

RULING WITH AN IRON FIST:

THE TTAB'S STRICT STANDARD FOR FRAUD FOR TRADEMARK REGISTRANTS AND ITS SANCTIONS FOR FRAUDULENT REGISTRATIONS*

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I. INTRODUCTION

Imagine that you are the president of a company that wants to market and register its SkiBunni trademark on athletic equipment and apparel. As president, you plan to print "SkiBunni" on the following goods and list them on your trademark application's statement of use to the United States Patent and Trademark Office ("USPTO"): skis, binders, ski boots, ski parkas, fleece jackets, hats, headbands, facemasks, neck warmers, gloves, and ski socks. Years go by, and although you had intended to put the SkiBunni mark on all the goods listed in your statement of use, it turns out that the headbands and ski socks you manufactured never had that mark on them. One of SkiBunni's competitors, Skiing Bunnies, has the right to challenge your trademark and can claim registration fraud because not all of the goods listed on your statement of use actually had the SkiBunni mark on them. Based on the current standard for fraud used by the USPTO's Trademark Trial and Appeal Board ("TTAB"), your company would be found guilty of fraudulent behavior. Neither your good faith intention to use the SkiBunni mark on all the goods listed nor your honest mistake or drafting error is a usable defense. As a result, the TTAB will void your SkiBunni trademark registration *in its entirety*, even though only some and not all of the goods listed in your application did not carry the mark.

This strict standard is the current reality faced by trademark registrants who wish to register their marks within the United States.

The American Intellectual Property Law Association ("AIPLA") has recently adopted a series of resolutions stating its

view as to what standard the TTAB should apply in determining the issue of fraud.¹ These resolutions “essentially state that mistakes do not amount to fraud.”² Thus, AIPLA supports the position that “[f]raud arises only when the party making the false statement of fact *knows* that the fact is false” and when that party attempts to *intentionally deceive* the USPTO.³

The following question arises: should the TTAB step away from its strict standard for fraud? This standard can be stated in simple terms: “[f]raud occurs when an applicant or registrant makes a false material representation that the applicant *knew or should have known* was false.”⁴ If the TTAB does lower its standard, should it revert to its previous practice of holding that fraud exists only if the registrant knowingly errs and deceives the USPTO to gain a registration, whereby any mistake or honest misunderstanding negates fraud?

The recent publication of AIPLA’s resolutions, in addition to the current practices of the European Communities (“EC”), which happen to align with these resolutions, are just a few developments that may point to the TTAB’s need to amend its practices in such a fashion. Nevertheless, I contend that both the TTAB and federal courts should continue to uphold the standard created by the TTAB’s landmark 2003 decision in *Medinol v. Neuro Vasx, Inc.*⁵ Unless Congress enacts legislation to cement AIPLA’s position into policy, the TTAB has no incentive to return to its former standard established for fraud proceedings and contradict itself in the process. Furthermore, the *Medinol* standard should continue because it lends to a higher-quality trademark registration system, as it provides a better incentive for registrants to be more precise when drafting and submitting their respective statements of use. This is a better alternative than to allow all mistakes to be forgiven without significant consequences, which would effectively make the trademark registration verification process insubstantial and inadequate.

Part II of this Note will discuss AIPLA’s role with respect to intellectual property issues. In Part III, this Note will give a procedural background as to how the TTAB reached its pivotal decision

¹ AIPLA REPORT: AIPLA BOARD ADOPTS RESOLUTIONS ON PTO FRAUD STANDARDS FOR TRADEMARKS (June 30, 2007), available at <http://www.aipla.org/Template.cfm?Section=20074&Template=/ContentManagement/ContentDisplay.cfm&ContentID=14720#three> (membership required) (on file with author).

² *Id.*

³ 6 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION, § 31:66 (4th ed. 2005) (emphasis added).

⁴ *Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1208 (T.T.A.B. 2003) (citing *Gen. Car and Truck Leasing Sys., Inc. v. Gen. Rent-A-Car Inc.*, 17 U.S.P.Q.2d 1398, 1400 (S.D.Fla. 1990) (emphasis added)).

⁵ *Id.*

in *Medinol* and how the TTAB has used and developed the standard set forth in that case in a series of subsequent decisions. These cases will also shed light on the consequences faced by a registrant if the TTAB finds fraudulent behavior. Generally, this Note will explore "cases involving fraud in statements in which the applicant claimed use of a mark in connection with all or most of the identified goods or services in a trademark application or registration, when in fact the mark was used only on some of them."⁶ Additionally, Part III will discuss the outcomes of certain cases and the resulting consequences if the TTAB's standard had coincided with the AIPLA resolutions.

Subsequently, Part IV – by showing how the TTAB distinguishes "fraudulent" from "false," but not fraudulent, statements – will illustrate how the TTAB can still make nuanced decisions while adhering to its current standard. Part V will examine the United States and the EC standards for fraud by comparing the practices of the respective adjudicative bodies of the USPTO and the Office for Harmonization in the Internal Market ("OHIM"). In analyzing the TTAB's practices in dealing with fraud, it is important to look to the practices abroad to see if other trademark organizations' decisions would motivate the TTAB to change its standard and remedies.

Part VI will assert that the TTAB should not revert to its former standard for fraud because it would be inconsistent with decisions that have served as precedent for an increasing number of subsequent rulings. Finally, this Part will contend that despite AIPLA's resolutions and the current practices of OHIM's adjudicative bodies, applicants will have no incentive to reduce their standard of care when submitting a trademark application's statement of use. While it can be argued that the TTAB's remedy of revoking an entire registration is too strict for a mistake made in good faith, this current practice is the best way to ensure that the United States has a trademark register that is both accurate and efficiently administered.

⁶ Linda K. McLeod, *Knew or Should have Known, Reckless Disregard for the Truth, and Fraud Before the Trademark Office*, 34 AIPLA Q.J. 287, 289 (2006).

II. THE TTAB SHOULD MAINTAIN ITS CURRENT PRACTICE IN UPHOLDING THE *MEDINOL* STANDARD FOR FRAUD AND CONTINUE TO SANCTION A FINDING OF FRAUD BY REVOKING THE ENTIRE REGISTRATION

A. *The Role of AIPLA: Its History as an Organization and Its Influence on Intellectual Property Policy*

AIPLA is a national bar association comprised of lawyers who practice in an array of firms, institutions, government service, and the academic community.⁷ Members of this diverse body work either "directly or indirectly in the practice of patent, trademark, copyright, and unfair competition law, as well as other fields of law affecting intellectual property."⁸ AIPLA's goals, since its inception in 1897, have been to "maintain a high standard of professional ethics, to aid in the improvement in laws relating to intellectual property and in their proper interpretation by the courts, and to provide legal education to the public and to its members on intellectual property issues."⁹

To be eligible for AIPLA membership, an individual must be a member of the Bar in good standing of any court, of any State, or of the United States.¹⁰ Once a member, an individual may participate in any of the conferences AIPLA holds regularly throughout the year. These conferences focus on general developments in intellectual property law.¹¹ Periodic meetings, in addition to AIPLA's quarterly law journal and other publications, provide for a considerable collection of expertise in the field of intellectual property law.

Considering AIPLA's extensive reach within the intellectual property community and resources devoted to promoting awareness and sound policy measures, the organization as a whole puts forth great efforts to shape U.S. intellectual property policy. Whether it concerns federal regulations, legislation, or cases in the U.S. courts, "AIPLA continues to provide a strong collective voice in the [c]ourts, in Congress, with the [USPTO], and international organizations."¹² With respect to the USPTO, AIPLA offers remarks and feedback on proposed regulations.¹³ AIPLA has several

⁷ The History of AIPLA, http://www.aipla.org/Content/NavigationMenu/About_AIPLA/History/History.htm (last visited Oct. 15, 2008).

⁸ *Id.*

⁹ *Id.* (emphasis added).

¹⁰ *Id.*

¹¹ *Id.*

¹² IP Issues and Advocacy,

http://www.aipla.org/Template.cfm?section=IP_Issues_and_Advocacy (last visited Nov. 9, 2007).

¹³ *Id.*

committees that continually work on the organization's legislative agenda and track issues that they believe are in need of reform.¹⁴ In addition, AIPLA writes Congress and provides testimony to share the organization's view on intellectual property issues.¹⁵ Within the court system, AIPLA has filed amici curiae briefs on a number of cases.¹⁶ Yet, a question remains: will AIPLA have sufficient power to change the recent TTAB rulings with respect to the trademark standard for fraud?

AIPLA's own resolutions, drafted in response to a series of TTAB decisions "that have found fraud on the Office based on a heightened duty of candor, including *Medinol*," seek to invoke a change in this standard for fraud.¹⁷ Considering this bar association's high level of expertise and activity both within the courts and within congressional committees, one may conclude that the TTAB should indeed change its benchmark and align itself with AIPLA's resolutions.¹⁸ Yet, based on both the character of the TTAB as a judiciary body and the reasoning behind its *Medinol* decision, AIPLA's proposed change will not prevail, at least not in the foreseeable future. It simply is not practical for the TTAB to revert to its previous standard.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.* Examples of such briefs are: Brief for AIPLA as Amicus Curiae Supporting Petitioner, *Nuijten v. Dudas*, 129 S. Ct. 70 (June 13, 2008) (No. 07-1404), available at

http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Amicus_Briefs1/200810/NUIJTEN-AIPLACertAmicus.pdf; Brief for AIPLA as Amicus Curiae Supporting Petitioner, *ITC Ltd. v. Punchgini, Inc.*, 128 S. Ct. 288 (July 25, 2007) (No. 06-1722), available at

http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Amicus_Briefs1/20079/ITCbrieF_Final_Revised2.pdf; and Brief for AIPLA as Amicus Curiae Supporting Appellants, *In re Bilski*, 88 U.S.P.Q.2d 1385, (Fed. Cir. Apr. 7, 2008) (en banc) (No. 2007-1130), available at

http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Amicus_Briefs1/200810/AIPLA-EnBancBilski-FINAL.pdf.

¹⁷ AIPLA REPORT, *supra* note 1.

¹⁸ See, e.g., *Oversight Hearing on the United States Patent and Trademark Office: Hearing Before the House Subcommittee on Courts, the Internet, and Intellectual Property, Committee on the Judiciary, 110th Cong. (2008)* (statement of Alan J. Kasper, First Vice President, AIPLA) available at http://www.aipla.org/Content/ContentGroups/Legislative_Action/110th_Congress1/Testimony6/Statement-Kasper2-27-08.pdf; see also *Singapore Treaty on the Law of Trademarks, the Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs, and the Patent Law Treaty and Regulations under the Patent Law Treaty: Hearing Before the Senate Committee on Foreign Relations, 110th Cong. (2007)* (statement by Michael K. Kirk, Executive Director, AIPLA), available at

http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Comments2/International2/CommentsOnTreaties.pdf; Brief for AIPLA as Amicus Curiae Supporting Petitioner, *ITC Ltd. v. Punchgini, Inc.*, 128 S. Ct. 288 (July 25, 2007) (No. 06-1722), available at

http://www.aipla.org/Content/ContentGroups/Issues_and_Advocacy/Amicus_Briefs1/20079/ITCbrieF_Final_Revised2.pdf.

III. THE DEVELOPMENT AND CONTINUATION OF THE TTAB'S *MEDINOL* STANDARD FOR FRAUD

A. *Historical Background of the Precedential Decision and Its Application*

A trademark registration, even if incontestable, is invalid if it was fraudulently obtained.¹⁹ Prior to *Medinol*, the TTAB and the federal courts affirmed a string of cases, holding that a “‘false misrepresentation’ occasioned by an ‘honest’ misunderstanding, inadvertence, [or] negligent omission . . . rather than one made with a willful intent to deceive” does not establish fraud.²⁰ In *Bart Schwartz International Textiles, Ltd. v. F.T.C.*, the Court of Customs and Patent Appeals affirmed that “[a]ny ‘duty’ owed by an applicant for trademark registration must arise out of the statutory requirements of the Lanham Act.”²¹ The court held that the sole duty imposed by the Act was that the registrant “will not make knowingly inaccurate or knowingly misleading statements.”²²

However, it was this body of case law that led the TTAB and then the federal courts to impose “a heightened duty of candor and strict rule of fraud on practice before the [USPTO].”²³ The *Medinol* case provided the opportunity for this shift.²⁴ The facts of the case are relatively straightforward. In 1997, Neuro Vasx, Inc. (“NVI”) filed a statement of use with the USPTO to use its mark on neurological stents and catheters.²⁵ Two years later, the USPTO Examining Attorney denied *Medinol*’s own application to put its mark on stents, claiming that a high probability of confusion existed between its mark and that of NVI.²⁶ After confirming that NVI had been using its mark only on catheters, *Medinol* alleged that NVI had committed fraud.²⁷ *Medinol* claimed that “[NVI] *knew at the time it was made* that the statement of first use made in the application that ultimately matured . . . was false.”²⁸ In response, NVI claimed that including “stents” on the application was a careless error made in good faith and that the company had no intention to deceive the USPTO.²⁹ NVI then attempted to amend its registration. *Medinol* opposed the amendment, contending that “NVI should not be permitted simply to amend its

¹⁹ 15 U.S.C. § 1115(b)(1) (2006).

²⁰ *E.g.*, *Metro Traffic Control, Inc. v. Shadow Network, Inc.*, 104 F.3d 336, 340-41 (Fed. Cir. 1997) (citing *Smith Int’l, Inc. v. Olin Corp.*, 209 U.S.P.Q. 1033, 1044 (T.T.A.B. 1981)).

²¹ *Bart Schwartz Int’l Textiles, Ltd. v. F.T.C.*, 289 F.2d 665, 669 (C.C.P.A. 1961).

²² *Id.*

²³ *McLeod*, *supra* note 6, at 289.

²⁴ *See generally Medinol Ltd. v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ Karen P. Severson, *Filer Beware: Medinol Standard Set Forth by the United States Patent and Trademark Office*, 96 TRADEMARK REP. 758, 760 (2006) (discussing *Medinol* Petition, ¶ 9).

²⁹ *Medinol*, 67 U.S.P.Q.2d at 1209.

registration without any factual showing regarding the merits of the fraud allegations or the defenses thereto. If such were to occur . . . NVI would be rewarded for its fraudulent behavior only suffering the loss of its 'ill-gotten gains.'"³⁰

The TTAB, while acknowledging and believing that NVI lacked fraudulent intent in submitting its statement of use, nevertheless held 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."³¹ Thus, "[t]he appropriate inquiry is therefore not into the registrant's subjective intent, but rather into the objective manifestations of that intent."³²

As evidenced in the *Medinol* decision, the TTAB cited many cases to substantiate its judgment of fraudulent behavior.³³ In its 1988 decision in *First International Services, Corp. v. Chuckles, Inc.*, the TTAB first acknowledged that it is nearly impossible to demonstrate and confirm what a person's intent is at any given time.³⁴ In this case, both parties had their respective trademarks on hair salon franchising services and franchised hair care products.³⁵ The Board pointed out that it is only possible to infer the defendant's intent from circumstances and related statements made by that person.³⁶ Because this intent was not proven, to the hilt with clear and convincing evidence in this case, the TTAB could not find fraud, despite some indications that false statements were made.³⁷

In its *Medinol* decision, the TTAB also extensively relied on the Federal Circuit's reasoning in *Torres v. Cantine Torresella S.r.L.*³⁸ In that case, the court held that Torres knew or should have known that his statements of use were false in his request for trademark registration renewal of his mark on champagne, vermouth, and wine.³⁹ Torres' label had been altered over the years and was no longer the same design that was covered by its initial registration.⁴⁰ The TTAB asserted that – *even without specific intent to deceive* – Torres' false statements amounted to fraud on the USPTO.⁴¹ The Court maintained that:

If a registrant files a verified renewal application stating that his

³⁰ Severson, *supra* note 28, at 760-61.

³¹ *Medinol*, 67 U.S.P.Q.2d at 1209 (citing *Torres v. Cantine Torresella S.r.L.*, 1 U.S.P.Q.2d 1483, 1484-85 (Fed. Cir. 1986)).

³² *Id.*

³³ *Id.*

³⁴ *First Int'l Serv. Corp. v. Chuckles, Inc.*, 5 U.S.P.Q.2d 1628, 1636 (T.T.A.B. 1988).

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ See *Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1208-10 (T.T.A.B. 2003).

³⁹ *Torres v. Cantine Torresella S.r.L.*, 1 U.S.P.Q.2d 1483, 1484-85 (Fed. Cir. 1986).

⁴⁰ *Id.*

⁴¹ *Id.* at 1485; see Severson, *supra* note 28, at 765 (emphasis added).

registered mark is currently in use in interstate commerce and that the label attached to the application shows the mark as currently used when, in fact, he *knows or should know* that he is not using the mark as registered and that the label attached to the registration is not currently in use, he has knowingly attempted to mislead the PTO.⁴²

It is evident that nearly a decade before the TTAB crafted the *Medinol* decision, the *Torres* case expanded the scope of a registrant's obligation to the USPTO as initially set out in *Bart Schwartz*. In a sense, *Torres* merely set the stage for the higher standard for fraud that was adopted in *Medinol*.

Additionally, the TTAB's reasoning in *Medinol* relied on the holding in *General Car and Truck Leasing Systems Inc. v. General Rent-A-Car Inc.*, which declared 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 *knew or should have known* was false."⁴³ Again, the language in the *Medinol* decision is found in previous TTAB judgments. Therefore, while it seemed that it radically changed the standard for fraud as applied to trademark registrants, *Medinol* effectively integrated the statements made in previous decisions to create a more comprehensive standard.

Pursuant to establishing the *Medinol* standard for fraud, the TTAB has adjudicated a number of citable and non-citable cases that have cemented its position in holding trademark registrants to the "known or should have known" standard.⁴⁴ In the citable case of *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, the TTAB annulled Standard Knitting's three registrations in their entirety, stating that false statements made with respect to the use of the trademark constituted fraud.⁴⁵ Similar to NVI, Standard Knitting's TUNDRA and TUNDRA SPORT marks were not found on some of the clothing items identified in its three registered statements of use.⁴⁶ Thus, because this case dealt with an allegation of fraud and contained a factual situation similar to that of *Medinol*, the *Medinol* precedent was applicable.

George Groumoutis, the company's chief operating officer,

⁴² *Torres*, 1 U.S.P.Q.2d at 1485 (emphasis added).

⁴³ *Medinol*, 67 U.S.P.Q.2d at 1209 (citing *General Car and Truck Leasing Sys. Inc. v. General Rent-A-Car Inc.*, 17 U.S.P.Q.2d 1398, 1400 (S.D.Fla. 1990)) (emphasis added).

⁴⁴ The TTAB "designat[es] all final decisions as either precedential or not precedential . . . and consider[s] precedential decisions as binding upon the TTAB. A decision designated as not precedential is not binding upon the TTAB but may be cited for whatever persuasive value it might have." *Citations of Opinions to the Trademark Trial and Appeal Board*, Jan. 23, 2007, available at

<http://www.uspto.gov/web/offices/com/sol/og/2007/week04/patcita.htm>.

⁴⁵ *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917 (T.T.A.B. 2006).

⁴⁶ *Id.*

testified at his deposition that when he received the applications, he did not make any effort to confirm that the marks were on each of the goods listed in the application.⁴⁷ He then further admitted that there were sources he could have consulted to obtain this information.⁴⁸ The TTAB concluded that even if the mistake were honest, it would not have been reasonable.⁴⁹ Since the chief operating officer had the responsibility to guarantee the accuracy of trademark applications, those signing off on such applications had a duty to inquire.⁵⁰ Consequently, the TTAB made a finding of fraud, despite Standard Knitting's claims that its false statements resulted from misunderstanding and honest mistake rather than from intent to deceive.⁵¹

If the opponent to a registration does not allege fraud, then the TTAB does "not reach the issue of whether [the registrant's] inclusion of the 'extra services' in its use-based application constitute[s] fraud."⁵² For instance, the TTAB recently announced an important decision in *Grand Canyon West Ranch LLC v. Hualapai Tribe* concerning the effect of the Hualapai Tribe's incorrect – but not fraudulent – statement.⁵³ The Tribe claimed that its mark was in use on all of the specified transportation and recreational tour services in its trademark application.⁵⁴ In this case, the TTAB maintained that the plaintiff's claim pointing out the non-use of a mark listed on the registration is different from a claim of fraud; for the former, the TTAB does not inquire into the objective manifestations of the registrant's intent because intent is not an element of a claim of non-use.⁵⁵ Since the plaintiff did not claim fraud, the Tribe's application was not completely void because the trademark was used on some of the goods identified as of the filing date.⁵⁶ However, the TTAB did not preclude the opponent from amending its Notice of Opposition if it, in good faith, had grounds to allege a claim of fraud against the Hualapai Tribe.⁵⁷ "Thus, the applicant was not yet out of the woods with respect to

⁴⁷ *Id.* at 1927.

⁴⁸ *Id.* at 1926.

⁴⁹ *Id.* at 1927.

⁵⁰ *Id.*

⁵¹ *Id.*; see also Severson, *supra* note 28, at 765-66.

⁵² John L. Welch, *The TTAB Fraud Collection: Is There a Fraud in Your Future?*, The TTABlog: Keeping Tabs on the TTAB, May 17, 2006, <http://thettablog.blogspot.com/2006/05/ttablog-fraud-collection-is-there.html> (discussing *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d 1696 (T.T.A.B. 2006) (last visited Sept. 20, 2008)).

⁵³ 78 U.S.P.Q.2d 1696 (T.T.A.B. 2006).

⁵⁴ *Grand Canyon*, 78 U.S.P.Q.2d at 1696.

⁵⁵ *Id.* at 1697.

⁵⁶ Sandra Edelman & Amy Stasik, *Is That Trademark Really In Use? The TTAB Provides Further Guidance After Medinol*, 6 INTELL. PROP. UPDATE 2, available at http://www.dorsey.com/publications/legal_detail.aspx?FlashNavID=pubs_legal&pubid=233286703 (discussing *Grand Canyon*, 78 U.S.P.Q.2d at 1696).

⁵⁷ *Id.*; see also *Grand Canyon*, 78 U.S.P.Q.2d at 1698 n.5.

the survival of its application; presumably, if fraud was ultimately established, it might subsequently suffer a declaration of invalidity as to the application as a whole."⁵⁸

B. *Outcomes and Ramifications of Post-Medinol Decisions if the AIPLA Resolutions Had Been in Effect*

Had AIPLA's resolutions been in effect, the TTAB would not have made a finding of fraud in any of the cases following *Medinol*. For instance, Standard Knitting would have only had its registration revoked for the particular items not traded in interstate commerce with the TUNDRA or TUNDRA SPORT mark. Additionally, other companies would have been allowed to retain some portion of their trademark registrations. On the surface, this result seems the most fair: it would adjust the registration more accurately by removing goods with the mark not in use and would not overly penalize the registrants for what they allege are honest mistakes. However, this would-be default rule of revising registrations upon a claim of good faith error could result in major difficulties, administrative and otherwise. First, the TTAB would be hard-pressed to find a defendant who would claim that its mistake was in bad faith.⁵⁹ "[A]ll claims of fraud could easily be defeated by the simple statement, 'I had no intent to do so.'"⁶⁰ Thus, this alone would effectively obviate most, if not all, fraud claims in front of the TTAB.

In addition, the USPTO would face the daunting challenge of continually updating and maintaining the trademark registration database after each TTAB ruling to adjust each respective registration's statement of use to comport with the realities of the market. This would require an inordinate amount of resources. In its 2007-2012 Strategic Plan, the USPTO recognizes the need "to provide certainty for first action [trademark] pendency" because it is "experiencing increased pendency for requests for reconsideration that are filed contemporaneously with the notices of appeal."⁶¹ In addition, it anticipates that "[t]rademark application filings will increase by six to eight percent each year through 2012."⁶² This is just one of the many challenges the USPTO will face in the near future. Other priorities include ensuring that it obtains sufficient funding for improvements in quality assurance and application processes, as illustrated by its efforts in seeing Congress pass the Patent Reform Act of 2007 and other legislation

⁵⁸ Edelman & Stasik, *supra* note 56, at 2.

⁵⁹ McLeod, *supra* note 6, at 304.

⁶⁰ *Id.*

⁶¹ USPTO 2007-2012 Strategic Plan, 19, available at <http://www.uspto.gov/web/offices/com/strat2007/stratplan2007-2012.pdf>.

⁶² *Id.* at 13.

geared towards funding reform.⁶³

Over the past few years, AIPLA has also been vested in promoting patent reform through the Patent Reform Act, particularly because it includes "some of the most extensive proposals for patent reform in more than 50 years."⁶⁴ The ability to streamline the patent process is a priority of the USPTO, and the pending legislation would allow the organization to make necessary improvements in the system.⁶⁵ Considering the importance of these reforms – coupled with the USPTO's desire to maintain the quality of trademarks during this period of growth – it is unlikely that the USPTO would endorse a proposal that would effectively drain more of its already stretched resources. Therefore, AIPLA's position on the TTAB's standard for fraud should not have any effect on the TTAB's current practice in finding fraud, as the latter serves to streamline USPTO procedures and prevents administrative waste in handling fraud claims.

IV. THE TTAB CAN CONTINUE TO MAKE NUANCED RULINGS EVEN BY HOLDING TRADEMARK REGISTRANTS TO A STRICT STANDARD WITH RESPECT TO GOOD FAITH MISTAKES

A. *The TTAB, By Distinguishing Between Fraudulent and False Statements, Will Be Able to Preserve an Alternative to a Finding of Fraud and Entire Registration Annulment*

In upholding the *Medinol* standard when dealing with subsequent matters that include allegations of fraud, the TTAB has been careful to distinguish between fraudulent and false statements. Prior to *Medinol*, the TTAB required that proof of fraud be a "willful" and "knowingly" false statement made with an intent to deceive the [USPTO].⁶⁶ In addition, the TTAB held that the claim of fraud would not be sustained if it could be proven that the statement of use, though erroneous, was made with an honest belief that it was true.⁶⁷ Currently, by holding that false statements

⁶³ See Joseph N. Hosteny, *Dear AIPLA: Keep Our Message Consistent*, INTELL. PROP. TODAY, Oct. 2004, available at <http://www.hosteny.com/archive/Hosteny%2010-04.pdf>; see also Patrick Leahy, et al., *Leahy, Hatch, Berman And Smith Introduce Bicameral, Bipartisan Patent Reform Legislation*, Apr. 18, 2007, available at <http://leahy.senate.gov/press/200704/041807a.html>; see generally Patent Reform Act of 2007, H.R. 1908, S. 1145, available at http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=110_cong_bills&docid=f:h1908pcs.txt.pdf.

⁶⁴ AIPLA Reports, *Patent Reform Bills Await Action as Congress Recesses*, Aug. 7, 2007, available at http://aipla.org/Content/ContentGroups/About_AIPLA1/AIPLA_Reports/20074/070807AIPLAReports.pdf.

⁶⁵ *Id.*

⁶⁶ McLeod, *supra* note 6, at 301-02 (citing *Woodstock's Enters., Inc. (Cal.) v. Woodstock's Enters., Inc. (Or.)*, 43 U.S.P.Q.2d 1440, 1443 (T.T.A.B. 1997)).

⁶⁷ *Id.*; *Knorr-Nahrmital Aktiengesellschaft v. Havland Int'l, Inc.*, 206 U.S.P.Q. 827, 834 (T.T.A.B. 1980).

are not necessarily indicative of fraudulent behavior, the TTAB has attempted to set apart cases concerning claims of fraud and claims of non-use, as they require different remedies. If there is no evidence of fraud, then the TTAB would permit the registrant to amend the application to delete any goods on which the trademark had not been used.⁶⁸ Cancellation of the application as a whole is reserved only for a finding of fraud.⁶⁹

First and foremost, the TTAB holds the list of goods or services in a trademark application to be material information upon which registration approval is dependent. A "material fact" before the Trademark Office means that "but for [its] misrepresentation [or omission], the federal registration either would not or should not have issued" or been maintained.⁷⁰ The court must look towards the circumstances of the registration and to the statements provided by the registrant in order to determine the "objective manifestations of [the registrant's subjective] intent," as subjective intent is no longer considered relevant to the inquiry of fraud.⁷¹ This is because, as mentioned above, subjective intent is impossible to prove.⁷² Thus, if the TTAB finds that circumstances point to the reasonableness of a registrant's honest mistake, the objective manifestations of the registrant's intent or knowledge with respect to the registration do not amount to fraud. This is due to the fact that the "should have known" standard is not met by the mistaken registrant, as there were facts that made it reasonable for the registrant to act as she did.

A recent decision by the TTAB illustrates that a false statement made by a registrant does not automatically constitute fraud. *Maids to Order of Ohio, Inc. v. Maid-to-Order, Inc.* did not concern the registrant's lack of use of any cleaning good or service on the statement; rather, petitioner contended that the registrant falsely claimed use of its mark in interstate commerce, which is one of the characteristics required for a trademark application.⁷³ When the president was asked to define interstate commerce, she described it as work that goes over state lines, testifying to the following: "[Maid-to-Order participated in interstate commerce] because it rendered its services to companies with out-of-state headquarters to which [it] sent . . . bills, and because [Maid-to-Order] had pro-

⁶⁸ E.g., *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d 1696, 1697-98 (T.T.A.B. 2006).

⁶⁹ E.g., *Standard Knitting, Ltd. v. Toyota Jidosha Kabushiki Kaisha*, 77 U.S.P.Q.2d 1917 (T.T.A.B. 2006).

⁷⁰ See 6 MCCARTHY, *supra* note 3, at § 31:67.

⁷¹ *Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1209 (T.T.A.B. 2003).

⁷² *Id.*

⁷³ *Maids to Order of Ohio, Inc. v. Maid-to-Order, Inc.*, 78 U.S.P.Q.2d 1899, 1900 (T.T.A.B. 2006).

vided services on two occasions in a neighboring state."⁷⁴ The TTAB held that it was reasonable for respondent's president, as a layperson, to not know the technical definition of interstate commerce and to believe that Maid-to-Order's mark was used in such commerce.⁷⁵ Therefore, because the circumstances underlying the president's good faith mistake were reasonable, the TTAB found that Maid-to-Order did not commit fraud in acquiring and maintaining its trademark registration.

B. *The TTAB Has Left Open the Possibility That It Might Accept an Application Amendment to Correct a Statement of Use Prior to Cancellation or Opposition Proceedings*

While it may seem as though the TTAB is only responding to claims of fraud by revoking entire registrations, the TTAB still provides opportunities for registrants to avoid such allegations. It is true that the TTAB takes a hard-line approach once a party initiates a cancellation or opposition proceeding, in part because once such a proceeding commences, the TTAB does not allow a party to amend its statement of use to avoid the allegation of fraud.⁷⁶ Yet dicta in two stringent decisions offer some hope to registrants who wish to amend incorrect statements of use.⁷⁷

In *Hurley International LLC v. Volta*, the defendant's trademark for its musical group and entertainment-related services was not in use on some of those services at the time of the application filing.⁷⁸ Only after the Voltas received a Notice of Opposition did they attempt to amend their registration; at that point, the TTAB found this effort moot.⁷⁹ Notwithstanding its ultimate decision to revoke the entire registration, the Board provided dictum in footnote 5 of its opinion: "We note, however, 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 the applicant amends the application prior to publication."⁸⁰ This argument implies that if a

⁷⁴ *Id.* See also Edelman & Stasik, *supra* note 56, at 3.

⁷⁵ *Maids to Order*, 78 U.S.P.Q.2d at 1907.

⁷⁶ 37 C.F.R. § 2.133 (2007). See also Jennifer Lee Taylor & Lindsay Traylor Braunig, *TTAB Disregards Subjective Intent Element*, LAW JOURNAL NEWSLETTERS - THE INTELL. PROP. STRATEGIST (ALM Properties, Inc., New York, N.Y.) June 2007, available at <http://mofo.com/news/docs/IPStrategist0607.pdf> (stating that "[a]ttempts to cure the problem and avoid cancellation by amending the registration . . . have been rejected as ineffectual.").

⁷⁷ *Hurley Int'l LLC v. Volta*, Opposition No. 91158304 (T.T.A.B. Jan. 23, 2007); *Hachette Filipacchi Presse v. Elle Belle, LLC*, Cancellation No. 92042991 (T.T.A.B. Apr. 9, 2007).

⁷⁸ *Hurley*, Opposition No. 91158304.

⁷⁹ *Id.*

⁸⁰ John L. Welch & Ann Lamport Hammitte, *Fraud for Thought: Can Fraud Be Avoided by Correcting a False Statement Prior to Publication?*, ALLEN'S TRADEMARK DIGEST, Apr. 2007, available at http://home.comcast.net/~jlw28129/Fraud_apr07.pdf (citing *Hurley*, Opposition No. 91158304 at 16 n.5, which looks to *Universal Overall Co. v. Stonecutter Mills Corp.*, 154 U.S.P.Q. 104 (C.C.P.A. 1967)).

false statement of use is corrected at an early date, it is less likely that others will detrimentally rely on it, and, consequently, there will not likely be a fraud proceeding.⁸¹ This lifeline gives registrants a warning to check any pending registrations before publication, as opposition proceedings involve published, registered marks. It is thought-provoking that the TTAB would draw the line of no fraud before trademark registration publication, given that *Medinol* strongly asserts that *any* document should be thoroughly investigated before presenting it to the USPTO.⁸² While this may not comport exactly with the strict words of *Medinol*, it ultimately saves the TTAB from future opposition hearings if more can be prevented earlier on.

In addition to the *Hurley* footnote, “the TTAB left open the possibility that it might accept an amendment correcting the goods if the amendment was made prior to the commencement of a cancellation [proceeding].”⁸³ As in the *Hurley* case, the TTAB voided *Elle Belle’s* entire registration for not having its mark on a long list of clothing for men, women, and children.⁸⁴ The TTAB made its decision despite the registrant’s claims of misunderstanding application requirements because English was his second language.⁸⁵ Furthermore, the Board stated that registration amendment prior to cancellation proceedings as a way to cure fraud was not an issue in this case. Accordingly, despite the case’s outcome, the TTAB’s dicta may have left an opening for future registrants to take advantage of the opportunity presented in *Hurley*. Thus, the TTAB should not have to change its strict standard for fraud in order to give all applicants fair warning of what to expect of erroneous registrations.

Yet, a question comes to mind: is there any way to improve upon the TTAB’s test to distinguish fraudulent and non-fraudulent, false statements? Because one of the USPTO’s goals is to maximize the efficiency of the application and appeals processes, providing opportunities to correct statements prior to publication with the strict *Medinol* fraud standard for actual proceedings does just that. However, the TTAB’s findings of “reasonableness” in determining whether circumstances surrounding the false statement amount to fraud are unsystematic and leave the question open on a case-by-case basis. Because it is unknown whether the registrant’s “reasonableness” argument will persuade the TTAB, it is important that the TTAB stress the opportunity all

⁸¹ *Id.*

⁸² *Id.*; *Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003).

⁸³ *Taylor & Braunig, supra note 76.*

⁸⁴ *Id.*

⁸⁵ *Id.*; *Hachette Filipacchi Presse v. Elle Belle, LLC*, Cancellation No. 92042991 (T.T.A.B. Apr. 9, 2007).

applicants have to amend their applications before publication. By giving adequate notice of this opportunity, the TTAB provides a threshold that allows it to fairly impose its high *Medinol* standard on all those against whom actual fraud is alleged. Therefore, it is efficient for the TTAB to maintain its current standard for fraud, as it still allows it to maintain flexibility on more nuanced issues while remaining consistent with its precedent.

V. A COMPARISON BETWEEN U.S. AND EC STANDARDS FOR FRAUD AND REMEDIES

A. *OHIM's Treatment of Claims of Fraud Is the Equivalent of the TTAB's Pre-Medinol Standard; Sanctions Involve Partial Registration Revocation*

OHIM, based in Alicante, Spain, can be described as the USPTO's counterpart in the EC. OHIM manages trademarks and their registrations within the EC and does so through set procedures designed to keep a public register of these rights.⁸⁶ Within OHIM, there are several Boards of Appeal that act as judiciary bodies to handle different types of proceedings, from trademark revocation to trademark invalidation.⁸⁷ These panels are the equivalent of the TTAB on one level in that they receive initial claims regarding trademark issues and disputes. However, one key difference is that while the TTAB is an administrative appellate body, the Boards of Appeal hear disputes solely at the trial level. Rather than having an agency appeals board, OHIM cases go to either the Court of First Instance ("CFI") or the European Court of Justice ("ECJ").⁸⁸

The Community Trade Mark Register's ("CTMR") preamble states that "there is no justification for protecting Community trade marks, or, as against them, any trade mark which has been registered before them, except where the trade marks are actually

⁸⁶ See The Trade Marks and Designs Registration Office of the European Union, <http://oami.europa.eu> (last visited Sept. 20, 2008). See also *OHIM Service Charter*, available at http://oami.europa.eu/en/usercorner/seservice_charter.htm (last visited Apr. 27, 2007).

⁸⁷ See generally The Trade Marks and Designs Registration Office of the European Union, <http://oami.europa.eu>.

⁸⁸ "According to Art. 63 of the Community Trademark Regulations, actions may be brought before the European Court of Justice against decisions of the Boards of Appeal." See GOLIATH, *The Liberalization of the Court of First Instance of the EC - Recent Decisions Show a Possibly More Lenient Approach to Trade Mark Responsibility*, Feb. 13, 2002, Mondaq Business Briefing, available at http://goliath.ecnext.com/coms2/gi_0199-1439076/The-Liberalization-of-the-Court.html. The CFI is an independent court attached to the ECJ; both are comprised of judges from all the member states. See also Charles Russell, *Court of First Instance of the European Communities and the Procedure for Handling Trade Mark Appeals*, TRADEMARK WORLD, June 1, 2005, available at <http://www.cr-law.co.uk/articles/viewarticle.asp?articleid=1015>.

used."⁸⁹ Furthermore, the CTMR Articles support this theory:

If, within a period of five years following registration, the proprietor has not put the Community trade mark to genuine use in the Community in connection with the goods or services in respect of which it is registered, or if such use has been suspended during an uninterrupted period of five years, the Community trade mark shall be subject to the sanctions provided for in this Regulation, unless there are proper reasons for non-use.⁹⁰

Specifically, trademark rights of the OHIM registrant can be revoked in the case of non-use of the mark.⁹¹ Within the USPTO, "one cannot maintain a U.S. registration without submitting concrete evidence that the mark is in use in commerce between the fifth and sixth year after registration. . . . [T]he burden is on the registrant to show use"⁹² Even after this five-year period, a trade mark can still face a challenge on grounds of fraud.⁹³ Based on this information, both the OHIM and USPTO sanction registrants for non-use of a registered trademark.

Interestingly, OHIM's Boards of Appeal do not often make use of the term "fraud" in their discussions of non-use and trademark rights revocations, but instead focus on bad faith.⁹⁴ Bad faith can "imply or involve, but is not limited to, actual or constructive fraud, or a design to mislead or deceive."⁹⁵ However, when a registrant fails to actually use the trademark, this "is not in itself sufficient to consider that the applicant acted in bad faith."⁹⁶ There is significantly more discussion of bad faith with respect to a registrant attempting to acquire trademark rights of a mark already in use.

While OHIM's standard for fraud is less than clear, one of its member states provides an example of bad faith applications. According to Benelux⁹⁷ law, "[a] filing is considered to have taken

⁸⁹ See Decision of the Cancellation Division of 15/12/2006, in the Proceeding for a Declaration of Invalidity, InfoChannel Group Ltd. & Co. KG v. Scala, Inc., available at http://oami.europa.eu/LegalDocs/Cancellation/en/C000301275_658.pdf.

⁹⁰ *Id.* (citing Council Regulation (EC) No 40/94, Article 15(1) (Dec. 20, 1993)).

⁹¹ Council Regulation (EC) No 40/94, Article 50(1)(a) (Dec. 20, 1993).

⁹² Cynthia C. Weber, *The U.S. Versus European Trademark Registration Systems: Could Either Learn from the Other?* at 5, [http://www.sughrue.com/files/Publication/7f3ad2e7-4832-49e7-a8b9-05c81a6693c1/Presentation/PublicationAttachment/02155b81-c202-4c2d-9d27-0be4253df914/ECTA2005\(1\).pdf](http://www.sughrue.com/files/Publication/7f3ad2e7-4832-49e7-a8b9-05c81a6693c1/Presentation/PublicationAttachment/02155b81-c202-4c2d-9d27-0be4253df914/ECTA2005(1).pdf) (last visited Nov. 11, 2007).

⁹³ *Id.*

⁹⁴ See generally Office for Harmonization in the Internal Market, Trade Marks and Designs, *Bad Faith Case Study*, Jan. 31, 2003, available at <http://oami.europa.eu/en/enlargement/pdf/badfaithCS3101.pdf>.

⁹⁵ *Id.* at 3 (citing OHIM First Cancellation Division's definition of bad faith in the invalidity case, No. C000479899/1 "BE NATURAL," Surene Pty Ltd. v. Multiple Mktg Ltd., (Case C-479899/1) (unreported) (Oct. 25, 2000)).

⁹⁶ Office for the Harmonization of the Internal Market, *supra* note 94, at 2.

⁹⁷ Benelux is defined as "[a]n economic union of Belgium, the Netherlands, and Luxembourg . . . [T]he three countries have frequently acted as a bloc." POLITICAL DICTIONARY.

place in bad faith under the terms of Article 4(6)(a) when it is proven that the filer *knew or should have known* about the relevant prior use in the Benelux.⁹⁸ This language, though not referring to what the USPTO would deem as fraudulent or false statements with respect to a statement of use, is similar to the TTAB's *Medinol* standard for fraud.⁹⁹ Benelux law uses an objective approach to determine intent of bad faith activity and looks towards factual circumstances to determine the registrant's knowledge.¹⁰⁰ However, while there is similarity in language and standards, Benelux law in this instance does not refer to a fraudulent statement of use, but rather an attempt to usurp the rights to a pre-existing trademark. Consequently, a key difference between the TTAB and Benelux approaches is that Benelux treats a positive finding of "knew or should have known" as indicative of fraud, while such a finding alone would be insufficient for the TTAB.

The USPTO and OHIM differ markedly with respect to remedies for evidence of trademark non-use. As mentioned above, if there is a finding of fraud for non-use by the TTAB, then the entire registration becomes void; partial registration annulment is only an option if the TTAB finds that the registrant made a false – not fraudulent – statement. In receiving evidence of non-use of a trademark, OHIM's Boards of Appeal instead handle this finding by declaring the "rights of the proprietor . . . to be revoked in respect of those goods [without use of the mark] *only*."¹⁰¹ Essentially, OHIM's Boards treat their cases as the TTAB treated the *Hualapai* case, where non-use, but not fraud, was alleged.¹⁰²

The following cases of OHIM's Boards of Appeal illustrate the theory and practice of revoking trademark registration for only the goods on which such mark has not been put to use. In revocation proceedings for the figurative trademark HOOTERS, the Board of Appeal, Cancellation Division decided on a dispute that requested revocation of the above mark for "the following goods and services [due to non-use]: calendars, posters . . . sweatbands, shirts, pants . . . breading mix and sauces . . . [and] restaurant and cocktail services."¹⁰³ In response to the challenger's claims, the

THE CONCISE OXFORD DICTIONARY OF POLITICS (Oxford University Press 2003). "The Benelux Office for Intellectual Property (BOIP) is the official institution in the Benelux region responsible for the registration of trademarks and designs." Benelux Office for Intellectual Property, About Us, <http://www.boip.int/en/generalAboutUs.html>.

⁹⁸ Office for the Harmonization of the Internal Market, *supra* note 94, at 5.

⁹⁹ Compare *supra* note 4 (*Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1209 (T.T.A.B. 2003)) with *supra* note 94 ("Bad Faith Case Study" by the Office for the Harmonization of the Internal Market).

¹⁰⁰ Office for Harmonization in the Internal Market, *supra* note 96, at 5.

¹⁰¹ Council Regulation (EC) No 40/94, Article 50(2) (Dec. 20, 1993) (emphasis added).

¹⁰² See *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d 1696 (T.T.A.B. 2006).

¹⁰³ Decision of the Cancellation Division of 10/10/2007, in the Revocation Proceedings, *Fürst v. HI Ltd Partnership*,

proprietor provided a list of sales and advertising figures.¹⁰⁴ The Board of Appeal held that, while this evidenced genuine use of the mark within the European Union, the use of the trademark went only so far as in restaurant and cocktail bar services.¹⁰⁵ With respect to the goods in the clothing and print classes, there was insufficient evidence to show use beyond that of promotional activity.¹⁰⁶ The Board held that “use may also include promotional and advertising activities, but only as long as such use is warranted in order to create or maintain a share in the market for the specific goods or services protected by the mark.”¹⁰⁷ Therefore, the Board decided on a partial mark revocation: the trademark registration for restaurant and cocktail bar services remained, and the registration for all other goods was revoked.¹⁰⁸

In a proceeding for a declaration of revocation of the Caffè La Scala trademark, the Board of Appeal, Cancellation Division, sanctioned the proprietor for not maintaining its mark in use on any of the goods registered for use.¹⁰⁹ CAFFÈ LA SCALA was filed and registered for a variety of instruments, goods, and services.¹¹⁰ But because Caffè La Scala failed to put its mark “to genuine use in the Community in connection with [all] the goods registered for within a continuous period of five years,” the Board of Appeal found it in violation of Article 50(1)(a) CTMR.¹¹¹ Thus, the Board revoked trademark rights for all goods under the Caffè La Scala mark because the proprietor failed to prove use for each and every good listed on its registration.

The European Communities Trade Mark Association (“ECTA”) is similar in function to OHIM as AIPLA is to the USPTO.¹¹² ECTA, like AIPLA, consists of professionals of trademarks, designs and related intellectual property matters who work in either industry or private practice within the Member States.¹¹³ ECTA is a non-governmental organization that advises on the harmonization of national laws of EU Member States, trademark regulations, and OHIM organization and practice.¹¹⁴

http://oami.europa.eu/LegalDocs/Cancellation/en/C000364570_1008.pdf.

¹⁰⁴ *Id.* at 4-5.

¹⁰⁵ *Id.* at 6.

¹⁰⁶ *Id.*

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ See Decision of the Cancellation Division of 17/07/2007, in the Proceeding for a Declaration of Revocation, *Maizia v. Campbell Bewley Group Ltd.*, http://oami.europa.eu/LegalDocs/Cancellation/en/C000572826_921.pdf.

¹¹⁰ *Id.*

¹¹¹ *Id.* at 3.

¹¹² See generally European Communities Trade Mark Association, <http://www.ecta.org> (last visited Sept. 20, 2008).

¹¹³ *Id.*

¹¹⁴ European Communities Trade Mark Association: Role, http://www.ecta.org/association_role.php (last visited Nov. 19, 2007).

Based on ECTA's commitment to providing policy advice, its proposals alone would not carry the weight of a decision from OHIM's Boards of Appeal. For any of ECTA's proposals or resolutions to take effect, the resolutions would have to pass through the approval of governmental bodies that would then have to mandate those resolutions. At this point, there is no evidence alluding to ECTA proposals for a change in OHIM's treatment of incorrect trademark registrations.

B. Efforts Within the United States and EC are Helping Educate Practitioners About the Different Standards Required by the TTAB and OHIM, Respectively

One prominent reason that the TTAB should maintain its current standard for fraud, despite its being markedly different from that of its European counterpart, is that many efforts have already been made at home and abroad in educating practitioners about the distinctions between the two systems.

The USPTO recognizes that "[t]here is a lack of simplified and harmonized international IP systems, which is making it difficult . . . for . . . businesses to obtain protection in global markets."¹¹⁵ The USPTO has had conversations with ECTA about the USPTO's position on broad descriptions of the list of Goods and Services in a trademark application. Recently, ECTA actively drew OHIM's attention to the fact that the USPTO may construe broad descriptions of goods and services in a statement of use as fraud.¹¹⁶ This practice could jeopardize EC trademark owners who want to avail themselves of U.S. registration through the Madrid Protocol.¹¹⁷ This may "lead to a preconceived position according to which there is an intrinsic bad faith in [Community Trade Mark] practice due to the fact that OHIM accepts broad lists of goods [and] services."¹¹⁸ The USPTO responded that a European applicant to the USPTO would be requested to create a narrowly detailed list of goods and services from its broad list for its statement of use.¹¹⁹ Fraud would only become an issue in the United States if there were goods included in the more refined list that were not used with the registered trademark.¹²⁰

Furthermore, there have been an increasing number of seminars involving practitioners from the United States and the EC, which hope to provide and disseminate knowledge about the

¹¹⁵ USPTO 2007-2012 Strategic Plan, *supra* note 61, at 23.

¹¹⁶ *Id.*

¹¹⁷ European Communities Trade Mark Association, Report of the 19th ECTA-OHIM Link Committee Meeting, Feb. 5, 2007, at 7, *available at*

http://www.ecta.org/position_papers/OHIM-Link-5-2-07.pdf.

¹¹⁸ *Id.*

¹¹⁹ *Id.*

¹²⁰ *Id.*

two respective trademark application systems and their interrelation.¹²¹ In discussing TTAB cancellation and opposition actions and strategies in how to register one's trademark, the USPTO is effectively getting the message out about the standards required to avoid fraud. Thus, because there have been continuous efforts in notifying trademark applicants of what to expect from the USPTO and how they can avoid claims of fraud, the TTAB's strict standard for fraud is securing its position within the trademark adjudication system. Therefore, the TTAB should have little difficulty in maintaining this standard.

VI. THE CURRENT TTAB STANDARD FOR FRAUD SHOULD BE MAINTAINED BECAUSE INCENTIVIZING APPLICANTS TO BE METICULOUS IN THEIR SUBMISSIONS INCREASES THE OVERALL QUALITY OF TRADEMARKS REGISTERED IN THE USPTO

A. The U.S. Federal Courts' Standard for Fraud Comports with That of the TTAB, Which Attests to the Continuance of a Strict Standard for Trademark Applicants

The Lanham Act section 37 grants federal courts concurrent jurisdiction over trademark registrations, including challenges in opposition to such registrations.¹²² The district courts have echoed the TTAB's decision to shift the standard for fraud from a finding of knowledge and subjective intent to an objective manifestation of what the registrant "knew or should have known."¹²³ Because the district courts have been influenced by the TTAB, they are likely to maintain an objective standard in determining whether a trademark registrant has committed fraudulent activity or made false representations.

"Administrative proceedings before the TTAB are generally considered adjudicative in nature," and typically, such proceedings have *res judicata* effect.¹²⁴ The Court of Appeals for the Fed-

¹²¹ *E.g.*, International Trademark Association, U.S. Roundtable: Enlightened Foreign Trademark Searching, Germany, Sept. 15-26, 2008, *available at* http://www.inta.org/index.php?option=com_intaevents&task=eventdetails&id=1074&catid=2&parentid=0&Itemid=67&getcontent=2 (last visited Sept. 26, 2008); *see also* International Trademark Association, INTA/OHIM Industry Training Seminar, Alicante, Spain, Oct. 2, 2008, *available at* http://www.inta.org/index.php?option=com_intaevents&task=overview&id=64&Itemid=67&getcontent=2 (last visited Sept. 26, 2008).

¹²² 15 U.S.C. § 1119 (2006); *see also* *Manganaro Foods, Inc. v. Manganaro's Hero-Boy, Inc.*, No. 01 Civ. 0849, 2002 WL 1560789, at *9 (S.D.N.Y. July 15, 2002).

¹²³ *See infra* note 135.

¹²⁴ *Light Sources, Inc. and Tan Sys., Inc. v. Cosmedico Light, Inc.*, 360 F. Supp. 2d 432, 438 (D.Conn. 2005) (citing *Kohler Co. v. Moen Inc.*, 12 F.3d 632, 636 (7th Cir. 1993)). "When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce response." *Astoria Federal Savings & Loan Ass'n v. Solimino*, 501 U.S. 104, 107 (1991).

eral Circuit has adopted this rule for trademark opposition proceedings before the TTAB.¹²⁵ Therefore, the federal courts generally give preclusive effect to the findings and decisions of the TTAB.¹²⁶ In addition to comports with *res judicata*, the TTAB also has the incentive to respect the principle of *stare decisis*. As an adjudicative body, the TTAB acts as all courts attempt to — namely, to remain consistent with its prior rulings. While the TTAB has both precedential and non-precedential decisions, “[i]t has repeatedly reaffirmed its position, including in three precedent-setting decisions . . . in the first half of 2007 alone.”¹²⁷ Furthermore, in the past eighteen months, the TTAB has relied on *Medinol* seventeen times, compared to the thirteen times the TTAB used *Medinol* in proceedings during 2003 through 2005.¹²⁸ This trend points to the TTAB’s growing commitment to voiding trademark registrations on the basis of imprecise or overreaching descriptions of goods and services.¹²⁹

Federal cases, both prior to and following the *Medinol* decision, have mirrored the standard and reasoning set forth by the TTAB. Before the strict standard of *Medinol*, the federal courts held that absent clear and convincing evidence of an intent to deceive, a mistake or negligent omission did not amount to fraudulent procurement of a trademark registration.¹³⁰ The *Pilates* court had followed the precedent set forth by the Court of Appeals for the Second Circuit, which stated that “[a]llegedly fraudulent statements must show a deliberate attempt to mislead the Patent and Trademark Office (‘PTO’) and may not be the product of mere error or inadvertence.”¹³¹ In the *Pilates* case, the court found that Current Concepts met its burden of providing clear and convincing evidence that Pilates’ statements alleging continuous and current use of the Pilates trademark were false.¹³²

Despite this finding, the court maintained that a trademark cancellation due to fraudulent activity must be “proved to the

¹²⁵ *Light Sources*, 360 F. Supp. 2d at 439.

¹²⁶ Jay C. Carlisle, *Second Circuit 2005 Res Judicata Developments*, 24 Q.L.R. 351, 358-60 (2006).

¹²⁷ Daniel H. Hantman, *Fraud in U.S. Trademark Applications: Let the Filer Beware*, Aug. 2007, at 2, available at http://www.pbwt.com/files/Publication/2d481862-eb68-4c3d-aa3d-0058d5e27099/Presentation/PublicationAttachment/0249da19-073c-4938-b762-00a93f0ac88d/IP_ClientAlert_TrademarkRegistration_Aug07.pdf (identifying the three recent precedential TTAB cases: *Sinclair Oil Corp. v. Sumatra Kendrick*, 85 U.S.P.Q.2d 1032 (T.T.A.B. 2007); *Hachette Filipacchi Presse v. Elle Belle, LLC*, 85 U.S.P.Q.2d 1090 (T.T.A.B. 2007); and *Hurley Int’l LLC v. Volta*, 82 U.S.P.Q.2d 1339 (T.T.A.B. 2007)).

¹²⁸ *Id.*

¹²⁹ *Id.*

¹³⁰ *Pilates, Inc. v. Current Concepts, Inc.*, 120 F. Supp. 2d 286 (S.D.N.Y. 2000); see also *Iowa Health Sys. v. Trinity Health Corp.*, 177 F. Supp. 2d 897 (N.D. Iowa 2001).

¹³¹ *Pilates*, 120 F. Supp. 2d at 312 (citing *Orient Express Trading Co. v. Federated Dep’t Stores, Inc.*, 842 F.2d 650, 653 (2d Cir. 1988)).

¹³² *Id.*

hilt' with little or no room for speculation . . . [with] considerable room for honest mistake."¹³³ Because Current Concepts did not have clear and convincing evidence to show that the use of the service mark was knowingly false, Pilates retained that right. Pilates was not so fortunate with respect to its equipment mark. Here, the court found that the statements made by the person claiming mark ownership were clearly false and not credible; thus, because "the application for registration of the PILATES equipment mark contained material and knowing misrepresentations, the PILATES equipment mark registration [was made] invalid."¹³⁴

After the TTAB's shift in its standard for fraud, federal courts followed suit, as evidenced by decisions such as *Universal Nutrition* and *Louis Vuitton*.¹³⁵ In the first case, Universal Nutrition claimed that Carbolite's registration should be subject to cancellation if:

- (1) Carbolite did not have the requisite bona fide intent to use the CARBORITE mark on the goods identified in [its] application at the time the application was filed or
- (2) that Carbolite's April 28, 2003 Statement of Use was false because it was not in fact using the mark with all of the goods listed therein.¹³⁶

The court stated that cancellation of a registrant's trademark is appropriate where the Statement of Use contains a fraudulent representation of the mark's use.¹³⁷ Although this question was part of a claim for summary judgment, it is important to note that the court held to the *Medinol* standard for fraud when confronted with the issue.

The Southern District of New York faced a similar fraud issue when Dooney & Bourke claimed that Louis Vuitton committed fraud on the theory that "[Louis Vuitton] submitted false declarations of use to the [USPTO] in connection with the [Serrure S mark]."¹³⁸ Specifically, Dooney & Bourke alleged that the Serrure S mark registration falsely declared that Louis Vuitton had continuously used the mark for five years, and that Louis Vuitton either knew or should have known about this misstatement.¹³⁹ The court held that Dooney & Bourke had no basis for its allegation of

¹³³ *Id.* at 313 (citing *Yocum v. Covington*, 216 U.S.P.Q. 210, 216 (T.T.A.B. 1982)).

¹³⁴ *Id.* at 313-14.

¹³⁵ *Universal Nutrition Corp. v. Carbolite Foods, Inc.*, 325 F. Supp. 2d 526 (D.N.J. 2004); *Louis Vuitton Malletier v. Dooney & Bourke, Inc.*, No. 04 CV 5316 RMB MHD, 2006 WL 2807213 (S.D.N.Y. Sept. 28, 2006).

¹³⁶ *Universal Nutrition*, 325 F. Supp. 2d at 531.

¹³⁷ *Id.* (citing *Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003)).

¹³⁸ *Louis Vuitton*, 2006 WL 2807213, at *3. The "Serrure S" mark was a trademark for "a distinctive lock for handbags and accessories comprising a shield-shaped hasp with a rivet on either side, a lock plate with four rivets, one on each corner and two release mechanisms." *Id.* at *1.

¹³⁹ *Id.* at *4 (mentioning Dooney & Bourke's Counterclaim ¶ 33, which uses the *Medinol* language for fraud).

trademark fraud and did not decide this issue.¹⁴⁰ However, it is evident from Dooney & Bourke's attempt to put forth this claim that it used the language of the TTAB's *Medinol* standard. Thus, both federal courts and parties have come to rely on the language set forth in the TTAB's standard for fraud.

B. *AIPLA's Resolutions Will Not Lessen a Trademark Applicant's Standard of Care When Submitting to the USPTO*

Although AIPLA is a policy-influencing organization and its recommendations are highly regarded, it is unlikely that trademark applicants, when attempting to register a trademark, will rely on AIPLA's resolutions and ignore the current reality of the TTAB standard. There is much at risk – namely, an entire mark's registration – if an applicant were to rely on the idea that any potential good faith mistake in the statement of use would not be fraudulent. While AIPLA's members and committees keep abreast of policies and information in the intellectual property arena, it is still not an official law-making body. While this may seem too obvious to state, it is nevertheless important to remember that the TTAB – not AIPLA – is in the position to decide the fate of a registrant challenged with a claim of fraud. Therefore, it would be to the registrant's benefit if it submitted a carefully crafted, focused list of goods or services for trademark use.¹⁴¹ Some firms, believing that “[t]he TTAB shows no signs of taking a softer approach to ‘fraud,’” have been issuing client alerts so that all registrants are aware of the ramifications of sloppily-produced statements of use.¹⁴²

Consequently, AIPLA's resolutions will not result in sloppier practices by registrants; they will rather maintain – if not increase – the level of meticulousness required for proper registration. This is because case law states that the “lack of specific intent to defraud the [USPTO] is *not sufficient* to avoid a finding of fraud with respect to an Office filing.”¹⁴³ Even if there were a period during which, due to dependence on AIPLA's resolutions, registrants believed that they could be less diligent in their filings of statements of use, rulings of the TTAB would soon put an end to such a presumption. As the Board stated in *Medinol*:

[The applicant] signed its statement of use under penalty of ‘fine or imprisonment, or both . . . [knowing] that such willful false statements may jeopardize the validity of the application or any resulting registration Statements made with such

¹⁴⁰ *Id.*

¹⁴¹ See Hantman, *supra* note 127, at 3.

¹⁴² *Id.* at 2.

¹⁴³ Severson, *supra* note 28, at 758 (emphasis added).

degree of solemnity clearly are – or should be – investigated thoroughly prior to signature and submission to the [USPTO].¹⁴⁴

Registrants should be aware that the TTAB has remained consistent with its prior rulings, which have greatly penalized incidents of carelessness and the like when registering with the USPTO. Furthermore, AIPLA's new resolutions concerning the standard for fraud will not likely increase the number of parties claiming their mistakes were in good faith. The TTAB has illustrated its ability to distinguish between fraudulent activities, even those resulting from an honest mistake, and non-fraudulent activities, where a registrant made a reasonable honest mistake under the circumstances.

It can be argued that AIPLA's resolutions maintain the integrity of the TTAB's standard for fraud as set by *Medinol* and its progeny, but they stop short of what the TTAB regards as necessary to avoid a finding of fraud. The TTAB would agree with the portion of AIPLA's resolutions that state "an honest mistake or misunderstanding does not amount to fraud,"¹⁴⁵ but the TTAB would add to that *as long as the registrant can prove that there was a reasonable excuse for that mistake or misunderstanding*. More often than not, registrants are in a position to know or discover the truth of their statements. Therefore, because the TTAB has found more often than not that false statements in fraud claims consist of a "reckless disregard for the truth," registrants should take more care in their applications to the USPTO.¹⁴⁶

C. Remedies for the TTAB Finding Fraud – Is There a Better Option than Total Registration Revocation?

As mentioned above, the TTAB treats fraudulent and false statements differently when deciding on the appropriate remedy for the registrant. For the former, the entire registration is annulled; for the latter, partial registration remains, and the misrepresented part is removed. Is this the appropriate form of remedy, or should the TTAB only partially remove the misrepresented portions of the registration, regardless of fraudulent or false statements? Or, in the alternative, should the TTAB take a hard line and repeal all registrations, regardless of fraudulent or non-fraudulent behavior? I argue that the TTAB should continue to revoke entire registrations when there is a finding of fraud and reserve partial revocation for a finding of a false statement.

It can be argued that the best way to deter mistakes within

¹⁴⁴ *Medinol v. Neuro Vasx, Inc.*, 67 U.S.P.Q.2d 1205, 1209 (T.T.A.B. 2003).

¹⁴⁵ AIPLA REPORT, *supra* note 1.

¹⁴⁶ *Medinol*, 67 U.S.P.Q.2d at 1210.

statements of use is to hold the registrant to a hard-line standard, regardless of intent, since subjective intent is no longer factored into whether there was fraudulent behavior. However, such an approach, while most likely the most effective deterrent of erroneous statement registration, could have negative repercussions. First, it can "cause the unexpected and irremediable loss of valuable rights afforded by U.S. trademark registration" for those whose false statements made little, if any, alterations to material facts of the registration.¹⁴⁷ Second, erroneous statements of use are not so serious an offense as to warrant such hard-line treatment for offenders.

There are additional arguments that illustrate why the TTAB should consider partial registration revocation rather than total registration revocation as the appropriate remedy for a finding of fraud. First, the *Medinol* standard might be seen as overstepping the requirements that the Lanham Act imposes on applicants. The Lanham Act provides that a trademark registration may be cancelled at any time if the registered mark was "obtained fraudulently."¹⁴⁸ Yet, the Act only requires that an applicant "will not make knowingly inaccurate or knowingly misleading statements" in its statement of use.¹⁴⁹ By holding applicants to a "know or should have known" standard, it can be argued that the TTAB is requiring beyond what the Act had intended of applicants.

A response to this argument speaks to the needs of the trademark industry. It can be inferred that the TTAB wanted a shift in trademark registration practice in order to encourage an industry-wide trend to increase care with respect to applications and registrations. With a tremendous number of filings to the USPTO each year, the TTAB found it necessary to ensure that these applications are accurate. Therefore, when an opponent challenges the accuracy of a given registration, that challenge will be taken seriously and will deter careless drafting in statements of use. It is important to remember that, "absent an allegation of fraud, the appropriate remedy for nonuse of a mark on some but not all of the goods or services in an application is to permit the applicant to amend its application to delete the goods or services on which the mark was not used prior to the filing date."¹⁵⁰

Another issue that confronts the current heightened TTAB standard for fraud is that it does not match the standard used by OHIM's Boards of Appeal. In a world that has increasingly fewer boundaries for trade and production, this lack of consistency

¹⁴⁷ Severson, *supra* note 28, at 762.

¹⁴⁸ 15 U.S.C. § 1064(3) (2006).

¹⁴⁹ 15 U.S.C. § 1117(e) (2006).

¹⁵⁰ Edelman & Stasik, *supra* note 56 (citing *Grand Canyon West Ranch LLC v. Hualapai Tribe*, 78 U.S.P.Q.2d 1696, 1697-98 (T.T.A.B. 2006)).

could pose a problem for foreign applicants attempting to register with the USPTO.

Nevertheless, in order to maintain the integrity of the trademark registration verification process, it is necessary to have as stringent a rule as *Medinol* has provided. There is no evidence that there has been a reduction in trademark applications since the seminal *Medinol* decision. The current standard for fraud for registration verification is, and should remain, in place to ensure that registration applications reflect the professionalism of the applicants.

VII. CONCLUSION

The TTAB “has established deceptive intent as a matter of law based on inferences as to what an applicant or registrant ‘should have known.’”¹⁵¹ “Any explanations of miscommunication, misunderstanding of the law, an intent to use, foreign language difficulties, inadvertence, oversight, mistake, reliance on counsel, improper advice from non-attorneys, and administrative errors will not alone avoid a finding of fraud under the *Medinol* standard.”¹⁵² Therefore, it is in the public’s interest to maintain registrations of technically good trademarks on the register so long as they are still in use.¹⁵³ With the current standard for fraud, the Trademark Register now reflects commercial reality and is not replete with unused marks that could potentially be put to use. Assertions of fraud should be handled realistically.¹⁵⁴ For these reasons, the TTAB should maintain its strict standard of fraud in future proceedings and should not change its practices to conform with the APLA resolutions or with OHIM practices.

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¹⁵¹ McLeod, *supra* note 6, at 330.

¹⁵² *Id.* at 331.

¹⁵³ *Id.* at 298.

¹⁵⁴ *Id.*

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