.

The fraud rule applies whenever an applicant or registrant alleges use of a trademark, including in a new application based on existing use, in a statement of use submitted to finalize an application originally based on intent to use, or in any declaration of use required to maintain a existing registration. If the trademark is not being used with each and every good or service claimed by the owner, the application or eventual registration will remain forever vulnerable to invalidation. What's more, even an application based on the "intent to use," a trademark might be at risk if the applicant did not have a "*bona fide*" intent to use the mark with all the claimed goods and services. One might expect intent to be a question of the applicant's subjective state of mind and therefore difficult for the Trademark Office to treat as "fraudulent." But the TTAB recently held that an applicant's intent to use a trademark is measured by "objective evidence of circumstances showing good faith." *Intel Corp. v. Emeny*, Opposition 91123312 (T.T.A.B. May 15, 2007) (not precedential). In that case, the applicant had no documentation of its plans to use a mark, had submitted an "unreasonably broad listing of goods and services," and had submitted numerous other intent-to-use applications with broad specifications in recent years. All of these objective

facts tended to show that, despite the applicant's assertions about his subjective state of mind, he had no *bona fide* intent to use the mark. While the TTAB did not cite *Medinol* in this case, the logic of the decision closely tracks the "fraud" rule: The owner's claims about the uses of the mark — actual or intended — must be borne out by objective evidence, or else the Trademark Office will void the application or registration.

These rules may create a perfect storm for Madrid Protocol applicants seeking a U.S. registration. (The Madrid Protocol is an international agreement that makes it easier for trademark applicants to file in multiple jurisdictions. A Madrid application consists of one root filing that is then "extended" to any number of national trademark offices designated by the applicant.) Because use is not a prerequisite to registration in many other countries, applicants there often file lengthy descriptions of goods and services that are not as narrowly tailored to the actual or planned uses as would be necessary in the U.S. If a non-U.S. entity follows that practice in preparing a Madrid application, it may run into trouble when "extending" the application to the U.S. At that time, the applicant will have to allege that it has used or intends to use the mark in the U.S. with all the goods and services listed. If the list is overbroad (and the applicant fails to narrow it), the registration would be fraudulent in the eyes of the Trademark Office.

So what's a trademark owner to do in light of this uncompromising rule? All trademark owners should carefully monitor how they use their marks, or at least "investigate thoroughly" before filing any description of goods or services with the Trademark Office. For new applications, the safest course is to apply only for those goods and services that the owner is certain it has used or intends to use in connection with the proposed mark. Given the Trademark Office's aggressive stance, it is also wise to consider seeking separate registrations for different classes of goods and services. Keeping the classes segregated will minimize the damage from any error or misstatement that leads to the invalidation of an entire registration. Also, foreign applicants using the Madrid Protocol should consult with U.S. counsel in advance to ensure that the description of goods and services conforms to the Trademark Office's strict requirements.

Once a mark is registered, the owner should schedule periodic check-ups to confirm whether the mark continues to be used with all goods and services listed in the registration. When later filings are required, the applicant must ensure that its renewed allegations of use conform to the actual uses of the mark. Finally, if a trademark owner has doubts about the accuracy of information previously supplied to the Trademark Office about a particular mark, it may be worth abandoning an existing registration and re-filing with the correct facts.

If you have any questions about "fraud" in the Trademark Office or about good practices for monitoring trademark usage, please contact Gloria C. Phares at 212.336.2686 (gcphares@pbwt.com) or Daniel H. Hantman at 212.336.2044 (dhantman@pbwt.com).

If you would like more information, please contact a member of Patterson Belknap Webb & Tyler LLP's Intellectual Property Corporate Group.

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