

Allen's Trademark Digest®

MONTHLY DIGEST OF TRADEMARK DECISIONS ISSUED BY
THE U.S. PATENT & TRADEMARK OFFICE

Keeping Tabs on the TTAB®

By John L. Welch

This month we are delighted to present a guest article by Joseph R. Dreitler of Brickler & Eckler LLP in Columbus, Ohio. Joe is a *bona fide* trademark expert, and he has strong views on the *Trademark Act's* "use" requirement and the TTAB's fraud doctrine. He provides an important historical perspective on the subject in this provocative and informative article.

Why The TTAB Got It Right In *Medinol*

By Joseph R. Dreitler

What's the most important trademark decision of the last 20 years? No, it's not *Two Pesos*, *Qualitex*, *Samara*, *TraFFix* or *Victoria's Secret*. It's the 2003 TTAB decision in *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003). And the TTAB judges who decided *Medinol* – Simms, Walters and Rogers – need to be congratulated by those of us who call ourselves trademark lawyers, for having the courage to, imagine this, apply the language of the Lanham Act.

For those reading this who were not in practice before November 16, 1989 – the effective date of the Trademark Law Revision Act (TLRA) – you should understand that U.S. trademark law practice was vastly different then. A cynic would argue that the registration and maintenance process in the U.S. Patent & Trademark Office (PTO) was based upon the underlying principle that fraud was an inherent part of the process. However, we need to be clear: there were and remain two types of "fraud." The first type is "use" fraud, based on false, sworn statements about use of the trademark made in an application, statement of use, section 8 affidavit, or renewal application filed with the PTO. The other type of fraud involves every other false statement or withholding of a material fact that has an impact on the PTO's decision to register or maintain a trademark registration.

Token Use

In 1988 the U.S. was one of three countries that did not permit intent-to-use trademark applications. All U.S. applicants were required to swear that they had made use of the mark on the goods (or with the services) in

interstate commerce, and to submit a specimen of such use. The same requirements applied in Section 8 affidavits of use and renewal applications. But how, you might ask, could an applicant ever file a trademark application and establish a claim of trademark rights without spending the money to launch a new product and running the risk of being sued by a prior user? Token use was the answer. And sadly, token use was the answer to every question that had to do with obtaining and maintaining trademark registrations in this country.

How could token use work? Well, it worked because the definition of use in the Lanham Act prior to November 1989 was the following:

Use in commerce. For the purposes of this Act a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce.

...

There is nothing in this definition that required that the use be genuine, commercial, or even *bona fide*. So in order to be able to file a new trademark application, a candy company would take an existing product, slap a label on it with the new trademark, and ship a case across state lines to a friendly retailer. That shipping date was the date of first use and that fake label was the specimen of use submitted to the PTO with the application. And everyone played along with the game, including the applicants, their competitors, the PTO, and TTAB, all accepting this sham as legitimate "use" to establish trademark rights. See: *Fort Howard Paper Co. v. Kimberly-Clark Corp.*, 390 F.2d 1015 (CCPA 1968); *General Mills Inc. v. Health Valley Foods*, 24 USPQ2d 1270 (TTAB 1992); *Times Mirror Magazines, Inc. v. Sutcliff*, 205 USPQ 656 (TTAB 1979); and *La Maur Inc. v. International Pharmaceutical Corp.*, 199 USPQ 612 (TTAB 1978).

This same type of use was sufficient for filing a Section 8 Affidavit or a renewal every 20 years – the term of registration before TLRA. To be sure, there were a few cases where competitors filed cancellation actions against registrations based on such "use" that

had sat on the Trademark Register and been renewed and maintained for years without any commercial use. *Block Drug Co., Inc., v. Morton-Norwich Products, Inc.*, 202 USPQ 157, 159 (TTAB 1979). However, the point is that because of the definition of “use”, this type of activity was not considered fraud. Many companies had very elaborate and sophisticated programs for maintaining (some called it “banking”) unused trademark registrations.

I was in house trademark counsel at The Procter & Gamble Company during the 1980's and early 90's, and P&G had a systematic approach to maintaining non-commercially used registrations, called the “minor brands program”. For each trademark registration in the program, each year multiple cases of product labeled with the trademark were shipped across state lines to retailers in multiple states. This token use legally permitted the filing of Section 8 affidavits and renewal applications.

However, for those in practice there was a real schizophrenia, because although you could tell your clients that they could obtain and maintain trademark registrations in the U.S. on the basis of token use, a court would not enforce any rights in these registrations against third parties. *Procter & Gamble Co. v. Johnson & Johnson, Inc.*, 485 F. Supp. 1185 (S.D.N.Y. 1979), *aff'd without opinion*, 636 F.2d 1203 (2d Cir. 1980). You could obtain and (often) maintain a registration in the PTO based upon token use. That was not fraud. The registration enjoyed all the legal presumptions that a registration is entitled to. But, courts were loathe to enforce them. Still, the instances of companies trying to blackmail a competitor – demanding extortionate sums if they launched a new product with a name similar to a banked trademark – were very real, and I was involved in several of these types of cases, all as the defendant being sued on the basis of a banked trademark.

Pre TLRA Fraud

1960's

Even under a token use regime, there are cases from the 1960's in which the TTAB and the CCPA did not hesitate to find fraud if the facts warranted it. In *Bart Schwartz Int'l Textiles Ltd. v. Federal Trade Comm'n*, 289 F.2d 665, 669, 129 USPQ 258 (CCPA 1961), the FTC filed to cancel the trademark registration of the mark FIOCCO for “textile fabrics in the piece of cotton, rayon, synthetic fibers, and mixtures thereof,” claiming it was obtained fraudulently because “fiocco” is simply the Italian word for “spun rayon.” In upholding the TTAB's decision to grant the petition for cancellation (121 USPQ 99), the CCPA stated that the TTAB based its decision, at least in part, on the ground that appellant had withheld from

the Patent Office a material fact, *i.e.*, that Bart Schwartz at the time of signing the sworn statement on behalf of appellant knew that the word “fiocco” was an Italian word used to mean staple rayon and that by withholding such information the registration “was obtained fraudulently.”

The CCPA took a different tack but the result was the same in finding fraud and cancelling the registration:

The obligation which the Lanham Act imposes on an applicant is that he will not make knowingly inaccurate or knowingly misleading statements in the verified declaration forming a part of the application for registration.

The mere withholding of information as to the meaning of the Italian word “fiocco” is not such a fraudulent withholding of information as to warrant cancellation of the mark. Nevertheless, despite this holding it is clear to us that the registration “was obtained fraudulently” within the meaning of 14(c) of the Lanham Act because of the misrepresentation in the declaration concerning what appellant knew to be the rights of others to use the word “fiocco.”

The evidence, both direct and circumstantial, establishes to our satisfaction that Schwartz on May 18, 1955, at the time he verified the application for registration of “FIOCCO” as appellant's trademark knew that others had the right to use this word in “commerce” for textile fabrics. His statement in the declaration is a misrepresentation of fact as distinguished from the mere expression of an opinion.

Bart Schwartz signed the verified declaration on behalf of appellant to induce the Patent Office to grant the registration in reliance upon this misrepresentation of fact. From the record as a whole it seems clear to us that Schwartz as appellant's president was not acting in good faith in this respect at the time he signed the declaration. From what we have found in the record it seems clear that he possessed knowledge of facts which was contrary to the statement made in the declaration.

Likewise, there was TTAB precedent in the 1960's finding fraud on the PTO for filing a false declaration about use, even though most companies had a token use program. In *G. B. Kent & Sons, Ltd. v. Colonial Chemical Corporation*, 162 USPQ 557 (TTAB 1969), the evidence showed that the Opposer had not sold any soap under its trademark for more than 10 years. The Board had no trouble finding: “With regard to the second ground of cancellation, in an affidavit which

accompanied the application for renewal of Opposer's registration, an official of the Cosby corporation stated that the mark 'shown therein is in use in interstate and foreign commerce.' Such was not in fact the case, and this false representation, on the basis of which renewal was issued, clearly constituted a fraud upon this Office."

1970's – early 1980's

It is clear that during the 1970's and early 1980's the TTAB, under Saul Lefkowitz, realized that given the vague statutory definition of "use" in the Lanham Act and the acceptance by the CCPA and CAFC of the doctrine of token use, there was little to be gained by finding fraud in cases relating to use. What is regrettable is that, in trying to avoid dealing with fraud in the area of use, the TTAB (in some cases) not only ignored precedent, but "created" a number of additional requirements for finding fraud, and in some cases applied these additional requirements to fraud cases that were unrelated to use.

Most notably, Mr. Lefkowitz wrote several opinions that gave lip service to *Bart Schwartz*, but actually ignored its rationale and reached an opposite conclusion. In *Goyescas Corporation v. Editorial America, Inc.*, 174 USPQ 126 (TTAB 1972), the Examiner had asked the applicant's lawyer for a translation of the Spanish term CORIN TELLADO and the lawyer responded that the term was coined and had no meaning. Amazingly, this statement came from Saul Lefkowitz: "While it is true that Mr. Smiley's representations to the Patent Office must be regarded as somewhat less than candid, it cannot be said that his answer to the question of the examiner was knowingly inaccurate or intentionally misleading in order to obtain a registration."

In a "use" case in 1972, Mr. Lefkowitz created new law on fraud in *Rogers Corporation v. Fields Plastics & Chemicals, Inc.*, 176 USPQ 280, 282-283 (TTAB 1972). Citing to *Bart Schwartz*, he then ignored its holding and created his own distinction between fraud and *something* less: "However, there is a material legal distinction between a 'false' representation and a 'fraudulent' one, the latter involving, as indicated above, an intent to deceive, whereas the former may be occasioned merely by a misunderstanding, an inadvertence, a mere negligence omission, or the like." In addition to not explaining what the differences are and how they are to be determined, the main problem with this disingenuous statement is that he cited to *The Rieser Company, Inc. v. Munsingwear, Inc.*, 128 USPQ 452 (TTAB 1961) for this distinction, and the alleged "fraud" in *Munsingwear* was absurd – Opposer had argued that use of the ® symbol next to a mark not yet registered amounted to fraud (clearly not the intent of the Lanham Act).

Kemin Industries, Inc. v. Watkins Products, Inc., 192 USPQ 327 (TTAB 1976), involved a dispute between

two parties as to ownership rights in a trademark. One party alleged the other had committed fraud by signing a declaration claiming to be the owner when he knew he had no such rights. In disregarding the effect of a sworn declaration, Mr. Lefkowitz amazingly engaged in something akin to intellectual dishonesty. Again citing to *Munsingwear* for his own distinction between fraud and falsity, Mr. Lefkowitz then seemed to suggest that filing a false declaration was no big deal: "Additionally, the allegations of ownership and exclusive use contained in the declaration or verification accompanying an application are made upon 'belief' and/or 'information and belief' and, as such, are couched in such a manner as to preclude a definitive statement by the affiant that could be ordinarily used to support a charge of fraud."

It is pretty clear that Saul Lefkowitz was trying to build a house of fraud that was virtually impossible to enter. In *Smith International, Inc. v. Olin Corp.*, 209 USPQ 1033 (TTAB 1981), the TTAB reasonably found that the Opposer Smith, owner of a registration for the mark "Dyna-Drill", had not committed fraud when it filed the application for its pleaded registration, although it had made only an internal shipment of a prototype "Dyna-Drill" tool for testing only. Rather than simply dismissing Applicant Olin's counterclaim to cancel Smith's registration on that basis, Mr. Lefkowitz once again cited to his own definition of fraud from *Rogers Corporation* (after citing once again to the irrelevant *Munsingwear* for support) and added the following, gratuitous personal opinion which has, regrettably, been frequently recited as the law of fraud by subsequent TTAB panels:

"It thus appears that the very nature of the charge of fraud requires that it be proven 'to the hilt' with clear and convincing evidence." (emphasis added)

To be fair, in another use case, *Volkswagenwerk Aktiengesellschaft v. Advance Welding and Mfg. Corp.*, 193 USPQ 673 (TTAB 1976), Saul Lefkowitz found that the Registrant had committed fraud in signing affidavits of use:

"...there is nothing in the deposition of respondent's president to suggest that his execution of the declaration in question was occasioned by a misunderstanding, inadvertence, a negligent omission, etc. As alluded to above, a mere cursory reading of the declaration by respondent's president would have alerted him to question the statements therein — a precaution that he obviously did not follow. The only conclusion that one can draw from the record herein is that there were obvious overtones of fraud in the execution of the declaration in support of the Sections 8 and 15 affidavits, and that this is sufficient, per se, to invalidate the registration in question."

In a case that did not involve “use” fraud (or Mr. Lefkowitz), *American-International Travel Service, Inc. v. AITS, Inc.*, 174 USPQ 175 (TTAB 1972), the TTAB had no problem (citing to *Bart Schwartz*) in finding that an Applicant who unsuccessfully tried to acquire Opposer’s trademark rights and then filed an application for the same mark and services had committed fraud: “[i]t must be presumed that anyone who signs a declaration that the statements made therein are with the knowledge that willful false statements are punishable by fine or imprisonment under federal law and that such willful false statements may jeopardize the validity of the application or registration resulting therefrom, understands what he declares to be true.”

Nor was the Federal Circuit reluctant to find fraud. In *Torres v. Cantine Torresella S.r.l.* 808 F.2d 46 (Fed. Cir. 1986), the registrant Torres averred that the mark as registered was still in use in interstate commerce for each of the goods specified in the registration: wine, vermouth, and champagne. Actually, it was only being used for wine, and in a different logo form. The Court held, “If a registrant files a verified renewal application stating that his registered mark is currently in use in interstate commerce and that the [specimen] attached to the application shows the mark as currently used when, in fact, he knows or should know that: 1) he is not using the mark as registered and 2) that the [specimen] attached to the registration is not currently in use, he has knowingly attempted to mislead the PTO.” That is fraud.

The token use situation reached the pinnacle of absurdity when the CAFC reversed the TTAB – which had held that a token sale of some dry cat food under the name Encore was void *ab initio* since “the product shipped was not the ALL WAYS cat food under development but was one of the dry cat foods already in applicant’s [Ralston’s] line.” *Ralston Purina Co. v. On-Cor Frozen Foods, Inc.*, 746 F.2d 801, 223 USPQ 979 (CAFC 1984). Discovery revealed that the first (and only) use was on June 5, 1980, when one interstate shipment was made of one of Ralston’s regular line, dry cat food under the mark ENCORE. The shipment consisted of twelve 28-ounce boxes and the price was \$4.13. Encore was intended to be a moist cat food. The CAFC held that a token sale or a single shipment in commerce, with the color of a *bona fide* transaction, may be sufficient to support an application for registration provided that it is followed by other shipments or accompanied by activities or circumstances which would indicate a continuing effort or intent to continue such use and place the product on the market on a commercial scale.

The United States Trademark Association (now INTA) filed an *amicus* brief in *On-Cor Frozen Foods, Inc.*, that took no position on the question of whether the registration should issue, but argued that “tremendous

expenditures and financial risks are involved in developing and introducing a new product on a national scale” and that it is “common practice, dictated by the commercial realities, for a product as well as its brand name, to be extensively test marketed, and there are frequently modifications of the original product concept.”

Auspiciously, that same year the TTAB decided *Crocker National Bank v. Canadian Imperial Bank of Commerce*, 223 USPQ 909 (TTAB 1984), holding that “a foreign national qualified under § 44(b) is entitled to an alternative basis for registration of a trademark registered in its country of origin without regard to whether such mark is in use prior to the application’s filing date.” In short, a foreign applicant could now obtain a US registration without any use of the mark in the US or anywhere in the world.

Trademark Law Revision Act of 1988

In September 1984 USTA established a Trademark Law Review Commission (TLRC) of trademark law experts to study the Lanham Act and make recommended changes. With the *Crocker* decision it was clear that the time to seriously consider an intent-to-use trademark system was at hand, as well as to look at other changes that should be made to a statute that was now almost 40 years old and had never had any major revision. I was lucky enough to be involved up close because my boss at P&G was chairman of the “Definitions Committee” of the TLRC.

The work of the TLRC went on for well over a year on many issues, including how to define “use” and whether a single definition of “use” should apply everywhere in the Act. In any event I spent a lot of time discussing this with my boss and he in turn with other members of TLRC, debating the ramifications as to how “use” should be defined, as well as whether there should only be one definition of use in TLRA. It was no accident that a single definition of use and a very precise and clear definition of what constituted “use” won the day.

There was a consensus that this definition of use – which is in the TLRA – was the appropriate one:

The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the

nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce

There is nothing about this definition of “use” or the legislative history of TLRA, the definition of “use” that was adopted verbatim from the TLRC Report [*The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 T. M. Rep. 375, 421 (1987) (hereinafter Trademark Commission); see also 133 Cong. Rec. 32812 (1987) (statement of Sen. DeConcini) (“The bill I am introducing today is based on the Commission’s report and recommendations”)], that is remotely the same as the pre-TLRA definition. In my opinion, it is both disingenuous and intellectually dishonest to ignore the distinction, much less suggest that any case law or standards enunciated on what constitutes legitimate “use” by the TTAB or CAFC or CCPA prior to November 16, 1989 have any relevance to determining whether a claim of “use” of a trademark is fraudulent.

Indeed, the Policy Supporting Intent-To-Use-System of the TLRC Report stated:

“(B)(1) Token use should be discouraged. It delays filings; it is contrived; it is commercially invisible; it perpetuates dead marks clogging the register; and it creates legal uncertainty.” 77 TMR at 393.

The Report continued with respect to the new definition of use: “Although the amendment is general, it excludes sham trademark use and the unrealistic limited volume or single product shipments now being made for purposes of establishing pre-application use. It would effectively nullify *Fort Howard Paper Co. v. Kimberly-Clark Corp.*, 390 F.2d 1015 (CCPA 1968) and its progeny”. 77 TMR at 395.

The Report rejected the adoption of a system that permitted trademark registration before commercial use began (except for Section 44 applications). “We think that an American intent to use system requires, before registration, use attested by declaration and specimens.....(A) would confirm the importance of use in the American system, and (B) it would deter registration of marks not intended for commercial use, since a declaration of such use and specimens would be required shortly before registration would issue. It would thus lessen the risk of proliferation”,(D) it would not weaken the deterrent effect of Section 38 affording damages for fraudulent registrations, as a post registration use requirement might do”. 77 TMR at 393-4.

A post-registration use system was very much considered in light of US applicants being at a

disadvantage to foreign applicants filing in the US under Section 44 without any use in light of *Crocker*. But, the TLRA was drafted to prohibit foreign applicants legally filing for long laundry lists of goods in the US without any *bona fide* intention to use the mark on all of the goods. The Report stated, “We recognize that a post registration use system would give American applicants full parity with Section 44 applicants. Although our proposed system would not do so, it would dispense with use before filing and require Section 44 applicants to allege a *bona fide* intention to use, thus narrowing the disparity heightened by *Crocker*.” 77 TMR at 394. There was no ambiguity in the Report, “Section 44 applications should be required to allege a bona fide intent to use the mark in commerce”. 77 TMR at 404. The Report went on:

“To permit registration without an intention to use is to encourage registration of reserve or defensive marks. Eliminating this practice should be fundamental to our adoption of a new system”. 77 TMR at 404.

Today, one need only read one week’s *Official Gazette* 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 have a *bona fide* intent to use the mark on in the United States. This is plainly at odds with the clear language of the TLRA and the legislative history of this law. Why should the TTAB waste its time deciding cases brought against such blatantly fraudulent applications and registrations? How can a US lawyer tell his or her client to spend thousands of dollars trying to prove fraud “to the hilt” against a foreign applicant who is not, in practical terms, subject to discovery, when there is no chance of any financial deterrent to the applicant’s merely filing a new, similarly fraudulent application? Is it good public policy that the Trademark Examining Operations has no recourse but to examine such fraudulent applications as though they were real, clearly knowing that they are fraudulent and will clog the trademark register with “deadwood”?

One of the major goals of the TLRA was to eliminate from the Register what everyone knew was a huge volume of registrations for marks not in real commercial use: in other words, “banked”, “token use” and warehoused registrations. Rich Berman’s Registration and Incontestability Committee (informally known as the “Deadwood” Committee) conducted “...a rough analysis of marks registered from 1966 to 1985 in an attempt to measure the amount of deadwood on the register. We concluded that approximately twenty-three percent of the active registrations over six years old are deadwood”. 77 TMR at 405.

“The volume of abandoned or inactive marks (“deadwood”) on the PTO register poses a serious problem for the business community.” 77 TMR at 407. The Commission proposed several changes to law, all of which were incorporated in order to get rid of the deadwood: *e.g.*, the term of registration was reduced from twenty (20) years to ten (10) years. 77 TMR at 404.

During the debate over the TLRA, a concern frequently expressed was that if an intent-to-use system were adopted it would allow “big companies” to bank many trademarks with no use, stifle competition, and block smaller companies from adopting trademarks. Actually, that was the totally wrong side of the argument, because most large companies, like P&G, had a very sophisticated token use system. As stated above, P&G’s was called the “minor brands program” that produced and shipped products to stores in multiple states annually for every banked trademark. *Procter & Gamble Co. v. Johnson & Johnson, Inc.*, 485 F. Supp. 1185 (S.D.N.Y. 1979), *aff’d* without opinion, 636 F.2d 1203 (2d Cir. 1980).

In addition to reducing the term of registration to ten (10) years, the Registration and Incontestability Committee stated:

“we believe that deadwood would ultimately be reduced by adopting the Section 45 definition of ‘use in commerce’ as suggested in the Intent-To-Use recommendation. This would require a greater showing of actual commercial use than is presently required. This level of commercial use would be required for Section 8 and renewal affidavits with respect to **every product and service set forth in the registration** (emphasis added). Without such a statement, those products and services would be stricken from the registration.”

It is important to repeat this. The definition of “use” applies to:

- 1) Sworn statements of use in used based applications; and
- 2) Sworn statements of intent to use in intent-to-use applications; and
- 3) Sworn statements of use in Section 8 affidavits; and
- 4) Sworn statements of use in renewal application affidavits.

“Use” does not mean use on some of the goods. “Use” does not mean a couple of sales four years ago. Use has

meant what the definition in Section 45 of the Lanham Act has said since November 16, 1989:

“Use means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark”.

The USTA Comment USTA/Trademark Law Revision Act of 1988, which was intended to highlight the intent and history of the Public Law 100-667 changes to the Lanham Act (November 16, 1988) could be no clearer that use means real and legitimate use:

“**Comment:** The revised definition of “use in commerce” is one of the most far reaching amendments to the Lanham Act made by the Trademark Law Revision Act of 1988. Modified primarily to eliminate the practice of token use, which becomes unnecessary and inappropriate under an intent to use application system, it will govern the creation and maintenance of trademark rights at all stages of the registration process and is incorporated, as well, into the revised definition of “abandonment”. Public Law 100-667 changes to the Lanham Act (November 16, 1988), USTA Comment USTA/Trademark Law Revision Act of 1988, at page 376.”

This was the deal that USTA made when it drafted and lobbied for the amendment of the Lanham Act in 1988. Applicants would be able to file trademark applications before they made use, but, in return, trademarks registrations could be obtained and maintained and renewed only if there was legitimate and commercial use.

Early TTAB Interpretations of the TLRA

The TTAB recognized this drastic change in what constitutes “use” explicitly when it analyzed the new definition of use in *Paramount Pictures Corp. v. White*, 31 USPQ2d 1768 (TTAB 1994). In holding that the applicant had not made *bona fide* use, the Board stated:

“The Trademark Law Revision Act amended the definition of “use in commerce” by, *inter alia*, adding the following initial sentence thereto: The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark.

In *Commodore Electronics Ltd. v. CBM Kabushiki Kaisha Opposition*, 26 USPQ2d 1503 (TTAB 1993), the Board noted that “use” was clearly defined, but while “bona fide intent” was not, the term had to be read to

accord with the intent of the act to end the practice of making token use in registering and renewing trademark registrations:

“As the legislative various reports and other legislative history regarding the Trademark Law Revision Act of 1988 make clear, it was the intent of Congress in enacting Section 1(b) that the bona fide requirement thereof focus on an objective good-faith test to establish that an applicant’s intent is genuine. Although the term “bona fide” is not defined in the statute, due to the impossibility of identifying every factor which might be determinative of whether an applicant’s intent is indeed bona fide at every stage of the registration process, a requirement of “good faith” (“under circumstances showing the good faith of such person”) was included in Section 1(b) to emphasize the importance of the concept of bona fide intent. The term “bona fide” in Section 1(b) must, furthermore, be read in conjunction with the revised definition of “use in commerce” in Section 45 of the Trademark Act, which the Trademark Law Revision Act of 1988 amended to require that such use be “in the ordinary course of trade, and not made merely to reserve a right in a mark”.

Medinol Ltd. v. Neuro Vasx, Inc.

The TTAB’s 2003 decision in *Medinol Ltd. v. Neuro Vasx, Inc.*, 67 USPQ2d 1205 (TTAB 2003), is significant because it laid down a bright line, objective standard for fraud. Indeed, given this background and clear language of the statute and legislative intent in 1988 to change the Lanham Act to:

- 1) require section 44 applicants to have a bona fide intent to use the mark on every good and service for which they apply; and
- 2) require every applicant to have made bona fide commercial use on each and every good in their use based application, statement of use, section 8 declaration and renewal application,

it is hard to imagine how the TTAB could have done anything other than cancel the NEUROVASX registration for “medical devices, namely, stents and catheters”. The facts were simple. In 1998, Neuro Vasx filed an intent-to-use application to register the mark NEUROVASX for “medical devices, namely, neurological stents and catheters”. The application was approved and a notice of allowance issued. Neuro Vasx filed for two extensions of time for filing the statement of use, and in the second extension specifically stated that applicant has made

efforts to use the mark in commerce in connection with “...each of the goods/services specified...” On January 7, 2000 an officer of Neuro Vasx, Inc. signed the sworn declaration that the mark was in use on “those goods/services identified in the Notice of allowance....”

In 2002 Medinol, Ltd. filed a petition to cancel the registration on the ground that at the time Neuro Vasx signed the sworn declaration with the Statement of Use, the mark was not in use on stents, and that the registration for stents and catheters was obtained by Neuro Vasx’ knowingly false or fraudulent statements. Neuro Vasx’ response was that it had no further interest in the trademark for stents and requested that these goods be deleted from the registration. Medinol filed a reply and objected to the proposed deletion of stents, arguing that an amendment could not un-do the fraud which it claimed tainted the entire registration. Medinol’s argument was fairly simple – applicants would otherwise have no incentive to tell the truth to the PTO because if they get caught they can delete goods that were never used and end up with what they were entitled to with no penalty for their actions.

The TTAB agreed that merely deleting the “unused” goods does not remedy the fraud on the USPTO. If fraud is shown, then the entire registration is void. The Board observed that in almost all cases, a party caught making a false statement will argue that there was no “intent” to defraud the PTO. Citing to *Torres*, the Board stated the test: “[t]he appropriate inquiry is not into the registrant’s subjective intent, but rather into the objective manifestations of that intent.” In this case Neuro Vasx signed a sworn statement, under penalty of fine or imprisonment – or both, that the trademark was in use on both goods. Respondent will not now be heard to deny that it did not read what it had signed”. *Medinol*, at 1209. The Board then held that, “Respondent’s knowledge that its mark was not in use on stents – or its reckless disregard for the truth – is all that is required to establish intent to commit fraud in the procurement of a registration”, *Medinol*, at 1209.

When the law has been in effect for 20 years to end token use and prevent businesses from obtaining and keeping trademark registrations for marks that are not used on the goods, what possible policy argument can be made that the law does not mean what it says?

Recent Efforts to “Turn Back the Clock”

It is indeed regrettable that the American Intellectual Property Law Association (AIPLA), passed a board resolution in 2007 critical of *Medinol*, and filed what can charitably be called a disingenuous *amicus curiae* brief in the appeal to the CAFC of *Bose Corp. v. Hexawave Inc.*, 88 USPQ2d 1332 (TTAB 2007), involving fraud based upon signing a sworn statement of use when there was no use of the mark for certain goods or services. [The AIPLA made the same

arguments in a subsequently-filed *amicus* brief in *Hualapai Tribe v. Grand Canyon West Ranch LLC*, 78 USPQ 2d 1696 (TTAB 2006).]

The facts in *Bose* are simple. Bose filed an opposition against an application of Hexawave, 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”. The applicant filed a counterclaim to cancel the WAVE registration for fraud, since Bose filed a renewal in 2001 claiming use on all the goods - including “audio tape recorders and players”. The sworn declaration was made by an in-house lawyer/officer who was responsible for intellectual property matters. He testified that Bose had not made or sold those goods since 1997 but took the position that Bose had continued to use its mark on the goods because owners of previously-purchased audio tape recorders and players send those goods for repair services and then Bose “transported” the repaired goods back to the owner.

Let’s remember, here is (an example) of the language that Bose’s in-house counsel/Assistant Corporate Secretary signed before the renewal was filed in the PTO:

Declaration

The owner, or its related company, is using the mark in commerce on or in connection with the goods and/or services identified above, as evidenced by the attached specimen(s) showing the mark as used in commerce. The owner, or its related company, has continuously used the mark in commerce on or in connection with the goods and/or services identified above, for five (5) consecutive years after the date of registration, or the date of publication under Section 12(c), and is still using the mark in commerce on or in connection with the identified goods and/or services. There has been no final decision adverse to the owner’s claim of ownership of such mark for such goods and/or services, or to the owner’s right to register the same or to keep the name on the register; and there is no proceeding involving said rights pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts. The undersigned being hereby warned that willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and that such willful false statements and the like may jeopardize the validity of this document, declares that he/she is properly authorized to execute this document on behalf of the Owner; and all statements made of his/her own knowledge are true and that all statements made on information and belief are believed to be true.

What part of this is not clear? When a lawyer and corporate officer signs this – or even has a corporate officer sign a document like this – how can he or she later claim a lack of understanding of what “use” is? It is a defined statutory term. If he or she had not read the statute or did not know the law, why would a lawyer or corporate officer sign a document that says “willful false statements and the like are punishable by fine or imprisonment, or both, under 18 U.S.C. Section 1001, and ... such willful false statements and the like may jeopardize the validity of this document”? The only good explanation is that “I signed it, but did not know that for the last 20 years’ use in commerce’ means, ‘the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark’”. In other words, I don’t know the law and did not ask anyone. In what other area of the law is that a legal excuse for signing and filing such a sworn declaration with a government agency?

AIPLA’s brief cites a five-factor fraud test that federal district courts have applied in patent infringement lawsuits, *Unitherm Food Sys., Inc. v. Swift-Eckrich, Inc.*, 375 F.3d 1341, 1358 (Fed. Cir. 2004) (quoting *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 807 (Fed. Cir. 2000), *rev’d on other grounds*, 546 U.S. 394 (2006)). The brief then discusses the history of common law fraud, but does not mention that the Lanham Act has a clear definition of “use” for trademark registration and maintenance and that Bose’s General Counsel signed the sworn declaration (above) swearing that the mark was still in use.

The *amicus* brief then cites case law on the fraud standards applied by federal courts in patent cases, *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008); *Aventis Pharma S.A. v. Amphastar Pharms., Inc.*, 525 F.3d 1334, 1343 (Fed. Cir. 2008). This ignores the fact that there is a specific statutory definition of “use” and specific case law on fraud in Trademark Office cases, and that the law in civil suits alleging fraud in patent cases has never been applied to, or been held to have any applicability to, PTO trademark registration matters. Moreover, this patent-oriented approach ignores the vast differences between the prosecution of patents (a grant of rights that is very valuable) and trademark registration (not a grant of rights and dependent upon use for enforcement).

When a patent is invalidated for fraud, that is the end of that patent. There are no more rights, the subject matter enters the public domain, and the patent holder has lost everything. The trademark system bears no resemblance to the patent side when a trademark registration is cancelled. As we all know, a federal trademark registration is not a grant of substantive rights; rather, 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 good or services with which

it is being used. And if it has no use, the cancellation of a trademark registration has no impact whatsoever. On the other hand, if the cancelled registration covered multiple goods, there is no legal impediment to that owner filing a new trademark application for the goods as to which the mark is actually being used or for those goods as to which there is a *bona fide* intent to use. Moreover, during the period that the trademark 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 prior common law rights in the trademark for the actual goods.

The AIPLA *amicus* brief does not mention the enormous difference between trademark and patent practice, although it states that there is no rule in trademark prosecution parallel to the Rule 56 “duty of candor and good faith” before the USPTO in patent prosecution proceedings. That statement is correct on its face, but no one could reasonably suggest that a lawyer may lie or engage in deceit with the trademark side of the USPTO simply because there is no specific rule prohibiting such behavior. Clearly, lawyers cannot abandon their ethical obligations as attorneys just because there is no specific rule in a specific tribunal prohibiting deceitful conduct. Rule 3.3 of the Model Rules of Professional Conduct, titled “Candor Toward The Tribunal,” provides that “(a) A lawyer shall not knowingly: (1) make a false statement of fact or law to a tribunal or fail to correct a false statement of material fact or law previously made to the tribunal by the lawyer;” or (2) fail to disclose to the tribunal legal authority in the controlling jurisdiction known to the lawyer to be directly adverse to the position of the client and not disclosed by opposing counsel....”

Regrettably, the *amicus* brief does not even provide a citation to, much less mention, the Trademark Law Revision Act of 1988 and that law’s explicit definition of “use”. As of November 16, 1989, an applicant or registrant is absolutely required to have *bona fide* commercial use in order to obtain or maintain a U.S. trademark registration. No twisting of words or efforts to turn back the clock to a standard of “common law fraud” can change the law. USTA (now INTA) drafted a revision of federal trademark law that was adopted almost virtually intact, and as to use was adopted verbatim from the USTA position. The “deal” that was made in 1988 among USTA, the 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.

Bose is a case solely about “use” fraud, not about any other type of fraud. Only the “owner” of a trademark registration knows for certain – or can easily find out – if it is “using” the trademark and, if so, with what goods or services. In view of the language of the statute, is it

unreasonable to require that a trademark owner or corporate officer accurately verify that the trademark is in “use” before signing such a document and filing it in the USPTO? No third party or USPTO personnel can know for sure, nor should they be required to spend the time and money trying to determine if the owner who signs a sworn declaration claiming use failed to comply with the clear letter of the law.

While not stated explicitly, if AIPLA’s brief is followed and a trademark owner files a sworn statement that its mark is in use but it isn’t, presumably the registration should remain on the register and be valid unless a third party has the resources, the interest, and the desire to bring litigation and succeeds in proving common law fraud – which is virtually impossible to prove with respect to claiming use. If the CAFC adopts the proposed common law fraud test, all an officer who signs a false statement about use of a trademark has to do is testify, “I thought we were still using it on these goods because _____”, much like the testimony in *Bose*. There can then be no fraud finding. And for good measure the registration remains on the register – even though there is proof of no use. Was it the intent of the TLRA to continue to keep hundreds of thousands of “deadwood” registration on the Trademark Register? If the proposed, virtually impossible standard to prove fraud becomes law, then what value is the federal Trademark Register, other than as a place where people can obtain and maintain trademark registrations for unused marks, blocking others from registering or actually using them, just like in the pre-1989 days of token use?

The public policy implications of such a test are alarming on numerous fronts. As noted, it sends the message to the bar that there is no duty of candor – even as to sworn declarations– on the trademark side of the USPTO; it encourages trademark owners to put their head in the sand and not learn if their companies are still using their trademarks when they sign sworn declarations and file renewal applications; it tells applicants and registrants that there is no penalty for ignoring the clear language of the law requiring “use” to obtain and maintain trademark registrations; and it overrules both the language and intent of the Trademark Law Revision Act and sanctions the federal government’s operation of a trademark registry filled with deadwood and fraudulent registrations.

If trademark owners are allowed to file false, sworn declarations of use with the USPTO and not automatically have their trademark registrations cancelled, what type of system does the U.S. have? Do we have a “permissive” use system? If the Federal Circuit agrees with AIPLA’s position we are back at a quasi token use system – which is exactly opposite to the language and legislative intent of the TLRA of 1988.

If any organization endorses such a revision to the meaning of “use” established by the TLRA of 1988, then they should propose draft legislation and permit the trademark bar, trademark organizations, and trademark owners to debate their proposals. The proper approach is not to file an *amicus* brief that does not tell the Federal Circuit that they are being asked to engage in judicial activism – judicially nullifying the single most important aspect of the Trademark Law Revision Act of 1988 – the definition of “use”.

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