

# Issues of Fraud Before the USPTO and TTAB

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# Allegations of Fraud Required Pre *Medinol:*

- A false representation to the Examiner/Office by withholding information or affirmative statement
- The false representation must have been material to registrability
- Applicant knew the representation was false
- The false representation was made with subjective intent to deceive the Examiner/Office to obtain some right the Applicant would not otherwise have received

# Pre-Medinol

- The duty to avoid fraudulent registration applies to both Applicants during the prosecution phase and Registrants during renewal

# Assertions of Fraud

- Ground for cancellation/opposition
- Affirmative defense in a cancellation/opposition
  - ✓ Incontestability is not a bar!!!!!!

# Standard of Proof is High

- Most civil actions or inter partes proceedings require a showing by “preponderance of the evidence”
- An assertion of fraud must be shown by “clear and convincing evidence”...
  - ✓ Fraud must be “proved to the hilt...”

## *Medinol Ltd. v. Neuro Vasx Inc.*

- Neuro Vasx Inc. filed an ITU application for the mark NEUROVASX for “medical devices, namely, neurological stents and catheters”
- Neuro Vasx filed a Statement of Use for all of the goods listed in the application, signed by the Applicant’s CEO/President
- Medinol filed a petition to cancel the NEUROVASX registration, alleging fraud in the procurement of the registration because when the SOU was filed, Neuro Vasx had not used the mark in connection with all of the goods listed in the application
- Neuro Vasx attempted to partially cancel/amend the registration by deleting the term “stents” from the description of goods, admitting that it had not used the mark in connection with stents in its Answer
- Once the amendment to the goods was filed, Neuro Vasx moved for summary judgment to dismiss Medinol’s petition to cancel

## *Medinol Cont.*

- Medinol argued that the alleged fraud could not be cured because the false statement tainted the entire registration
- Medinol argued that were such false statements to be so easily cured, applicants would have no incentive to be truthful when filing use-based applications or statements of use, resulting in no adverse consequences

## *Medinol Cont.*

- TTAB granted Medinol’s motion for summary judgment on the issue of fraud holding that Neuro Vasx “knew or should have known at the time it submitted the statement of use that the mark was not used in connection with all of the goods”
- TTAB held that “deletion of the good upon which the mark has not yet been used does not remedy an alleged fraud upon the office... If fraud can be shown, the entire resulting registration is void”

## *Medinol Cont.*

- Subjective intent is not the appropriate inquiry. Rather, the inquiry should focus on the objective manifestations of that intent... the intent must be inferred from the circumstances and statements made by the person
- In the case of Neuro Vasx, the identification was short, simple and included only stents and catheters
- The application was signed by the CEO/President who was in a position to know or inquire as to the truth of the facts asserted

## *Medinol* Cont.

- **Primary changes resulting from *Medinol* include:**
  - Removal of proof that the fraudulent statement included the subjective intent to deceive
  - Expansion of the knowledge requirement to “knew of should have known” falsity of statement
  - The *Medinol* standard for proving fraud is retroactive and thus applies to registrations issued pre-2003
  - Duty to inquire/investigate

## *Medinol* Cont.

- **New Elements of Fraud Post-*Medinol*:**
  - False representation of fact
  - The false representation was material
  - Person making false representation *knew or should have known* the statement was false
  - False representation of fact amounts to reckless disregard for the truth (akin to the previous subjective intent requirement)

## Post-Medinol

- Post-*Medinol* cases appear to apply a more stringent duty to investigate or inquire as to factual statements made in the procurement or maintenance of registrations
- If fraud is determined, the entire registration will be invalidated
- It appears that innocent false misrepresentations of fact can no longer be defended... no room for innocent mistakes, oversights or omissions
- **Strict Liability????**

# Post-Medinol: Are You Confused?

- *Hachette Filipacchi Presse v. Elle Belle, LLC (2007)*
  - Applicant filed use-based application for the mark ELLE BELLE for a broad list of clothing items for men, women and children; the mark registered without incident
  - Petitioner initiated cancellation proceedings based on confusion, dilution and fraud
  - Petitioner moved for summary judgment on the issue of fraud, alleging Respondent, at the time of filing the application, knew or should have known that it was not using the mark in connection with all goods listed in the application

## Post-Medinol: Are You Confused?

- *Elle Belle Cont.*

- Respondent admitted it had never used the mark in connection with men's or children's clothing, or on more than half of the 23 items of women's clothing listed in the application
- Application was signed by Elle Belle's President, not a fluent English speaker despite living in the USA since the 1980's

## Post-Medinol: Are You Confused?

- *Elle Belle Cont.*
  - Respondent argued that there could be no fraud because there was no subjective intent to defraud based on the President's lack of knowledge and understanding of the English language
  - TTAB held, like *Medinol*, that the appropriate inquiry is not into the Registrant's subjective intent, but rather the objective manifestation of that intent

# Post-Medinol: Are You Confused?

- ***Elle Belle Cont.***
  - TTAB held that Respondent's President was obligated to confirm the meaning and accuracy of the statements in the application before signing the declaration
  - TTAB held that any misunderstanding on the part of the attorney likewise will not preclude a finding of fraud because ***the client and the attorney share the duty to avoid fraud... the attorney must seek facts in support of the statement in the application***

# When Does Fraud Occur

- Fraud generally occurs when a false statement is made in one of the following documents:
  - 1(a) Application
  - SOU/AAU
  - Section 8/15 Affidavits of Use
  - Section 9 Renewal Application
- When filing any of the above, one swears under oath that the mark is being used in connection with all goods/services listed in the application or registration

## Strict Liability Standard

- Proof of intent to deceive the PTO is not required.
- Fraud occurs when an applicant/registrant makes a false material misrepresentation that it knew **or should have known** was false.
- Defenses that have failed before the TTAB include:
  - Poor health
  - English as a second language
  - Misunderstanding the law and PTO forms
  - Innocent mistake

# Intent-to-Use Trademark Applications

- ITU applicants must have a bona fide intention at the time of filing to use their mark for the goods or services listed. 15 U.S.C. § 1051(b)(1). Lack of such intent renders the application void ab initio
- The TTAB has consistently held that a complete lack of documentation evidencing an intent to use will prevent registration. *See, e.g., Intel Corp. v. Emeny*, Opp. No. 91123312 (TTAB May 15, 2007) (not precedential) (registration refused where applicant failed to produce any objective evidence of his intent to use the mark)

# Fixing an Incorrect Identification

- **May be able to fix pre-publication.** Misstatement of goods or services may not rise to the level of fraud where an applicant amends the application **prior to publication**. *Hurley Int'l LLC v. Volta*, 82 USPQ2d 1339, 1344 n. 5 (TTAB 2007).
- **Cannot fix post-registration.** Deletion of goods or services on which the mark has not yet been used does not remedy an alleged fraud upon the PTO. *Medinol*

# Best Practices

- **Make sure there has been actual use in commerce of each and every good and/or service listed in an application**

<b>Use in Commerce (15 U.S.C. §1127)</b>	
<b>On Goods</b>	<b>On Services</b>
Mark must be placed on goods, their containers, associated displays, or affixed tags or labels, or if impracticable, then on documents associated with the goods or their sale, and the goods must be sold or transported in commerce.	Mark must be used or displayed in the sale or advertising of the services and the services must be rendered in commerce.

## Best Practices (Continued)

- Examples of what is not considered use of a mark in commerce:
  - Business cards, letterhead, or intercompany or investor presentations
  - Purely intrastate use, unless interstate customers are regularly served
  - Use only in a foreign country, unless the U.S. application is based on a foreign application or registration

## Best Practices (Continued)

- **Consider filing single class applications.** This increases the odds the mark will remain registered for some classes even if one registration is ultimately cancelled for fraud
3. **Conduct “fraudits.”** Audit pending applications to be sure the goods listed are in use

## Best Practices (Continued)

- **If necessary, amend the goods and services before publication**
  - ✓ Docket goods/services inquiry at “approval for publication” or sooner
- **Provide lists of goods and services in checklist form to clients.** This forces clients to address each good or service individually

## Best Practices (Continued)

- **Ask clients to provide specimens of each and every good or service in the application or registration.** This likewise forces the client to address each one individually
- 7. **Suggest that clients document their business plans to use new marks.** This will put them in the best position to prove a bona fide intent to use a mark should an ITU application be challenged on the basis of fraud

## Best Practices (Continued)

- 8. If necessary, divide an application.** If a mark filed as an ITU is being used on only some of the goods listed, but the applicant intends to eventually use it on the remaining goods, divide the application: one for those goods on which the mark is used (which can proceed to registration upon filing an SOU), and one for the others that can still be maintained so long as the applicant continues their intent to use the mark in connection with those goods

# Impact on Your Practice

- Take your time
- Double check the facts
- Triple check the facts
- Create a solid record of investigation/inquiry
- Place the burden on your client to confirm each and every product or service in the identification
- If at all possible, try to secure a separate specimen for each and every product or service
- Advise client of oath and consequences of fraud on registration (form letters)

# GO BADGERS!!!!

