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Trademark Fraud = Reckless Disregard For The Truth?

Posted on September 22, 2010 by Steve Baird

Aaron Keller was busy yesterday making weighty predictions about the basis for our next economy: The Designed Economy.

As I prepare to provide attendees at the Midwest IP Institute tomorrow with a trademark fraud update -- today, I thought I'd provide a preview -- and even go out on a small limb -- making a couple of predictions of my own, relating to the far more scintillating topic of trademark fraud before the United States Patent and Trademark Office (USPTO).

As you may recall last year, I wrote about the Court of Appeals for the Federal Circuit's (CAFC) groundbreaking decision *In re Bose*, here, here, here, and here, in which the CAFC rejected the Trademark Trial and Appeal Board's (TTAB) less stringent "knew or should have known" negligence standard of fraud, instead coming down in favor of a much more stringent -- and difficult to prove standard -- subjective intent to deceive the USPTO.

Over the last year, much attention has been given to the fact that the CAFC left open and chose not to decide, in *In re Bose,* the question of whether a "reckless disregard for the truth" may suffice in proving the necessary subjective intent to deceive. Many argue that "reckless disregard" should suffice in proving fraud for the sake of the integrity of the U.S. trademark system, to ensure that trademark owners and their counsel are kept honest and/or don't become lazy or complacent about the solemnity of the oath in their trademark filings.

Reading the tea leaves, I'm predicting that the TTAB will not wait for the CAFC to decide the issue and the TTAB will rule that "reckless disregard" constitutes a sufficient level of culpability to infer a specific intent to deceive. If so, what does that mean? What kind of trademark conduct might satisfy a "reckless disregard" standard?

Well, we know from the CAFC's *In re Bose* decision (footnote 2) what conduct does not rise to the level of "reckless disregard" for the truth:

- In-house counsel at Bose signs under oath trademark renewal documents indicating that, at least as of 2001, the WAVE trademark was still in use in commerce on various goods, including audio tape recorders and players;
- Bose stopped manufacturing and selling audio tape recorders and players sometime between 1996 and 1997;
- The in-house counsel at Bose knew that Bose discontinued those products when he signed the renewal documents, but he believed (unreasonably, according to the TTAB) that the WAVE mark still was used in commerce because "in the process of repairs, the product was being transported back to customers";
- Before Bose submitted the 2001 declaration of use, neither the USPTO nor any court had interpreted "use in commerce" to exclude the repairing and shipping of repaired goods.

As the CAFC held, given all these facts, "even if we were to assume that reckless disregard qualifies, there is no basis for finding [the] conduct reckless."

The final bullet point above, however, begs a few questions. What if there had been a decision (somewhere in the U.S.) contrary to the interpretation relied on by Bose's in-house counsel in signing the renewal documents? What if in-house counsel was unaware of such a decision? What if there were decisions for and against his interpretation? Is there a duty to conduct and update appropriate legal research before relying on key interpretations of trademark law? What if he knew about a contrary case, but disagreed with it? What if outside trademark counsel opined such a case incorrectly interpreted trademark law? Would an opinion from trademark counsel, blessing an in-house filing, insulate against a fraud finding?

What does all this say, if anything, about the risks of in-house counsel signing certain trademark documents at the USPTO? Is there less risk if a non-lawyer signs PTO trademark documents, perhaps a business person with actual knowledge of the facts, but not saddled with expert knowledge of trademark law?

Sorry, no predictions on answers to any of these questions, at least for today.

My final prediction for the day: The CAFC eventually will decide that "reckless disregard" alone, or without more, is not sufficient to trigger a fraud finding since it is not supported by a literal reading of the statute. I read the CAFC's *In re Bose* decision to say, fraud means fraud, and I believe when forced to decide the question, it will come down favoring a literal reading of the plain meaning of fraud within the Lanham Act, leaving to Congress the decision of whether an amendment to the Act may be required to preserve the integrity of the U.S. trademark system.

What do you think?

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