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Federal Circuit Clarifies Standard For Proving "Fraud" in Trademark Renewals

On August 31, 2009, the United States Court of Appeals for the Federal Circuit issued a decision holding that, in order for a trademark registration to be canceled on the basis of fraud, the party challenging the registration must prove that the registrant had actual intent deceive the United States Patent and Trademark Office ("PTO"). Recent decisions by the Trademark Trial and Appeal Board ("T.T.A.B."), including Medinol v. Neuro Vasx, Inc., 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003), had previously applied a broader objective inquiry into whether the applicant "knew or should have known" with respect to allegations of fraudulent representation, resulting in the cancellation of various trademark registrations. Here, the Court explicitly rejected application of such a standard and affirmatively stated that cancellation is only justified where there is proof of subjective fraudulent intent.

This ruling, issued in In re Bose Corporation, Opposition No. 91/157,315, 2009 WL 2709312 (Fed. Cir. Aug. 31, 2009), stems from an appeal of the decision of the T.T.A.B. ordering cancellation of Bose's "WAVE" trademark under 15 U.S.C. § 1064(3), finding that the "registration was obtained fraudulently". Bose Corp. v. Hexawave, Inc., 88 U.S.P.Q.2d 1332 (T.T.A.B. 2007). Hexawave, Inc., which petitioned for cancellation, alleged that the trademark renewal application filed by Bose on January 8, 2001 contained fraudulent statements regarding the scope of Bose's use of the "WAVE" mark in commerce. Specifically, the renewal application, signed by Mark E. Sullivan, general counsel to Bose, stated that the "WAVE" mark was still in use in commerce for various goods, including audio tape recorders and players. Hexawave offered evidence that Bose ceased the manufacture of such devices between 1996 and 1997 and that Mr. Sullivan knew that those products had been discontinued when he signed the application. Mr. Sullivan testified that he believed the "WAVE" mark was still being used in commerce with respect to those devices because Bose continued to accept the devices for repair and then transported them back to customers. The T.T.A.B. held that this belief was not reasonable, and that the renewal application contained fraudulent representations justifying the cancellation of Bose's "WAVE" mark in its entirety. The T.T.A.B., as a result, issued an order cancelling the registration of the "WAVE" trademark.

Reversing the T.T.A.B., the Federal Circuit stated that a distinction must be drawn between "false" and "fraudulent" representations, the latter of which requires an actual intent to deceive. Absent solid proof of such intent, the drastic remedy of cancellation is not warranted. The Court held that the T.T.A.B., through application of the "knew or should have known" standard, erroneously lowered the burden of proof to one equated with mere negligence and that "subjective intent, however difficult to prove, is an indispensable element in [this] analysis." In re Bose, 2009 WL 2709312, at *4.

This unequivocal ruling from the Federal Circuit should come as welcome news to mark holders, as it minimizes the risk that registrations and renewals will be subject to cancellation based on oversight or mistake. However, it should also serve as a reminder to all responsible parties to ensure that all documents filed with renewal of a registration are carefully reviewed and updated prior to submission to the PTO to reflect any changes in commercial use of a mark.

Authored By:

[Kimberly K. Smith](#)

(212) 332-5024

KSmith@sheppardmullin.com

and

[Theodore C. Max](#)

(212) 332-3602

TMax@sheppardmullin.com