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Focus on Fraud: Still Treacherous Territory in the United States

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The consequences of an applicant or registrant making a material misrepresentation of fact before the U.S. Patent and Trademark Office (USPTO) that it knew or should have known was false or misleading can be severe. If fraud is proven, the application or registration will be deemed void in its entirety or, at a minimum, will be deemed void as to the class(es) for which fraud has been committed. Thus, a clear understanding of how to avoid a claim of fraud and how to deal with potentially problematic applications or registrations is imperative for anyone who directly or indirectly helps protect or enforce trademarks in the United States.

What Types of False Statements Could Amount to Fraud?

The USPTO is continuing to take a tough stand on applicants or registrants who make material misrepresentations of fact that they knew or should have known were false. “Material misrepresentation” refers to a statement that affects the scope of rights of a trademark application or registration, or a statement that the USPTO relies on in determining the right to register a mark or to maintain a registration. A majority of the fraud cases have centered on false statements as to the use of a mark on the goods or services covered under a trademark application or trademark registration at various stages, including at the time of filing an application based on use in commerce, at the time of filing an allegation of use, and at the time of filing a declaration of current use under U.S. Trademark Act Section 8 to maintain a trademark registration.

Fraud has been found in other instances—for example, cases where the specimen submitted to support an application or registration was either not in current use or not used in U.S. commerce, and cases in which the applicant fraudulently claimed to be the owner of the trademark. Also, the failure to adequately respond to the examining attorney’s inquiry during prosecution about a mark’s geographical or descriptive significance could be considered fraud.

Fraud has been alleged on the ground that, contrary to the verified statement, an applicant did not have at the time of filing the application a *bona fide* intent to use its mark in U.S. commerce in connection with all of the goods or services listed in the trademark application. The issue of *bona fide* intent to use and the lack thereof may apply to foreign applicants as well. This is because, even in cases where a U.S. trademark application is based solely on a foreign application or registration (including a request to extend protection through the Madrid Protocol), the applicant *must* still have a *bona fide* intent to use its mark in U.S. commerce in connection with *all* of the goods or services covered under the application.

Specific Intent Is Not Necessary

The lack of specific intent to defraud the USPTO is no defense to a claim of fraud. It is not the applicant’s or registrant’s subjective intent that matters; rather, the standard is whether the applicant or registrant *knew or should have known* that a material statement was false. Miscommunication with attorneys, lack of familiarity with the English language, misunderstanding of U.S. trademark law, failure

to adequately investigate the truth of a statement, failure to read the document being signed, honest mistake and the fact that the applicant or registrant is not represented by counsel have all been held to be insufficient to overcome a finding of fraud.

Moreover, the USPTO has made it clear that once a mark has been published for opposition, fraud cannot be cured merely by amending the application or subsequent registration. For example, one cannot delete goods or services or amend the filing basis to defeat a claim of fraud after the application has been published. At that point, it is too late. While on a number of occasions the USPTO has suggested that applicants *may* have an opportunity to correct a misstatement *prior* to publication, it has yet to issue a decision that directly addresses this point.

Claiming Fraud

Because a finding of fraud can void an application or registration in its entirety, it has become commonplace to include a claim of fraud in opposition and cancellation actions in the United States. Likewise, fraud often is asserted by the applicant or registrant in an opposition or cancellation action as a defensive measure in the form of a counterclaim against the opposer or petitioner. Notably, unlike some other grounds for cancellation, there is no statute of limitations on filing a petition to cancel (or a counterclaim to cancel) a registration on the ground of fraud. Such a claim can be made *at any time* during the registration's existence. A successful fraud claim or counterclaim can be particularly harsh if valuable trademark registration rights are lost when trying to enforce your client's or company's trademark registration against another's.

Avoiding Fraud

To avoid getting caught in the web of a fraud claim, when your client or company makes a verified or sworn statement regarding a material fact, it is imperative that you and your client carefully review the statement, thoroughly investigate the statement, have support for the statement and have a reasonable basis for believing that the statement is true. Thus, for example, when filing applications based on use in commerce, filing allegations of use and filing declarations of current use to maintain a trademark registration, a thorough investigation should be made into all of the specific goods or services with which the mark is used in U.S. commerce, and supporting documentation should be collected and retained. Designated goods for which the mark is not being used must be deleted from the application or registration or divided out (if appropriate). All other submissions or statements that bear on the registrability of a trademark or the ability to maintain a trademark registration should undergo the same scrutiny.

Further, when filing applications based on a *bona fide* intent to use a mark in U.S. commerce, or even when based solely on foreign rights (as there is still an intent-to-use component), a diligent effort should be made to ensure that the applicant has a *bona fide* intent to use its mark in U.S. commerce in connection with *every single* good or service listed. If not, your client or company could find itself defending a claim of fraud, which could jeopardize the entire application or registration. While multiclass applications are allowed in the United States, and while the USPTO has recently suggested that if fraud is found in a multiclass application or registration, the application will be void only with respect to the class(es) in which fraud was committed, applicants may also want to consider filing separate trademark applications for each class of goods or services. This approach would shield and otherwise avoid entangling in an opposition or cancellation action goods or services beyond the scope of a potential fraud claim.

In addition, all documents received from the USPTO, such as Notices of Allowance, Certificates of Registration and Notices of Acceptance of Section 8 Declarations, should be carefully reviewed to ensure accuracy. For example, steps should be taken to ensure that the USPTO did not erroneously include goods or services that were deleted from the application or registration. Failure to identify and

immediately correct such errors could amount to fraud.

Finally, trademark portfolios should be audited to identify vulnerable rights. File histories of pending trademark applications and issued registrations should be analyzed to determine if arguably material misrepresentations of fact were made at any point before the USPTO. If an arguable misrepresentation is discovered and an application has not yet been published for opposition, the application should be immediately amended to attempt to correct any possible misrepresentation. In that case, however, especially if the application is for a key mark for core goods or services, new applications should also be considered. If an arguable misrepresentation is discovered in a post-publication application or in a registration and if the mark is still important to the company, a fresh trademark application should be immediately filed.

As a corollary, before asserting trademark rights against another party, it is important to review any relevant trademark applications or registrations that will be asserted to determine whether they may be vulnerable to an attack based on fraud.

Although every effort has been made to verify the accuracy of items carried in the INTA Bulletin, readers are urged to check independently on matters of specific concern or interest.

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