
The dangers posed by *Bose*

By overturning the *Medinol* doctrine on fraud, the Federal Circuit has removed the threat of cancellation hanging over many trademarks, but the decision re-opens the door to falsely obtained registrations in clear breach of the Trademark Law Revision Act

US practitioners have become accustomed to trademarks being viewed as second-class citizens when compared to patents. The Court of Appeals for the Federal Circuit has confirmed their status in its *In re Bose Corporation* (Case 2008-1448, August 31 2009) ruling. In overturning the US Patent and Trademark Office's (USPTO) doctrine on fraud, the court equated fraud in trademark oppositions with fraud in patent infringement lawsuits. In so doing, the court rode roughshod over the principles on use of a mark implemented by the Trademark Law Revision Act of 1988 and sanctioned the development of a US Trademark Register filled with deadwood and falsely obtained registrations.

Taking issue with token use

In 2003 the USPTO's Trademark Trial and Appeal Board (TTAB) issued a landmark decision in *Medinol v Neuro Vasx Inc* (67 USPQ2d 1205, 1209 (TTAB 2003)). Since then US trademark applicants and registrants have operated under a straightforward principle: all sworn declarations filed with the USPTO regarding use of a trademark on goods and services in the United States must be accurate or else the registration is subject to cancellation on the grounds of fraud on the USPTO. The reason for requiring that the claims of use be accurate is simple: only the owner of a trademark registration knows for certain – or can easily find out – if it is using the mark and, if so, for what goods or services.

A little background regarding the concept of 'use' in the United States is in order. Until 1989 US trademark law under the Lanham Act prevented filing a trademark application until use had begun. However, the definition of 'use' did not require that use to be commercial. Thus, most trademark applications in the United States were filed based on what was euphemistically called 'token use', a practice in which the applicant would take an existing product, place a label on it with the new trademark, and ship a case across state lines to a friendly retailer.

In the late 1980s the US Trademark Association (now known as the International Trademark Association (INTA)) conducted a study which found that almost 25% of all US trademark registrations more

than six years old were not being used. This fact, and the desire to permit trademark applications to be filed in the United States on the basis of intent to use, resulted in a dramatic change in US trademark law – the Trademark Law Revision Act. However, the trade-off was that the act outlawed token use. Since 1989 the law defines 'use' as "the *bona fide* use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark". This definition of use applies to all sworn declarations filed with the USPTO both to obtain and renew trademark registrations.

The age of *Medinol*

The dramatic change in the definition of what constitutes 'use' of a mark in the United States should have rendered all pre-1989 cases dealing with false sworn claims of use irrelevant. This did not happen. From 1989 until 2003, the TTAB continued to maintain that fraud needed to be proved up to the hilt, even when a sworn declaration claiming use of a mark on some or all of the goods was false. Finally, in 2003 the TTAB laid down a bright-line, objective standard for fraud on sworn statements claiming use that was false.

The *Medinol Case* centred on a registration for the mark NEUROVASX. An officer of Neuro Vasx Inc signed a sworn declaration that the mark was in use on all the goods in the application: "medical devices, namely, neurological stents and catheters". However, the mark was not in use on stents. In cancelling Neuro Vasx's entire registration on the basis of this fraudulent statement of use, the TTAB held that it did not matter that there was no "intent" to defraud the USPTO – "the appropriate inquiry is not into the applicant/registrant's subjective intent, but rather into the objective manifestations of that intent".

The TTAB went on to hold 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". And, from a practical standpoint, it is not unreasonable to require that an applicant/registrant know whether it is making commercial use of the mark on specific goods when it signs a sworn declaration stating that there is such use. When a law has been in effect for 20 years to end token use and prevent businesses from obtaining and renewing trademark registrations for marks that are not used on all of the goods claimed, there is no reasonable policy argument that the law does not mean what it says and should not apply. Yet, that is exactly what the argument was in *Bose*.

***Bose*: the 'facts'**

The facts in *Bose* are simple. Audio equipment manufacturer Bose

Corporation filed an opposition against an application brought by a company called Hexawave Inc, claiming ownership of registrations for the marks ACOUSTIC WAVE and WAVE for “radios, clock radios, audio tape recorders and players, portable radio and cassette recorder combinations, compact stereo systems and portable compact disc players”. Hexawave filed a counterclaim to cancel the WAVE registration for fraud.

Hexawave cited a Section 8/9 renewal (a combination of a Section 8 affidavit of continued use and Section 9 renewal application) filed under the Lanham Act by Bose in 2001. The renewal claimed use on all the goods – including “audio tape recorders and players”. The sworn declaration supporting Bose’s 2001 renewal was made by its general counsel, who was the officer responsible for IP matters. In his testimony in the opposition proceeding, he acknowledged that Bose had not made or sold audio tape recorders and players since 1997, but took the position that Bose has continued to use its mark on the goods because owners of Bose audio tape recorders and players could send them to the company for repair and Bose then “transported” the repaired goods back to the owner. However, the TTAB found it clear from the record that the general counsel knew that Bose had not manufactured or sold audio tape recorders and players under the WAVE mark since 1997.

The TTAB concluded that since Bose was not using the mark in connection with audio tape recorders and players, the statement in the Section 8/9 renewal was false. Bose knew it had not manufactured or sold audio tape recorders and players for at least three years prior to filing the renewal. Furthermore, Bose’s asserted belief that the return to the customer of a repaired audio tape recorder and player after it had been serviced was use in connection with goods to maintain a registration for such goods was not reasonable. Finally, the TTAB reiterated that a false sworn claim of use in a Section 8/9 renewal constitutes fraud on the USPTO. On appeal the Federal Circuit reversed.

Trademark law revisionism

The court’s decision once again demonstrates that it views trademark law as an inferior subset of patent law. While INTA, regrettably, did not file an *amicus curiae* brief with the Federal Circuit in *Bose*, the American Intellectual Property Law Association (AIPLA) did. Having passed a board resolution in 2007 critical of *Medinol*, its brief sought the reversal of the TTAB’s decision in *Bose* and called on the court to overrule *Medinol*. However, its reasoning relied heavily on fraud cases from the patent world and basically ignored established trademark law. Thus, it is all the more unfortunate that the Federal Circuit essentially adopted the reasoning and recommended holding in the AIPLA’s brief, rather than provide an independent analysis.

The Federal Circuit’s opinion does not even mention the Trademark Law Revision Act and that law’s explicit and clear definition of use. As of November 16 1989, *bona fide* commercial use or intent to use is required to obtain or maintain a US trademark registration. The deal struck in 1988 between the US Trademark Association, Congress and trademark owners was that in return for being permitted to file trademark applications with only a *bona fide* intent to use, the entire concept of token use (much less no use) was removed from US trademark law.

Misapplication of patent law

The *Bose* ruling, unfortunately, equates fraud in patent infringement lawsuits in federal courts with trademark oppositions at the TTAB. It cites as its main basis a civil patent infringement lawsuit – *Star Scientific Inc v R J Reynolds Tobacco Co* (537 F 3d 1357,

The Federal Circuit’s response

In an exclusive interview with *WTR*, Paul Michel, chief judge of the US Court of Appeals for the Federal Circuit and author of the court’s opinion in *In re Bose Corporation* (Case 2008-1448, August 31 2009), hits back at criticism and explains why the court came to the decision it did.

What prompted the US Patent and Trademark Office (USPTO) to develop the *Medinol* fraud standard?

I believe the USPTO’s Trademark Trial and Appeal Board (TTAB) was relying on the earlier decision of the Federal Circuit in *Torres v Cantine Torresella Srl* (808 F2d 46, 48 (Fed Cir 1986)). That ruling contained some ambiguous language and quite understandably the TTAB focused on this language when adopting the fraud standard set out in the *Medinol Case* (67 USPQ2d 1205, 1209 (TTAB 2003)). I think the TTAB misread the *Torres* decision but I can see why it came to the interpretation it did. The Federal Circuit’s opinion in *Bose* is based on a long line of cases and corrects the TTAB’s misinterpretation of *Torres*.

In essence, how does the Federal Circuit’s approach differ from the *Medinol* line?

Following *Medinol*, the TTAB could reject an application or cancel a registration in its entirety if the applicant supplied inaccurate information in the application and the TTAB concluded that the applicant had not acted reasonably. The statute provides that a registration cannot be abrogated unless the underlying application was obtained fraudulently. The Federal Circuit held that, quite simply, fraud means fraud; it does not mean negligence. The concern that this decision allows people to be careless during the application process is easy to exaggerate and is being exaggerated. There are a number of incentives to ensure that applicants and their legal advisers act in good faith.

First, the application must be supported by a sworn affidavit. When a lawyer takes an affidavit under oath he or she is putting his or her reputation on the line. If the lawyer knowingly provides false information in an affidavit he or she is liable to criminal prosecution for perjury. Second, the USPTO can disbar any attorney and refuse to allow that attorney to appear before it ever again. Third, lawyers who specialize in trademark work are repeat advocates before the USPTO so the worst thing a lawyer can do is lie or exaggerate as he or she will quickly gain a reputation for being someone that cannot be trusted.

Some suggest that the principles developed borrow too heavily from patent law; how do you respond to this?

The tradition in the United States is that the courts do not explain their opinions, the opinions explain themselves. However, if a reader looks through the *Bose* opinion of the panel, which incidentally was a unanimous decision, he or she will see that the key cases on which the court relies are trademark cases, not patent cases. The decision is firmly grounded in trademark law.

According to *Bose* a showing of fraud on the USPTO requires evidence of a subjective intent to deceive; how can this be proved?

The civil and criminal law are replete with examples where subjective intent is a requirement to prove a civil or criminal wrong. In all cases, including defrauding the USPTO, the fraud is nearly always proven by indirect or circumstantial evidence. This is nothing new or odd; it is something litigated in all sorts of civil and criminal cases. The law does not require a confession from the applicant or a lawyer representing the applicant. All that is needed is sufficient evidence so that a reasonable finder of fact could conclude that a person intended to cheat or deceive the USPTO into giving a registration that it would not have done if it was aware of the true facts.



Does the *Bose* ruling mean that US practitioners should close their ears and not make enquiries regarding use or intent to use?

1365 (Fed Cir 2008)). The Federal Circuit ignores the fact that there is a specific statutory definition of what constitutes 'use' and disregards direct case law on fraud in USPTO cases. Prior to this ruling, the law in civil suits alleging fraud in patent cases had never been applied to, or been held to have any applicability to, USPTO trademark registration matters. Moreover, the court's patent-oriented approach to trademark law overlooks the vast differences between the prosecution of a patent and a federal trademark.

Under US law, when a patent is invalidated for fraud, that is the end of the patent. No rights or claim of rights exist. The subject matter enters the public domain, and the patent holder has lost everything with no chance of recovering any rights. The trademark system bears no resemblance to the patent situation when a trademark registration is cancelled. A federal trademark registration is not a grant of substantive rights. US trademark rights are based on common law use. Thus, unlike a patent, when a trademark registration is cancelled, the owner has not lost the common law rights it has in that mark for the products or services for which it is being used. Plus if a rights holder makes no use of its mark, the cancellation of the registration has no impact whatsoever. On the other hand, if the cancelled registration covers multiple goods (as was the case in *Bose*), there is no legal impediment to an owner filing a new trademark application for the goods for which the mark is actually being used or for which there is a *bona fide* intent to use. Moreover, during the period that the mark owner is without a federal registration, there is no legal impediment to its bringing a lawsuit – or even filing an opposition with the TTAB – on the basis of its prior common law rights in the mark for the actual goods. In *Bose* the Federal Circuit held: "The principle that the standard for finding intent to deceive is stricter than the standard for negligence or gross negligence, even though announced in patent inequitable conduct cases, applies with equal force to trademark fraud cases." However, the court did not mention – much less explain – the enormous differences between trademark and patent practice or why the standard of fraud should be identical.

Therefore, the court simply looked at the standard for proving fraud to invalidate a patent and decided that this standard should also apply in trademark opposition and cancellation proceedings before the TTAB. The Federal Circuit reprimanded the TTAB in stating: "By equating 'should have known' of the falsity with a subjective intent, the board erroneously lowered the fraud standard to a simple negligence standard."

Instead, the Federal Circuit found that the standard for proving fraud of any type in trademark oppositions and cancellations is the following: "We hold that a trademark is obtained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false, material representation with the intent to deceive the [US]PTO. Subjective intent to deceive, however difficult it may be to prove, is an indispensable element in the analysis."

Deadwood: alive and kicking

The court did not even consider the policy implications of permitting applications to proceed and registrations to stay on the US Trademark Register without commercial use. Today, one need only read one week's *Official Gazette* of published US applications or a single commercial trademark search report to see dozens of published trademark applications or issued registrations that contain long laundry lists of goods for which the applicant (or registrant) cannot conceivably be using, or even have a *bona fide* intent to use, the mark. This is plainly at odds with the clear language of the Trademark Law Revision Act and the legislative history of this law.

One of the major goals of the act was to eliminate from the Trademark Register the huge volume of registrations for marks not in real commercial use: in other words, 'banked', 'token use' and warehoused registrations. The *Bose* decision makes that commercially almost impossible.

Moreover, it is bad public policy that USPTO examiners have no recourse but to process fraudulent applications as though they were real, clearly knowing that they are not, and knowing that these applications will clog the Trademark Register with 'deadwood'. Further, given the impossible standard of proof for fraud set by the Federal Circuit, clearly the TTAB should not spend its time deciding cases brought against such applications and registrations, even though it knows that they are never going to be used.

Hear no evil

So where does the *Bose* decision leave rights holders and their attorneys with respect to use? Such parties are required to sign sworn declarations to obtain or maintain a registration in the United States. Unless the Federal Circuit did not mean what it said in *Bose*, two key questions are posed by this ruling. The first is: what should lawyers now ask their clients regarding use of the mark in the United States for the goods or services specified in the application? As long as *Bose* is the law, practitioners would be well advised not to ask their clients if they have a *bona fide* intent to use (for an application) or are using their trademark in the United States on all of the goods and services in the application. The court's holding requires that fraud can be proved only by showing that the signatory to a declaration "knowingly makes a false, material representation with the intent to deceive the [US]PTO". If the signatory does not know whether there was use, it is virtually impossible to prove intent. If, when faced with a charge of fraud, the signatory is asked why he or she did not make such an inquiry, the very reasonable response is that, since the court in *Bose* indicated that it does not place particular importance on whether a person signing a sworn declaration makes factually correct statements, it is not worth a signatory to a declaration taking the time to check the veracity of the stated facts.

On the other side of the coin, what action can be taken by a party who becomes aware of a pending application covering a long list of goods or services that the applicant will never use or a registration which contains goods or services that are not in use? Practically speaking, no experienced US trademark lawyer will recommend that his or her client spend tens of thousands of dollars trying to establish, by clear and convincing evidence, that the other party knowingly made a false, material representation with the intent to deceive the USPTO. This burden of proof is all the more difficult against a foreign applicant or registrant that is not subject to a discovery deposition. Most importantly, unlike in a civil lawsuit for patent infringement, at the TTAB there is no chance of obtaining a damages award or even attorneys' fees.

Last rites

The new order was confirmed by the TTAB itself in *Soci t  Cooperative*

The US Court Appeals for the Federal Circuit's decision in *In re Bose Corporation* (Case 91 USPQ2d 1938 (Fed Cir 2009)) brought an abrupt end to the reign of *Medinol* (Case 67 USPQ2d 1205 (TTAB 2003)), when fraud was a favoured avenue of attack in Trademark Trial and Appeal Board (TTAB) *inter partes* proceedings. Once a party discovered that the other side had filed its use-based application or maintained its registration for a mark that was not in use for all the listed goods or services, it was a sure ticket to summary judgment for fraud. The attacking party did not have to prove that its adversary intended to deceive the US Patent and Trademark Office (USPTO), but only that the adversary "knew or should have known" that its statement regarding use was false.

After *Bose*, "knew or should have known" is not enough. But it will be a rare case indeed when a party will find proof that the other side intended to deceive the USPTO. What then is left of the fraud doctrine? How does a party plead and prove fraud in the post-*Bose* era? Two recent TTAB interlocutory rulings provide an indication that it will not be easy.

In *Société Cooperative Vigneronne Des Grandes Caves Richon-Lezion and Zicron-Jacob Ltd v Albrecht-Piazza LLC* (Opposition 91190040 – 2009), the TTAB required the applicant-counterclaimant to amend its fraud-based petition for cancellation in light of *Bose*. The TTAB would not accept a "knew or should have known" allegation, observing that "pleadings of fraud made 'on information and belief' where there is no separate indication that the pleader has actual knowledge of the facts supporting a claim of fraud ... are insufficient".

The TTAB pointed to the requirement of Rule 9(b) of the Federal Rules of Civil Procedure that the pleadings "contain explicit rather than implied expression of the circumstances constituting fraud". Moreover, there must be some "separate indication that the pleader has actual knowledge of the facts supporting a claim of fraud".

So how does one plead a fraud claim post-*Bose*? It appears that one must expressly allege that the adversary knew that the statement was false and intended to deceive the USPTO. What specific facts may be alleged to support that allegation? One might set forth the facts surrounding the pleader's investigation into the use or non-use of the mark in question, but that would not seem to fit the bill.

Indeed, a party may have to refrain from pleading a fraud claim until after discovery has revealed sufficient facts to satisfy the pleading requirement. This may be particularly problematic when an application filed under the Madrid Protocol is being opposed. Under Trademark Rule 2.107(b), a notice of opposition filed against a Section 66(a) (of the Lanham Act) application may not be amended to add grounds for opposition. How then, without discovery, can one meet the pleading requirement for fraud?

Vigneronne Des Grandes Caves Richon-Lezion and Zicron-Jacob Ltd v Albrecht-Piazza LLC (Opposition 91190040 – 2009) (for more on this case and the latest developments at the TTAB see "Fraud in the post-*Bose* era"). The TTAB issued an order that the allegations of fraud in the counterclaim were no longer valid, as a matter of law, under *Bose*. It stated that: "There is no fraud if a false misrepresentation is occasioned by an honest misunderstanding or inadvertence without a wilful intent to deceive." Then to reiterate that it is virtually impossible to allege a claim of fraud – even when a claim of use is false – the TTAB added: "The standard for finding intent to deceive requires more than proof that the trademark applicant should have known of the falsity of its material representations of fact... [Rule 9(b) of the Federal Rules of Civil Procedure] requires that the pleadings contain explicit rather than implied expression of the circumstances constituting fraud... Pleadings of fraud made 'on information and belief' where there is no separate indication that the pleader has actual knowledge of the facts supporting a claim of fraud also are insufficient."

In short, a claim that an applicant or registrant committed fraud by submitting a false, sworn declaration regarding use of its trademark – even if clearly false – is no longer sufficient to withstand a motion to dismiss.

So it is no longer practical to allege fraud regarding a failure to make use given the high standard of evidence required to avoid

The TTAB drove its own stake through the heart of *Medinol* in its first precedential ruling on fraud since *Bose*. In *Enbridge Inc v Excelerate Energy Limited Partnership* (Opposition 91170364, (October 6 2009)), the opponent, Enbridge Inc, moved for summary judgment on the ground of fraud, claiming that the applicant, Excelerate Energy Limited, had never used the applied-for mark for various services recited in its use-based application. Excelerate admitted that it had never used the mark for one of the listed services, the transmission of oil, but the TTAB denied the motion because there existed genuine issues of material fact regarding whether Excelerate "knowingly made this representation of use with the intent to deceive the USPTO".

Excelerate characterized "the statement in its application that it provided 'transmission of oil' as 'an inadvertent, honest mistake'" and maintained that its subsequent amendment of its recitation of services [after the opposition was filed] "corrected its error in good faith". That was enough for the TTAB. It ruled that "[a]t a minimum, whether applicant knowingly made this representation of use with the intent to deceive the USPTO remains a genuine issue of fact to be determined at trial".

The TTAB pointed out that "[u]nless a party alleging fraud can point to clear and convincing evidence that supports drawing an inference of deceptive intent, it will not be entitled to judgment on a fraud claim". Once Excelerate (not unexpectedly) claimed innocence, it was up to the opponent, Enbridge, to provide proof of Excelerate's intent to deceive the USPTO. Of course, had Enbridge known that the *Medinol* standard for proof of fraud would be jettisoned, it perhaps might have changed its approach to the case in seeking the now-required proof.

It seems clear that proving a fraud claim on summary judgment may have become a historical relic. In *Medinol*, the TTAB entered summary judgment *sua sponte* on the ground of fraud. But in the post-*Bose* era, one will need to find the proverbial 'smoking gun' before the TTAB will enter summary judgment for fraud.

Applicants and registrants would still be wise to conduct "fraudits" of their existing applications and registrations to see if there might be any problems regarding use of their marks. An amendment to correct any false statement of use would surely bolster a claim of innocent mistake should an application or registration ever be challenged on fraud grounds.

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dismissal of the fraud claim. Where does that leave a potential opponent or petitioner that believes the rights holder has falsely claimed use of a trademark?

Regrettably, under the *Bose* standard, the petitioner or opponent has little recourse unless it can prove that the owner has abandoned its mark. Unfortunately, abandonment also entails a very high standard of proof.

As noted, the *Bose* decision sends the message to the legal community that there is no duty of candour with the trademark side of the USPTO – even with sworn declarations filed. *Bose* encourages rights holders and their lawyers to put their heads in the sand and not ascertain whether marks are still in use when they sign sworn declarations and file renewal applications. It sanctions the US government's maintenance of a Trademark Register filled with deadwood and registrations obtained with false declarations. The United States has now gone back to a 'permissive' or 'quasi-token use' system – exactly the opposite to the language and legislative intent of the Trademark Law Revision Act. [WTR](#)

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