

Client Advisory - Federal Circuit Supports Trademark Owners by Making It More Difficult to Challenge Applications and Registrations Based on Fraud

September 2009

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In re Bose Corp., No. 2008-1448 (Fed. Cir. Aug. 31, 2009), rev'g, Bose Corp. v. Hexawave, Inc., 88 U.S.P.Q. 2d 1332 (T.T.A.B. 2007).

The U.S. Court of Appeals for the Federal Circuit has clarified in *In Re Bose* the evidentiary standard for demonstrating when fraud has occurred before the USPTO by requiring clear and convincing evidence of intent to deceive. In so doing, the Federal Circuit has reasserted the classic standard requiring proven intent for a finding of fraud, and has confirmed that instances of carelessness or mistake constitute only negligence, mandating correction.

In the Trademark Trial and Appeal Board's 2003 decision in *Medinol Ltd. v. Neuro Vasx Inc.*, 67 U.S.P.Q.2d 1205 (T.T.A.B. 2003), the Board held that a trademark applicant or registrant commits fraud (and subjects its application or registration to cancellation at any time) when it makes material representations of fact in Board filings which it knows or should know to be false or misleading. Since the *Medinol* decision, this standard has given rise to challenges to applications and registrations based on mistakes or negligent statements in trademark filings, where there was no real intent to deceive the Patent and Trademark Office or anyone else. In the *Bose* decision, the Federal Circuit has identified the applicable standard of proof for fraud before the USPTO, and has reaffirmed that a trademark registration is obtained or maintained fraudulently under the Lanham Act only if the applicant or registrant knowingly makes a false material representation with the intent to deceive the USPTO.

In re Bose involved statements made in a renewal application. The fraud charge arose as a counterclaim in Bose Corp.'s ("Bose") opposition to Hexawave, Inc.'s ("Hexawave") application to register the mark HEXAWAVE. Bose based its opposition on a likelihood of confusion with its registered WAVE trademark, and Hexawave counterclaimed for cancellation of the WAVE registration because of a false statement in the specification of goods in Bose's renewal application.

Bose's renewal application stated that Bose continued to use its WAVE mark on all of the goods listed in its registration certificate, although the company had ceased the sale and manufacturing of certain goods included in the registration (audio tape records and players). The declaration was signed by Bose's general counsel, Mark E. Sullivan.

Sullivan stated that he was aware that the company had ceased sale and manufacturing of WAVE branded audio tape recorders and players several years before the renewal. However, he based his declaration on the continued repair and return shipping by Bose of previously-sold WAVE tape recorders, some of which were still under company warranty, which he believed constituted use of the WAVE mark in commerce in connection with those recorders and players.

The TTAB had found that: (i) repair and shipment back of WAVE branded audio tape recorders and players alone did not constitute sufficient use to maintain a trademark registration for those goods; (ii) Mr. Sullivan's belief that repairing goods constituted use in commerce was unreasonable, and (iii) the statement of continued use in the renewal application was material. The Board concluded that Bose had committed fraud on the Patent and Trademark Office ("PTO") by making this statement in the renewal application and ordered cancellation of the registration.

On appeal, the Federal Circuit sided with Bose, stating that “[b]y equating ‘should have known’ of the falsity with a subjective intent, the Board erroneously lowered the fraud standard to a simple negligence standard.” The Court held 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 PTO.” (emphasis added).

The Federal Circuit went on to emphasize the heightened fraud standard by citing the Board’s 1981 decision in *Smith Int’l, Inc. v. Olin Corp.* that “the very nature of the charge of fraud requires that it be proven ‘to the hilt’ with clear and convincing evidence. There is no room for speculation, inference or surmise and, obviously, any doubt must be resolved against the charging party.”

The Bose decision is good news for trademark owners and applicants for several reasons including:

- The risk that another party will spend the time and money to oppose an application or cancel a registration based on erroneous statements made to the Patent and Trademark Office would appear to be much lower, if the challenger has to prove fraud "to the hilt" with "clear and convincing evidence."
- While the Bose decision arises in the context of statements made in a Section 8 affidavit of continued use and a Section 9 renewal application, the clarifying language in the decision makes it likely that the fraud standard will be applied in all Patent and Trademark Office filings.

We continue to recommend that clients take care in reviewing applications and declarations filed with the U.S. Patent and Trademark Office, to ensure they are accurate. The good news is that it is now considerably more difficult for a third-party to succeed in challenging a trademark registration or application based on inadvertent mistakes in filing or maintenance.

This advisory is for guidance only and is not intended to be a substitute for specific legal advice. If you would like further information, please contact the Edwards Angell Palmer & Dodge LLP attorney responsible for your matters or one of the attorneys listed below:

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